# ISC Solved Paper 2023
# Accounts
## Class-XII

***(Maximum Marks : 80)***

***(Time allowed : Three hours)***

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*(Candidates are **allowed additional 15 minutes** for only reading the paper.*
*They must **NOT** start writing during this time.)*

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***This Question paper contains three sections.***
***Section A** is **compulsory** for all candidates.*
*Candidates have to attempt **all** questions from **either section B** or **section C***
*There are internal choices provided in each section.*
*The intended marks for questions or parts of questions are given in the brackets [].*
*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.*

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## SECTION - A

Answer ***all*** questions

**1. In subparts (i) to (iv) choose the correct options and in subparts (v) to (x) answer the questions as instructed.**

**(i) Nikhil, Akhil and Amber are partners in a firm. At the time of Akhil's retirement, Amber takes over furniture of ₹12,000 at ₹10,000. [1]**

Choose the correct journal entry from the following options to record this adjustment.

**(a)** Debit Furniture Account ₹10,000; Credit Amber's Capital Account ₹10,000

**(b)** Debit Furniture Account ₹12,000; Credit Amber's Capital Account ₹10,000; Credit Revaluation Account ₹2,000

**(c)** Debit Amber's Capital Account ₹10,000; Credit Furniture Account ₹10,000

**(d)** Debit Amber's Capital Account ₹10,000; Debit Revaluation Account ₹2,000; Credit Furniture Account ₹12,000

**(ii) Select the *correct* Statement from the following options. [1]**

**(a)** A debenture holder is entitled to receive dividend on his debentures from the company even if the company has incurred losses.

**(b)** A debenture holder is entitled to receive interest on his debentures from the company only if the company has made profits.

**(c)** A debenture holder is entitled to receive interest on his debentures from the company only after dividend has been paid by the company to its shareholders.

**(d)** A debenture holder is entitled to receive interest on his debentures from the company even if the company has incurred losses.

**(iii) On the dissolution of the firm, partner Rex agreed to take over the responsibility of completing the dissolution work at an agreed remuneration of ₹1,000 and to bear all realisation expenses. The actual realisation expenses amounted to ₹1,300 which were paid by the firm on Rex's behalf.**

What amount will be debited by the firm to the Realisation Account? **[1]**

**(a)** ₹1,000

**(b)** ₹2300

**(c)** ₹1,300

**(d)** ₹300

**(iv) ABC Ltd. offered 60,000 shares of ₹10 each to the public. The public applied for 1,00,000 shares. The company made pro-rata allotment in the ratio of 3:2 and the remaining applications were rejected and money refunded to the applicants.**

On how many shared did the company refund the application money? **[1]**

**(a)** 40,000 shares

**(b)** 10,000 shares

**(c)** 30,000 shares

**(d)** 20,000 shares

**(v)** **Give the formula used for calculating goodwill of a partnership firm by the *Weighted Average profit* Method.** **[1]**

**(vi)** **A firm had given a loan to one of its partners. Give the journal entry to *close* this Loan Account at the time of dissolution of the partnership firm.** **[1]**

**(vii)** **Mention the heading and sub-heading under which *Vehicles* are shown in the Balance sheet of a company prepared as per Schedule III of the Companies Act, 2013.** **[1]**

**(viii)** **Sunrise Ltd., a listed NBFC, had outstanding 20,000, 7% Debentures of ₹100 each, due of redemption on 31st March, 2022.** **[1]**

**As per the provisions of the Companies Act, 2013, what amount, If any, does the company need to transfer to Debenture Redemption Reserve, before it can redeem the debentures?**

**(xi)** **Pooja and Meher are partners in a firm. They admit Rati into the firm on the following terms:** **[1]**

**(a)** Unrecorded Debtors of ₹1,000 to be brought into the books.

**(b)** Provision for doubtful debts to be created @5% on Debtors.

The recorded debtors in the Balance Sheet of Pooja and Meher on the date of Rati's admission were ₹25000.

**What will be the net *debtors* to be shown in the Balance Sheet of the reconstituted firm?**

**(x)** **On Ist April, 2021, Bhim Ltd. issued 2,000, 5% Debentures of ₹100 each as follows:** **[1]**

**(a)** For cash at a discount of 5% ₹80,000 (Nominal)

**(b)** To a vendor for ₹60,000 in satisfaction of his claim ₹70,000 (Nominal)

**(c)** To Bankers for a loan of ₹40,000 as collateral security ₹70,000 (Nominal)

The interest on these debentures was to be paid annually on 31st March every year by the company.

**You are required to calculate interest on these debentures payable by the company on 31st March, 2022.**

**Ans.(i)** **Option (d) is correct.**

*Explanation:* Amber's Capital A/c Dr. 10000
Revaluation A/c Dr. 2000
To Furniture A/c 12000
(Being furniture take over by Amber)

**(ii)** **Option (d) is correct.**

*Explanation:* Dividend is paid only when company has sufficient profits but Debenture holders are entitled for interest irrespective whether company earns profit or not.

**(iii)** **Option (a) is correct.**

*Explanation:* Realisation A/c Dr. 1000
To Rex's Capital A/c 1000
(Remuneration paid to Rex)
Rex's Capital A/c Dr. 1300
To Cash/Bank A/c 1300
(Dissolution expense paid by firm on behalf of Rex.)

**(iv)** **Option (b) is correct.**

*Explanation:* On the basis of Pro-Rate allotment:

Allotted in ration of 3:2 all the 60000 shares

$$\frac{60000 \times 3}{2} = \frac{180000}{2} = 90{,}000 \text{ shares}$$

$\therefore$ Total Application – Accepted Application
= 1,00,000 – 90,000 = ₹10,000 (Refunded Application)

**(v)** Goodwill = Weighted Average Profit × No. of Years Purchases

$$\text{Weighted Average Profit} = \frac{\text{Total of weighted Profits}}{\text{Total of weight}}$$

**(vi)** Partners's Capital A/c Dr.
To Partners Loan A/c

(Partner's Loan amount transferred to partner's capital A/c)

When firm gives loan to a partners than it is shown in asset side of balance sheet in that case loan amount is transferred to the capital A/c of the Partner.

**(vii)** Motor Vehicles are shown under Non-Current Assets as Main head and Property, Plant and equipment and Intangible Assets-Property, Plant and equipment as Sub-heading in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013.

**(viii)** Non-Banking Finance Companies (NBFCs)–Listed or registered under section 45-1A of the Reserve Bank of India Act, 1934 need not maintain Debenture Redemption Reserve (DRR). Therefore, No amount should be transferred to DRR.

**(ix)** Recorded Debtors = ₹25,000
Unrecorded Debtors = ₹ 1,000
Total Debtors 26,000
Less: PBD@5% = 1,300
₹24,700

₹24,700, amount of net debtors to be shown in the Balance Sheet of the Reconstituted firm.

**(x)** Interest on Debenture ⇒

(a) For Cash = 80,000 × 5% = ₹4,000

(b) For consideration other than Cash = 70,000 × 5% = ₹3,500

Total Interest = ₹7,500

(c) No interest will be paid to debenture is collateral security.

**2. Pia, Sia and Jiya are partners in a firm sharing profits and losses in the ratio of 3:2:1. Pia died on 31st October, 2021. Her capital as on 1st April, 2021, was ₹24,000 and her share of profit for the year 2021-22 till the date of her death, was ascertained as ₹2,000.** **[3]**

**Additional information:**

**(i)** Office Equipment of the firm, the book value of which was ₹10,000 on Ist April, 2021, was revalued on the date of Pia's death at ₹13,600.

**(i)** The amount of ₹35,000 due to Pia's executor in full settlement of the claim, was transferred to her executor's loan amount.

**You are required to prepare Pia's capital account to be rendered to her executor.**

**OR**

**Vinay, Tarun and Arjun are partners in a firm sharing profits and losses in the ratio of 4:3:2 respectively. On Tarun's retirement from the firm on Ist April, 2022, his capital account, after all adjustments, stood at ₹1,14,000.**

**The partners decided that:**

**(i) Tarun to be pain 50% of the amount due to him immediately and the balance by accepting a Bill of Exchange (without interest) payable at the expiry of 3 months.**

**(ii) The continuing partners to re-adjust their capitals in their new profit-sharing ratio in the reconstituted firm. Any surplus/deficit in their capital accounts to be adjusted through their current accounts.**

**Upon re-adjustment of their capitals, Vinay's capital showed a deficit of ₹1,000 while Arjun's capital had a surplus of ₹1,000.**

**You are required to pass journal entries to record:**

**(i) The closing of the retiring partner's capital account.**

**(ii) Adjustment of surplus/deficit in the capital accounts of the continuing partners.**

**Ans. (a) Pia's Capital A/c**

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---|---|---|
| To Executors Loan A/c | 35,000 | By bal b/d | 24,000 |
| | | By P&L suspence A/c | 2,000 |
| | | By Revaluation A/c (Profit) | 1,800 |
| | | By Pia's Capital A/c, | 4,800 |
| | | By Jiya's Capital A/c | 2,400 |
| | 35,000 | | 35,000 |

**Working Note:**

**(a)** Calculation of Revaluation Profit = ₹13,600 – ₹10,000 = ₹3,600

$$\text{Share of Pia} = \frac{3,600 \times 3}{6} = ₹1,800$$

**(b)** The excess amount paid of ₹7,200 will be considered good will.

**OR**

**(b) (i)** **Journal**

| **Date** | **Particulars** | **L.F.** | **Amount Dr.** | **Amount Cr.** |
|---|---|---|---|---|
| 1 April 2022 | Tarun's Capital A/c Dr. | | 1,14,000 | |
| | To Bank A/c | | | 57,000 |
| | To Bills Payable A/c | | | 57,000 |
| | (Amount due to Tarun on retirement paid in part and balance through Bill of Exchange.) | | | |

**(ii) (a)** Vinay's current A/c Dr. 1,000

To Vinay's capital A/c 1,000

(Being deficit of Vinay's capital adjusted through his current A/c)

**(b)** Arjun's capital A/c Dr. 1,000

To Arjun's current A/c 1,000

(Being Surplus of Arjun's capital adjusted through his current A/c)

**3. On 1st April, 2022, Lighthouse Ltd. purchased land from Bricks Ltd. The payment was made on the same day by:** **[3]**

**(i) Issuing a bank draft for ₹20,00,000;**

**(ii) Drawing a promissory Note in favour of Bricks Ltd. for ₹10,00,000;**

**(iii) Issuing 8,000, 10% Debentures of ₹100 each at par, redeemable at a premium of 10%, after three years.**

**You are required to pass necessary journal entries in the books of Lighthouse Ltd. on the *date of purchase of land*.**

**Ans.** **Journal Entries**

**In the Books of Lighthouse Ltd.**

| **Date** | **Particulars** | **L.F.** | **Amount Dr.** | **Amount Cr.** |
|---|---|---|---|---|
| 1st April, 2022 | Land A/c Dr. | | 38,00,000 | |
| | To Bank A/c | | | 20,00,000 |
| | To Promissory Note A/c | | | 10,00,000 |
| | To 10% Debentures A/c | | | 8,00,000 |
| | (Land purchased for ₹38,00,000) | | | |
| | Loss on issue of Debentures A/c Dr. | | 80,000 | |
| | To Premium on Redemption of deb. A/c | | | 80,000 |
| | (Being debenture to be redeemed at premium) | | | |
| | Statement of P&L A/c Dr. | | 80,000 | |
| | To Loss on Deb. A/c | | | 80,000 |
| | (Being Issue of deb. A/c) | | | |

**4. Jerome Ltd. an unlisted manufacturing company, had 20,000, 6% Debentures of ₹100 each due for redemption at par on 31st March, 2022. On this date the company had the required amount of ₹2,00,000 in its Debenture Redemption Reserve.** **[3]**

**The Debenture Redemption Investment which was purchased on 30th April, 2021, was realised at 98% on the date of redemption and the debentures were redeemed on the due date.**

**You are required to pass journal entries in the books of the company for the year 2021–22. (Ignore Interest on debentures).**

**OR**

**On Ist April, 2017, Gabriel Ltd., a listed company, issued 3,000, 8% Debentures of ₹100 each. *One-third* of the Debentures were redeemed at per on 31st March, 2021, and the remaining *two-third* on 31st March, 2022.**

**The company paid interest on debentures annually on 31st March.**

**After meeting the requirements of the Companies Act, 2013, regarding Debenture redemption Investment, the debentures were redeemed by the company.**

**You are required to record necessary journal entries in the books of the company *only* on 31st March, 2022, including entries for interest on debentures.**

**Ans.** **(a)**

**Journal Entries**

**Books of Chrome Ltd.**

| Date | Particulars | L.F. | Amount Dr. (₹) | Amount Cr. (₹) |
|---|---|---|---|---|
| 31st March 2022 | Bank A/c Dr. | | 2,94,000 | |
| | Loss on DRI A/c Dr. | | 6,000 | |
| | To DRI A/c | | | 3,00,000 |
| | (Being DRI Sold 98%) | | | |
| 31st March 2022 | 6% Debentures A/c Dr. | | 20,00,000 | |
| | To Debentureholder's A/c | | | 20,00,000 |
| | (Being debentures to be redeemed) | | | |
| 31st March 2022 | Debentureholder's A/c Dr. | | 20,00,000 | |
| | To Bank A/c | | | 20,00,000 |
| | (Being Payment made to debenture holders) | | | |
| 31st March 2022 | Statement of P&L A/c Dr. | | 6,000 | |
| | To Loss on DRI A/c A/c | | | 6,000 |
| | (Being Loss on sale of DRI transferred) | | | |

**OR**

**(b)**

**Journal Entries**

**In the books of Gabriel Ltd.**

| Date | Particulars | L.F. | Amount Dr. | Amount Cr. |
|---|---|---|---|---|
| 31st March 2022 | Interest on Deb. A/c Dr. | | 16,000 | |
| | To Debentureholder's A/c | | | 16,000 |
| | (Interest due to deb. holders) | | | |
| 31st March 2022 | Debenture holders A/c Dr. | | 16,000 | |
| | To Bank A/c | | | 16,000 |
| | (Interest paid to debenture holders) | | | |
| 31st March 2022 | Bank A/c Dr. | | 30,000 | |
| | To DRI A/c | | | 30,000 |
| | (Being Payment made to debenture holders) | | | |
| 31st March 2022 | 8% Debentures A/c Dr. | | 2,00,000 | |
| | To Debenture holders A/c | | | 2,00,000 |
| | (Amount due to debenture holders on redemption of deb.) | | | |
| 31st March 2022 | Debenture holders A/c Dr. | | 2,00,000 | |
| | To Bank A/c | | | 2,00,000 |
| | (Debentures redeemed/paid to debenture holders) | | | |
| 31st March 2022 | Statement of profit and loss A/c Dr. | | 16,000 | |
| | To Interest on Deb. A/c | | | 16,000 |
| | (Being interest on debentures transferred) | | | |

**Working Note:**

**(i)** Interest on debentures on 31st March 2022 ⇒

One third of total debentures already redeemed, i.e.,

$$3,00,000 \times \frac{1}{3} = 1,00,000$$

$$\text{Remaining debentures} = 3,00,000 - 1,00,000 = 2,00,000$$

$$\text{Interest @ 8\%} = \frac{2,00,000 \times 8}{100} = ₹16,000$$

**(ii)** Debenture Redemption Investment ⇒

$$\text{Value of DRI encashed} = \left[\frac{2}{3} \text{of } 3,00,000\right] \times \frac{15}{100} = ₹30,000$$

**5. Viraj, Harsh and Akhil are partners in a firm sharing profits and losses and losses in the ratio of $\frac{4}{9} : \frac{1}{3} : \frac{2}{9}$.**

**Akhil dies on 31st March, 2022. Viraj acquires $\frac{4}{9}$ of Akhil's share and the balance is acquired by Harsh. [3]**

**On the date of Akhil's death, it was decided to value the goodwill of the firm on the basis of *two year's purchase of average super profit.***

**The average net profit made by the firm is ₹49,000 per annum.**

**The remuneration of the partners, considered as management cost, is estimated to be ₹9,000 per annum.**

**The total value of assets and liabilities of the firm is ₹2,20,000 and ₹80,000 respectively.**

**The normal rate of return in the industry is 15%.**

**You are required to calculate:**

**(i) The gaining ratio of the continuing partners.**

**(ii) The value of non-purchased goodwill of the firm.**

**Ans. (I)** Gaining Ratio = NR – OR (New Ratio – Old Ratio)

Viraj acquired $\frac{4}{9}$ of Akhil's share:

$$= \frac{4}{9} \times \frac{2}{9} = \frac{8}{81}$$

$$\text{NPR} = \frac{4}{9} + \frac{8}{81} = \frac{44}{81}$$

Harsh acquired the remaining ratio of Akhil.

$$= \frac{2}{9} - \frac{8}{81} = \frac{18-8}{81} = \frac{10}{81}$$

$$\text{NPR} = \frac{1}{3} + \frac{10}{81} = \frac{37}{81}$$

$$\text{Gaining Ratio of Viraj} = \frac{44}{81} - \frac{4}{9} = \frac{44-36}{81} = \frac{8}{81}$$

$$\text{Gaining Ratio of Harsh} = \frac{37}{81} - \frac{1}{3} = \frac{37-27}{81} = \frac{10}{81}$$

$$\text{Gaining Ratio} = 8:10$$

**(II)** Value of Non-Purchased goodwill ⇒

**(i)** Capital Employed = All Assets – Outside Liability

= 2,20,000 – 80,000

= ₹1,40,000

**(ii)**

$$\text{Normal Profit} = \frac{\text{Capital employed} \times \text{NRR}}{100}$$

$$= \frac{1,40,000 \times 15}{100}$$

$$= ₹21,000$$

**(iii)** Average Profit = Net Profit – Remuneration
= 48,000 – 9,000
= ₹40,000

**(iv)** Super Profit = Average Profit – Normal Profit
= 40,000 – 21,000
= ₹19,000

**(v)** Goodwill = Super profit × No. of Years's Purchase
= 19,000 × 2
= ₹38,000

**6. Sunrise Ltd. was formed on 1st November, 2021, with a capital of ₹20,00,000 divided into Equity shares of ₹20 each. [6]**
**It offered 95% shares to the public which were all subscribed for.**
**60% amount was payable on application;**
**30% on allotment;**
**And the balance on final call.**
**The applicants paid ₹11,40,000 on application and ₹5,40,000 on allotment.**
**Final call was not made by the company till the Balance Sheet date.**
**You are required to prepare:**
**(i) An extract of the Balance Sheet showing Share Capital.**
**(ii) Notes to Accounts.**

**Ans.**

**Journal Entries**
**In the books of Sunrise Ltd.**

| Date | Particulars | L.F. | Amount Dr. | Amount Cr. |
|---|---|---|---|---|
| 1st Nov. 2021 | Bank A/c Dr. | | 11,40,000 | |
| | To Eq. share App. A/c | | | 11,40,000 |
| | (6% App. money rece.) | | | |
| 1st Nov. 2021 | Eq. share A/c Dr. | | 11,40,000 | |
| | To Eq. Share capital A/c | | | 11,40,000 |
| | (App. money transferred to Share cap.) | | | |
| 1st Nov. 2021 | Equity Share Allot. A/c Dr. | | 5,70,000 | |
| | To Equity Share Cap. A/c | | | 5,70,000 |
| | (Amount due on allotment i.e., 30% of 19,00,000) | | | |
| 1st Nov. 2021 | Bank A/c Dr. | | 5,40,000 | |
| | Calls-in-Arrear A/c Dr. | | 30,000 | |
| | To Equity Share Allot. A/c | | | 5,70,000 |
| | (Allot. money reed. except 30,000) | | | |

**Balance Sheet of Sunrise Ltd**
**(as at 31 March, 2022)**

| Date | Particulars | Note No. | ₹ |
|---|---|---|---|
| | Equity & Liabilities | | |
| | (i) Share holder's funds | | |
| | Share Capital | | 16,80,000 |

**Note to Accounts:**

1. Share Capital

| | | |
|---|---|---|
| Authorised Capital | | |
| 1,00,000 equity Share of ₹20 each | | 20,00,000 |
| Issued Capital | | |
| 95,000 equity Share of ₹20 each | | 19,00,000 |
| Subscribed Capital | | |
| Subscribed but not fully paid up | | |
| 95,000 equity share of of ₹20 each; ₹18 called up | | |
| (₹95,000 × 18) | ₹17,10,000 | |
| less: Calls-in-Arrears | ₹3,000 | ₹16,80,000 |

Amount to be received on allotment = ₹30% of 19,00,000 = ₹5,70,000

Receive on allotment = ₹5,40,000

∴ Calls-In-Arrear = ₹5,70,000 – ₹5,40,000

= ₹30,000

**7. Mita and Sita, sharing profits in the ratio of 2:1, decided to dissolve their partnership firm on 31st March, 2022, on which date their Balance Sheet was as under: [6]**

**Balance Sheet of Mita and Sita**
**As at 31st March, 2022**

| Liabilities | (₹) | Assets | (₹) |
|---|---|---|---|
| Sundry Creditors | 40,000 | Land & Building | 29,000 |
| Sita's Son's Loan | 2,000 | Plant & Machinery | 20,000 |
| Bank Overdraft | 8,000 | Stock | 3,000 |
| Capital Accounts:<br>Mita 20,000<br>Sita 10,000 | 30,000 | Debtors 26,400<br>Less Provision for doubtful debts 400 | 26,000 |
| | | Bank | 2,000 |
| | 80,000 | | 80,000 |

**The partnership firm was dissolved on the date of the Balance Sheet subject to the following adjustments:**

**(a) Trade creditors accepted plant and machinery at an agreed valuation of 10% less than the book value and the balance in cash in full settlement of their claims.**

**(b) Debtors of ₹1,000 proved bad.**

**(c) Sita took over the stock at a discount of 20%.**

**(d) Realisation expenses of ₹1,100 were paid by the firm.**

**You are required to prepare the Realisation Account.**

**Ans.** **Realisation A/c**

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---|---|---|
| To Land & Build. | 29,000 | By Creditors | 40,000 |
| To Plant & Machinery | 20,000 | By Sita's sons Loan | 2,000 |
| To Stock | 3,000 | By Provision for Bad debts | 400 |
| To Debtors | 26,400 | By Bank A/c: | |
| To Cash (Creditors) | 22,000 | Debtors | 25,400 |
| To Cash (Realisation expense) | 1,100 | By Sita's Capital (Stock) | 2,400 |
| To Cash (Sita's Son's Loan) | 2,000 | By Mita Capital | 22,200 |
| | | By Sita's Capital | 11,100 |
| | 1,03,500 | | 1,03,500 |

**Notes:**

(i) Creditors = 40,000

(–) Took over P & M @ discount of 10% = 18,000

Paid in cash 22,000

**8. Benu and Leena are partners in a firm sharing profits and losses in the ratio of 5:3. They admit Deepa and Erica as two new partners. [6]**

**The new profit-sharing ratio is decided to be 3:2:2:3.**

**Both the new partners introduce ₹1,00,000 each as capital.**

**Deepa pays 40,000 in cash for her share of goodwill but Erica is unable to contribute any amount for her share of goodwill.**

**At the time of Deepa's and Erica's admission, the firm had an Advertisement Suspense Account of ₹56,000 which is written off.**

**You are required to pass necessary journal entries to record the above adjustments at the time of admission of Deepa and Erica.**

**OR**

**Greg and Rohit are partners in a firm sharing profits and losses in the ratio of 2:3. Their Balance Sheet as at 31st March, 2022, is given below:**

**Balance Sheet of Greg and Rohit**
**As at 31st March, 2022**

| Liabilities | | (₹) | Assets | | (₹) |
|---|---|---|---|---|---|
| Sundry Creditors | | 15,000 | Goodwill | | 10,000 |
| Outstanding Salary | | 5,000 | Office Equipment | | 37,000 |
| General Reserve | | 8,000 | Sundry Debtors | 6,400 | |
| Capital Accounts: | | | Less Provision for | | 6,000 |
| Greg | 25,000 | | doubtful debts | 400 | |
| Rohit | 10,000 | 35,000 | Cash | | 10,000 |
| | | 63,000 | | | 63,000 |

**On Ist April, 2022, they admit Kunal as a new partner on the following terms:**

**(a) They new profit-sharing ratio of Greg, Rohit and Kunal to be 5:3:2**

**(b) Kunal to bring his share of capital of ₹25,000 and his share of goodwill of ₹5,000 in cash.**

**(c) Office Equipment to be valued at ₹42,000.**

**You are required to prepare Partners' Capital Accounts.**

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

| Date | Particulars | | L.F. | Amount Dr. | Amount Cr. |
|---|---|---|---|---|---|
| | Bank A/c | Dr. | | 2,40,000 | |
| | To Deepa's Capital A/c | | | | 1,00,000 |
| | To Erica's Capital A/c | | | | 1,00,000 |
| | To Premium for Goodwill A/c | | | | 40,000 |
| | (Amount brought in by Deepa's Erica for his share of G/w and Capital) | | | | |
| | Premium for Goodwill A/c | Dr. | | 40,000 | |
| | To Benu's Capital A/c | | | | 26,000 |
| | To Leena's Capital A/c | | | | 14,000 |
| | (Share of Deepa in G/w credited to X and Y in their sacrificing ratio) | | | | |
| | Deepa's Capital A/c | Dr. | | 60,000 | |
| | To Benu's Capital A/c | | | | 39,000 |
| | To Leena's Capital A/c | | | | 21,000 |
| | (Being Deepa's Share of Goodwil adjusted) | | | | |
| | Benu's Capital A/c | Dr. | | 35,000 | |
| | Leena's Capital A/c | Dr. | | 21,000 | |
| | To Advertisement Suspense A/c | | | | 56,000 |
| | (Advertisement Suspense A/c written off through Old 'Partners' capital A/c in their old ratio) | | | | |

**Notes:**

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Benu's Share} = \frac{5}{8} - \frac{3}{10} = \frac{50-24}{80} = \frac{26}{80}$$

$$\text{Leena's Share} = \frac{3}{8} - \frac{2}{10} = \frac{30-16}{80} = \frac{14}{80}$$

13 : 7

26 : 14

∴ Sacrificing Ratio = 13 : 7

**OR**

**(b)** **Partner's Capital A/c**

| Particulars | Greg | Rohit | Kunal | Particulars | Greg | Rohit | Kunal |
|---|---|---|---|---|---|---|---|
| To Ravi's Capital A/c | 2,500 | | | By bal. b/d | 25,000 | 10,000 | |
| To bal. c/d | 27,700 | 25,300 | 30,000 | By Bank A/c | | | 30,000 |
| | | | | By Prem. For G/w | | 5,000 | |
| | | | | By General Res. | 3,200 | 4,800 | |
| | | | | By Revaluation | 2,000 | 3,000 | |
| | | | | By Greg's capital A/c | | 2,500 | |
| | 30,200 | 25,300 | 30,000 | | 30,200 | 25,300 | 30,000 |

**Notes:**

**(i)** Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Greg's Share} = \frac{2}{5} - \frac{5}{10} = \frac{4-5}{10} = \frac{-1}{10} \text{ (Gain)}$$

$$\text{Rohit's Share} = \frac{3}{5} - \frac{3}{10} = \frac{6-3}{10} = \frac{3}{10} \text{ (Sacrifice)}$$

**(ii)** Revaluation profit ⇒

Office Equipment of ₹37,000 increases to ₹42,000 i.e., = Profit of ₹5,000

Distributed among old partners in their Old ratio.

**(iii)** Firm's Goodwill ⇒

Kunal brings ₹5,000 for $\frac{2}{10}$ share

$$\therefore \text{ Firm's Goodwill} = \frac{5{,}000 \times 10}{2} = \frac{50{,}000}{2} = ₹25{,}000$$

Greg will compensate Rohit by ₹2,500 as firms goodwill

$$25{,}000 \times \frac{1}{10} = 2{,}500$$

**(iv)** Premium for G/w A/c Dr. 5,000
Greg Capital A/c Dr. 2,500
To Rohit's Capital A/c 7,500
(PPG credited to Rohit's Capital A/c)

**9. The *fixed* capital accounts of Shiv, Azeem and Angad, sharing profits and losses in the ratio of 2:2:1, stood at ₹4,00,000, ₹6,00,000 and ₹2,00,000 respectively.** **[10]**

**The accounts for the year ended 31st March, 2022, were drawn up and closed and the *Current Account* balances of the partners were determined to be:**

**Shiv ₹35,000, Azeem ₹40,000 and Angad ₹25,000.**

**Subsequently the following errors were discovered on 1st April, 2022:**

(a) Interest on capital @ 10% per annum had been allowed to the partners, although there was no provision for it in the partnership deed.

(b) Salary of ₹16,000 per annum to Shiv and ₹20,000 per annum to Azeem was not allowed to them, despite a provision for salary in the partnership deed.

(c) Commission of ₹24,000 was not allowed to Angad, despite a provision for commission in the partnership deed.

**You are required to prepare the *adjusted* Current Accounts of the partners on 1st April, 2022, to rectify the lapse in accounting.**

**OR**

**Ruma and Neha started business on 1st April, 2021, with *fixed* capitals of ₹4,00,000 and ₹3,50,000 respectively.**

**On 1st October, 2021, they decided that their total capital (*fixed*) should be ₹8,00,000, in their profit-sharing ratio of 3:2.**

**Accordingly, they introduced extra capital or withdrew excess capital.**

**Their partnership deed provide for the following:**

**(a) Interest on capital to be allowed @ 10% per annum.**

**(b) A monthly salary of ₹1,000 each to be allowed to both Ruma and Neha.**

**(c) Interest on drawings to be charged @ 18% per annum.**

**Ruma had withdrawn ₹12,000, during the year. As per the deed, the interest on her drawings amounting to ₹1,080 to be charged from her.**

**During the year ending 31st March, 2022, the firm earned a net profit of ₹2,04,000 *before* charging manager's commission of ₹20,400 and interest on bank loan of ₹4,000.**

**You are required to:**

**(i) Give the journal entry to *close* Ruma's Drawings Account.**

**(ii) Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2022.**

**Ans. (a) Adjustment table**

| Particulars | Shiv | | Azzem | | Angad | | Firm | |
|---|---|---|---|---|---|---|---|---|
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| Int. on Capital @ 10% | 40,000 | | 60,000 | | 20,000 | | | |
| Salary | | 16,000 | | 20,000 | | | 36,000 | |
| Commission | | | | | | 24,000 | 24,000 | |
| Excess profit to be shared is 2 : 2 : 1 | | 24,000 | | 24,000 | | 12,000 | 60,000 | |
| | 40,000 | 40,000 | 60,000 | 44,000 | 20,000 | 36,000 | | |
| | | | 16,000 (Dr.) | | 16,000 (Cr.) | | | |

**Journal**

| | | | | |
|---|---|---|---|---|
| 31 Mar. 2022 | Azeem's Current A/c | Dr. | 16,000 | |
| | To Angad's Current A/c | | | 16,000 |
| | (Rectifying entry passed) | | | |

**Partner's Adjusted Current A/c**

| Particulars | Shiv | Azeem | Angad | Particulars | Shiv | Azeem | Angad |
|---|---|---|---|---|---|---|---|
| To Angad's Current A/c | | 16,000 | | By bal. b/d | 35,000 | 40,000 | 25,000 |
| To bal. c/d | 35,000 | 24,000 | 41,000 | By Azzem's Current A/c | | | 16,000 |
| | 35,000 | 40,000 | 41,000 | | 35,000 | 40,000 | 41,000 |

**OR**

**(b) Profit & Loss Appropriation A/c**

| Particulars | | Amount | Particulars | | Amount |
|---|---|---|---|---|---|
| To IOC: | | | By P&L A/c: | 2,04,000 | |
| Ruma | | 44,000 | (–) Mang. com. | (20,400) | |
| Neha | | 33,500 | (–) Int. on DC | (4,000) | 1,79,600 |
| To Salary: | | | By IOD | | 1,080 |
| Ruma | | 12,000 | | | |
| Neha | | 12,000 | | | |
| To Partner's Capital A/c | | | | | |
| To Profit | | | | | |
| Neha | 31,672 | 79,180 | | | |
| Ruma | 47,508 | | | | |
| | | 1,80,680 | | | 1,80,680 |

**Working Note:**

Int. on capital:

| | Ruma | Neha |
|---|---|---|
| From 1 April 21 to 30 Sep. 21 | 20,000 | 17,500 |
| @10% pa. | $\left(\frac{400000 \times 10 \times 6}{100 \times 12}\right)$ | $\left(\frac{350000 \times 10 \times 6}{100 \times 12}\right)$ |
| From 1 Oct. to 31 March | 24,000 | 16,000 |
| @10% pa. | $\left(\frac{480000 \times 10 \times 6}{100 \times 12}\right)$ | $\left(\frac{320000 \times 10 \times 6}{100 \times 12}\right)$ |
| Total IOC = | 44,000 | 33,500 |

**Partner's Capital A/c**

| Particulars | Ruma | Neha | Particulars | Ruma | Neha |
|---|---|---|---|---|---|
| To Cash A/c | | 30,000 | By bal. b/d | 4,00,000 | 3,50,000 |
| To bal. c/d | 4,80,000 | 3,20,000 | By Cash A/c | 80,000 | |
| | 4,80,000 | 3,50,000 | | 4,80,000 | 3,50,000 |

**Journal Entry**

| | | | | |
|---|---|---|---|---|
| 31 Mar. 2022 | Ruma's Drawing A/c | Dr. | 12,000 | |
| | To Bank A/c | | | 12,000 |
| 31 Mar. 2022 | Ruma's Current A/c | Dr. | 12,000 | |
| | To Reema's Drawing A/c | | | 12,000 |

**10. NH Ltd. with an authorized capital of ₹10,00,000 divided into 1,00,000 Equity shares of ₹10 each, issued 50,000 shares to the public at a premium of ₹2 per share, payable as follows: [3]**

**₹5 on Application (including premium)**

**₹3 on Allotment**

**₹4 on First & Final Call.**

**The subscription was at par and the share money was received in full with the exception of the allotment money on 4,000 shares held by shareholder Ravi and the call money on 6,000 shares (including Ravi's shares)**

**The above 6,000 shares were forfeited by the company and 5,000 of these (including the shares which had been allotted to Ravi) were reissued at ₹8 per share as fully paid up.**

**You are required to pass journal entries to record the above transactions in the books of the company.**

**OR**

**MV Ltd. was registered with a capital of ₹2,00,000 divided into 10,000 Equity shares of ₹20 each, payable as follows:**

| | |
|---|---|
| **On Application** | **₹5 per share** |
| **On Allotment** | **₹7 per share** |
| **On First & Final Call** | **₹8 per share** |

**The company offered 5,000 shares to the public for subscription. It received applications for 6,700 shares.**

**From amongst the applicants:**

**(i) Vimal, who had applied for 1,500 shares, paid ₹7,500 on application, but was allotted only 800 shares.**

**(ii) Abhay, who had applied for 2,000 shares, paid the full amount of ₹40,000 with his application, but was allotted only 1,000 shares.**

**(iii) Nitin, who had applied for and allotted 500 shares, did not pay the allotment and call money when due.**

**(iv) The remaining applicants paid as and when due.**

**The surplus money paid by both Vimal and Abhay was used towards allotment and call and any surplus beyond the call was refunded.**

**The company forfeited Nitin's shares after the final call.**

**You are required to pass journal entries to record the above transactions in the books of the company.**

**Ans.** **Journal Entries**

**In the books of NH Ltd.**

| Date | Particulars | | L.F. | Amount Dr. | Amount Cr. |
|---|---|---|---|---|---|
| | Bank A/c | Dr. | | 2,50,000 | |
| | To Equity share App. A/c | | | | 2,50,000 |
| | (Being App. money received) | | | | |
| | Equity share App. A/c | Dr. | | 2,50,000 | |
| | To Equity share capital A/c | | | | 1,50,000 |
| | To Securities Premium Reserve A/c | | | | 1,00,000 |
| | (Being App. money due) | | | | |
| | Equity share Allotment A/c | Dr. | | 1,50,000 | |
| | To Equity share Capital A/c | | | | 1,50,000 |
| | (Being Allotment money due) | | | | |
| | Bank A/c | Dr. | | 1,38,000 | |
| | Calls-in-Arrear A/c | Dr. | | 12,000 | |
| | To Equity share Allotment A/c | | | | 1,50,000 |
| | (Being allotment money received) | | | | |
| | Equity share first and final call A/c | Dr. | | 2,00,000 | |
| | To Equity share Capital A/c | | | | 2,00,000 |
| | (Being call money due) | | | | |
| | Bank A/c | Dr. | | 1,76,000 | |
| | Calls-in-Arrear A/c | Dr. | | 24,000 | |
| | To Share first and final call A/c | | | | 2,00,000 |
| | (Being call money received) | | | | |
| | Equity Share Capital A/c | Dr. | | 60,000 | |
| | To Call-in-Arrears A/c | | | | 36,000 |
| | To Share forfeiture A/c | | | | 24,000 |
| | (Being 6,000 share forfeited) | | | | |
| | Bank A/c | Dr. | | 40,000 | |
| | Share forfeiture A/c | Dr. | | 10,000 | |
| | To Equity Share Capital A/c | | | | 50,000 |
| | (Being 5,000 Shares reissued) | | | | |
| | Share forfeiture A/c | Dr. | | 8,000 | |
| | To Capital Reserve A/c | | | | 8,000 |
| | (Being Proportionate amount transferred to capital Reserve) | | | | |

**Working Note:**

Credit balance of Share forfeiture for Ravi's Share = 4,000 × 3 = 12,000

Discount allowed on reissue = 4,000 × 2 = (8,000)

Amount to be transferred to Capital Reserve = 4,000

Credit balance of Share forfeiture on remaining 1,000 Shares = 1,000 × 6 = 6,000

Discount allowed on reissue = 1,000 × 2 = (2,000)

Amount to be transferred to Capital Reserve = 4,000

Total amount to be transferred = 4,000 + 4,000 = ₹8,000

**OR**

**Journal Entries**

**In the books of MV Ltd.**

| Date | Particulars | L.F. | Amount Dr. | Amount Cr. |
|---|---|---|---|---|
| | Bank A/c Dr. | | 63,500 | |
| | To Equity share App. A/c | | | 63,500 |
| | (Being Application money received for 6,700 Shares and advance received) | | | |
| | Equity share App. A/c Dr. | | 63,500 | |
| | To Equity share capital A/c | | | 25,000 |
| | To Share Allotment A/c | | | 10,500 |
| | To Calls-in-advance A/c | | | 8,000 |
| | To Bank A/c | | | 20,000 |
| | (Being App. money due) | | | |
| | Equity share Allotment A/c Dr. | | 35,000 | |
| | To Equity share Capital A/c | | | 35,000 |
| | (Being Allotment money due) | | | |
| | Bank A/c Dr. | | 21,000 | |
| | Calls-in-Arrears A/c Dr. | | 3,500 | |
| | To Share Allotment A/c | | | 24,500 |
| | (Being allotment money received) | | | |
| | Equity share first and final call A/c Dr. | | 32,000 | |
| | Calls-in-Advance A/c Dr. | | 8,000 | |
| | To Equity share Capital A/c | | | 40,000 |
| | (Being call money due) | | | |
| | Bank A/c Dr. | | 28,000 | |
| | Calls-in-Arrears A/c Dr. | | 4,000 | |
| | To Share first and final call A/c | | | 32,000 |
| | (Being Amount received) | | | |
| | Share Capital A/c Dr. | | 10,000 | |
| | To Call-in-Arrears A/c | | | 7,500 |
| | To Share forfeiture A/c | | | 2,500 |
| | (Being Share forfeited) | | | |

**Working Note:**

**(i)** Vimal Applied for 1,500 Shares and was allotment 300 Shares So, excess amount received from him

= 7,500 – 4,000 = ₹3,500

Amount to be received from him on allot and call = 15 × 800 = ₹12,000

So, excess amount can be utilized

**(ii)** Abhay applied for 2,000 Shares and was allotted 1,000 Shares

Total amount to be paid by him = 1,000 × 20 = ₹20,000

He paid ₹40,000

So amount to be refunded = 40,000 – 20,000 = ₹20,000

**(iii)** Amount received on Application =

4,700 Shares @ ₹5 = ₹23,500

(+) 2,000 Shares @ ₹20 = ₹40,000

₹63,500

## SECTION - B

Answer ***all*** questions

**11. In subparts (i) and (ii) choose the correct options and in subparts (iii) to (v) answer the questions as instructed.**

**(i) A company had Current Assets of ₹3,00,000 and Current Liabilities of ₹1,50,000, having a Current Ratio of 2:1. [1]**

**What will be the company's revised Current Ratio after it collects ₹20,000 cash from its debtors of ₹25,000, the remaining debtors being bad?**

**(a)** 2.56:1

**(b)** 2.03:1

**(a)** 2.13:1

**(d)** 1.97:1

**(ii) During the year 2021-22, SM Ltd. issued 10,000, 10% Debentures of ₹100 each at a discount of 10% to be redeemed after three years. The company had a balance of ₹60,000 in its Securities Premium Reserve. [1]**

**What amount will be added under Operating Activities as Discount on issue of Debentures written off in the Cash Flow Statement of SM Ltd. for the year 2021-22?**

**(a)** ₹10,00,000

**(b)** ₹60,000

**(a)** ₹1,00,000

**(d)** ₹40,000

**(iii) State with reason whether *Provision for Doubtful Debts* is subtracted from Trade Receivables while computing Current Ratio. [1]**

**(iv) While preparing its Cash Flow Statement, will a company consider an increase in its Bank Overdraft as an Operating Activity or as a Financing Activity? [1]**

**(v) What is meant by *inter-firm analysis*? [1]**

**Ans. (i) Option (d) is correct.**

***Explanation:*** Current Assets = 3,00,000 + 20,000 – 25,000

= 2,95,000

Current Liabilities = 150,000

$$\text{Current Ratio} = \frac{2,95,000}{1,50,000} = 1.97:1$$

**(ii) Option (d) is correct.**

***Explanation:*** ₹40,000 added under operating act because it is not an operating expenses. Discount or Loss on issue of debentures written off from Securities Premium Reserve and Profit and Loss A/c. Therefore, ₹40,000 written off from P&L A/c and ₹6,000 from Securities Premium Reserve:

**Cal:** 10,000 Deb. × ₹100 = ₹10,00,000

$$\text{Dis @ 10\%} = \frac{₹1000000 \times 10}{100} = ₹1,00,000$$

**(iii)** Yes, Provision for Doubtful Debts is subtracted from Trade Receivables because it is not convertible in cash and it will not give proper. Current Ratio as compared to their peer and indicates that mgt may not be using their assets efficiently.

**(iv)** Increase in Bank Overdraft is a financing activity because it is a current liability.

**(v)** **Inter Firm Analysis:** A comparison of two or more enterprises or firm is known as inter firm comparison to determine their competitive position of that two or more times.

**12. From the following data of Horizon Ltd., you are required to prepare a Comparative Statement of Profit and Loss.** [3]

| Particulars | 31.03.2022 | 31.03.2021 |
|---|---|---|
| Revenue from Operations (% of Other Income) | 100% | 100% |
| Other Income | ₹1,00,000 | ₹50,000 |
| Cost of Materials consumed | ₹50,000 | ₹20,000 |
| Depreciation and Amortisation Expense | ₹10,000 | ₹5,000 |

**Ans.**

**Comparative Statement P&L**
**for the years ended 31 March, 2021 and 2022**

| Particulars | Note No. | 31$^{st}$ March, 2021 ₹ (A) | 31$^{st}$ March, 2022 ₹ (B) | Absolute Change (Inv/Dec.) ₹ (C = B – A) | Absolute Change (Inv/Dec.) ₹ $(D = \frac{C}{A} \times 100)$ |
|---|---|---|---|---|---|
| (i) Revenue from operations | | 50,000 | 1,00,000 | 50,000 | 100 |
| (ii) Other Income | | 50,000 | 1,00,000 | 50,000 | 100 |
| (iii) Total Revenue (i + ii) | | 1,00,000 | 2,00,000 | 1,00,000 | 100 |
| (iv) Expense: | | | | | |
| (a) Cost of material con. | | 20,000 | 50,000 | 30,000 | 150 |
| (b) Dep. & Amort. Exp. | | 5,000 | 10,000 | 5,000 | 100 |
| Total expense | | 25,000 | 60,000 | 35,000 | 140 |
| (v) Profit (iii – iv) | | 75,000 | 1,40,000 | 65,000 | 86.67 |

**13. From the following information of Hoopla Ltd., You are require to prepare a Cash Flow Statement (as per AS 3) for the year 2021-22.** [6]

| **Particulars** | **(₹)** |
|---|---|
| **(i)** Profit for the year 2021-22, *before* considering dividend and tax but *after* taking into account the following items: | 15,80,000 |
| **(a)** Depreciation on Property, Plant & Equipment | 5,50,000 |
| **(b)** Interest Payable on Bank Loan | 3,80,000 |
| **(c)** Profit on sale of investments, the book value of which was ₹2,20,000 | 1,00,000 |
| **(ii)** During the year 2021-22: | |
| **(a)** The company | |
| • Paid Tax (which was provided in 2020-21) | 4,40,000 |
| • Issued 66,000 equity shares of ₹10 each | 6,60,000 |
| • Repaid Bank Loan | 15,00,000 |
| • Paid interest on Bank Loan | 3,00,000 |
| • Paid Dividend | 5,00,000 |
| **(b)** Trade payables decreased by | 10,000 |
| **(c)** Cash at bank increased from ₹60,000 on 1$^{st}$ April, 2021 to ₹7,00,000 on 31$^{st}$ March, 2022 | |

**OR**

**From the following Balance Sheets of Rainbow Ltd., you you are required to prepare a Cash Flow Statement (as per AS 3) for the year 2021-22.**

**Balance Sheets of Rainbow Ltd.**
**As at 31st March, 2022 and 31st March, 2021**

| Particulars | Note No. | 31.3.2022 (₹) | 31.3.2021 (₹) |
|---|---|---|---|
| **I EQUITY AND LIABILITIES** | | | |
| **1. Shareholders's Funds** | | 4,00,000 | 4,00,000 |
| (a) Share Capital (Equity) | 1. | 1,60,000 | 1,20,000 |
| (b) Reserves and Surplus | | | |
| **2. Non-Current Liabilities** | | 3,50,000 | 2,60,000 |
| **Long-term Borrowings (5% Debentures) | | | |
| **3. **Current Liabilities** | | 30,000 | 25,000 |
| Short term provision (Provision for Tax) | | 9,40,000 | 8,05,000 |
| **TOTAL** | | | |
| **II ASSETS** | | | |
| **1. Non-Current Assets** | | | |
| Property, Plant & Equipment & Intangible Assets | | 6,00,000 | 7,80,000 |
| (i) Property, Plant & Equipment | | | |
| (Plant & Machinery) | | 3,40,000 | 25,000 |
| **2. Current Assets** | | 9,40,000 | 8,05,000 |
| Cash & Bank Balance (Cash at Bank) | | | |
| **TOTAL** | | | |

**Notes to Accounts:**

| Particulars | 31.3.2022 (₹) | 31.2.2021 (₹) |
|---|---|---|
| **1. Reserves and Surplus** | | |
| General Reserve | **30,000** | **20,000** |
| Balance is Statement of Profit and Loss | **1,30,000** | **1,00,000** |

***Addition information:***

During the year 2021-22, the company:

**(i)** Sold a machine for ₹90,000 at a loss of ₹10,000.

**(ii)** Issued the 5% Debentures on 31st March, 2022, at a discount of 10%. The discount was written off from General Reserve.

**Ans. (a)**

**Hoopla Ltd.**
**Cash Flow Statement**
**For the year ended 31st March, 2022**

| Particulars | ₹ | ₹ |
|---|---|---|
| **A.** Cash Flow from Operating Act. | | 16,80,000 |
| Net Profit before Tata and Expense Items Adjust for Non cash and Non-operating Items: | | |
| **Add:** Depreciation | 5,50,000 | |
| Interest payable on loan | 3,80,000 | 9,30,000 |
| | | 25,10,000 |
| **Less:** Gain on Investments | (1,00,000) | (1,00,000) |
| Operating Profit before WC changes | | 24,10,000 |
| **Less:** Decreased in Trade Payables | (10,000) | (10,000) |
| Cash Generated from Operations | | 24,00,000 |
| **Less:** Income Pay paid | (4,40,000) | (4,40,000) |
| Cash flow from Operating Act. | | 19,60,000 |

*As per new syllabus, (Schedule III of companies Act, 2013), long term browning is shown under head current liability.*

| | | | |
|---|---|---|---|
| **B.** | Cash Flow from Investing Act.<br>Sales of investments | 3,20,000 | 3,20,000 |
| | Cash used in Investing Act. | | 3,20,000 |
| **C.** | Cash Flow from Financing Act.<br>Proceeds from Issue of Shares<br>Payment of Bank Loan<br>Payment of Interest on Loan<br>Payment of Dividend | <br>6,60,000<br>(15,00,000)<br>(3,00,000)<br>(5,00,000) | <br><br><br><br>(16,40,000) |
| | | | 16,40,000 |
| **D.** | Net Increase in Cash and CE (A + B + C) | | 6,40,000 |
| **Add.** | Opening Cash and Cash Equivalents | | 60,000 |
| **E.** | Closing Cash and Cash Equivalents | | 7,00,000 |

**(b)**

**Rainbow Ltd.**
**Cash Flow Statement**
**For the year ended 31st march, 2022**

| | **Particulars** | **₹** | **₹** |
|---|---|---|---|
| **A.** | Cash Flow from OA.<br>Net Profit before Tap and Eo | | <br>70,000 |
| **Add:** | Non Cash and Non Operating Items:<br>Depreciation<br>Interest on Deb. @5%<br>Loss on Issue of Deb.<br>Loss on Sale of Machine | <br>80,000<br>13,000<br>9,000<br>10,000 | <br><br><br><br>1,12,000 |
| | Operating Profit before WC changes | | 1,82,000 |
| **Add.** | Increase In CL | | |
| **Less.** | Increase In CA | | |
| | Cash Generated Tax | | 1,82,000 |
| **Less:** | Tax paid | (25,000) | (25,000) |
| | Cash Flow from OA. | | 1,57,000 |
| **B.** | Cash Flow from Investing Act.<br>Proceeds from sales of March: | <br>90,000 | <br>90,000 |
| | Cash used in Investing Act. | | 90,000 |
| **C.** | Cash Flow from Financing Act.<br>Proceeds from Issue of Debentures<br>Payment of Int. on Deb. | <br>81,000<br>(13,000) | <br><br>68,000 |
| | Cash used in Financing Act. | | 68,000 |
| **D.** | Cash Increases (A + B + C) | | 3,15,000 |
| **E.** | Cash and Cash Equivalents in beginning | | 25,000 |
| **F.** | Cash and Cash Equivalents at the end of the period (E + F) | | 3,40,000 |

**Working Note:**

**1. Calculation of Net Profit:**

| | | |
|---|---|---|
| Closing Balance of Surplus, i.e., Balance of statement in P&L | | 1,30,000 |
| **Less:** Opening Balance of statement | | (1,00,000) |
| | | 30,000 |
| **Add:** Provision for tax | 30,000 | |
| General Reserve | 10,000 | 40,000 |
| | | 70,000 |

**2. Calculation of Depreciation:**

**Machinery A/c**

| Particulars | Amount | Particulars | Amount |
|---|---|---|---|
| To bal. b/d | 7,80,000 | By Sales A/c | 90,000 |
| | | By Loss on Sales | 10,000 |
| | | By Depreciation | 80,000 |
| | | By bal. c/d | 6,00,000 |
| | 7,80,000 | | 7,80,000 |

**3.** Int. on Debentures = 2,60,000 × 5% = 13,000

**4.** Loss/Discount on Issue of Debentures

= 3,50,000 – 2,60,000 = 90,000 (Deb. Issued)

(Clo. Deb.) (Ope. Deb.)

Discount @ 10% $= \frac{90000 \times 10}{100} = 9{,}000$

Note: Discount will be written off next year i.e., 2022-2023.

**5.** Issue of Debentures = 90,000 – 9,000 = 81,000

(Issue – Dis. = Amt.)

**14. Answer *any three* of the following questions: [6]**

**(i) Calculate Debt to Total Assets Ratio of Moonlight Ltd. (up-to two decimal places) from the following information:**

| Particulars | (₹) |
|---|---|
| Property, Plant & Equipment and Intangible Assets | 20,00,000 |
| Shares of XYZ Bank Ltd. | 1,00,000 |
| Long term Loans and Advances | 1,00,000 |
| Current Assets | 10,00,000 |
| Current Liabilities | 4,00,000 |
| Total Debt | 12,00,000 |

**(ii) Calculate Trade Payables Turnover Ratio (up-to two decimal places) from the following information:**

| Particulars | (₹) |
|---|---|
| Trade Payables at the beginning of the year | 70,000 |
| Trade Payables at the end of the year | 80,000 |
| Payment to Trade Payables | 3,20,000 |
| Returns to Credit Suppliers | 30,000 |

**(iii) Calculate Quick Ratio (up-to two decimal places) from the following information:**

| Particulars | (₹) |
|---|---|
| Total Current Assets | 90,000 |
| Working Capital | 60,000 |
| Prepaid Expenses | 30,000 |

**(iv)** In the year 2021-22, Kartik Ltd.

- Carried an average stock of ₹40,000.
- Its Inventory Turnover Ratio was 8 times.
- It sold goods at a profit of 25% on the cost of revenue from operations.

**Calculate the profit made by Kartik Ltd. in the year 2021-22.**

**Ans. (i) Calculation of Debt to Total Assets:**

$$\text{Debt to Total Assets} = \frac{\text{Debt}}{\text{Total Assets}}$$

$$= \frac{800000}{3000000} = 0.26$$

Total Assets = 20,00,000 + 10,00,000 = 3,00,000

Debt = Total Debt – Current Liabilities

= 12,00,000 – 4,00,000

= 8,00,000

**(ii) Trade Payables Turnover Ratio:**

$$\text{Trade Payables Turnover Ratio} = \frac{\text{Net Credit Pur.}}{\text{Avg. Trade Payables}}$$

$$\text{Average Trade Payables} = \frac{\text{Op.} + \text{Closing}}{2}$$

$$= \frac{70000 + 80000}{2} = ₹75{,}000$$

Net Credit Purchase = Total Credit Purchase – returns

= 3,60,000 – 30,000 = ₹3,30,000

$$\text{Trade Payables Turnover ratio} = \frac{3{,}30{,}000}{75{,}000} = 4.4 \text{ times}$$

**Trade Payables A/c**

| Particulars | Amount | Particulars | Amount |
|---|---|---|---|
| To Cash A/c (Payment) | 3,20,000 | By Balance b/d | 70,000 |
| To Return Outward | 30,000 | By Purchase (Bal. figure) | 3,60,000 |
| To balance c/d | 80,000 | | |
| | 4,30,000 | | 4,30,000 |

**(iii)** $$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

**Working:**

Working Capital = CA – CL

60,000 = 90,000 – CL

CL = 90,000 – 60,000 = 30,000

Quick Assets = Current Assets – Inventories – Prepaid Expenses

Q.A. = 90,000 – 30,000 = 60,000

$$\therefore \quad \frac{60000}{30000} = 2 : 1$$

**(iv)** $$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Aveg. Inventory}}$$

$$8 = \frac{\text{COGS}}{40000}$$

8 × 40,000 = COGS

3,32,000 = COGS

Profit = COGS × Profit%

$$= \frac{320000 \times 25}{100} = ₹80{,}000$$

■■■