Accountancy Delhi (Set 1)

General Instructions:

Read the following instructions very carefully and strictly follow them :
(i) This question paper comprises **two** · PARTS - **A** and **B**. There are 32 questions in the question paper. **All** questions are compulsory.
(ii) **Part - A** is compulsory for all candidates.
(iii) **Part - B** has **two options** i.e. (i) Analysis of Financial Statement and
(ii) Computerized Accounting. You have to attempt only **one** of the given OPTIONS.
(iv) Heading of the option opted must be written on the Answer-Book before attempting the questions of that particular OPTION.
(v) Question number **1** to **13** and **23** to **29** are very short answer type questions carrying **1** mark each.
(vi) Question number **14** and **30** are short answer type-I questions carrying **3** marks each.
(vii) Question number **15** to **18** and **31** are short answer type-II questions carrying **4** marks each.
(viii) Question number **19** to **20** and **32** are also long answer type-I questions carrying 6 marks each.
(ix) Question number **21** and **22** are long answer type-II questions carrying 8 marks each.
(x) Answer should be brief and to the point. The answer of each part should be written at one place.
(xi) There is no overall choice. However, an internal choice has been provided in **2** questions of three marks, **2** questions of four marks, **1** question of six marks and **2** questions of eight marks. You have to **attempt only one of the choices** in such questions.
(xii) However, separate instructions are given with each section and question, wherever necessary.

Question 1

Disha and Abha were partners in a firm. Farad was admitted as a new partner for $1/5^{th}$ 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

Solution:

The correct answer is Option (b).

Working Notes:

Farad's share of profit	= 1/5
Remaining Profits	= (1 – 1/5) = 4/5
Disha's New Share	= (4/5 × ½)= 2/5
Abha's New Share	= (4/5 × ½)= 2/5
New ratio	= 2 : 2 : 1
For 4/5 share partner's capital	= ₹(64,000 + 46,000)= ₹1,10,000
For 1 whole share of profit capital	= ₹(1,10,000 × 5/4)
For 1/5th share Farad's Capital	= ₹(1,10,000 × 5/4 × 1/5) = ₹27,500

Question 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

Solution:

Entrance fees is not a capital receipt. Hence, the correct answer is option (d).

Question 3

What is meant by 'Authorised Capital'?

Solution:

Authorised Share capital is maximum amount of capital that a company can raise as share capital. It is stated in the Memorandum of Association. This is sub categorized into Equity shares and Preference shares. Issued capital is part of authorised capital that is issued for subscription, shares allotted for consideration other than cash, shares subscribed by signatories to Memorandum of Association and shares taken by Directors as qualifying shares.

Question 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 is 3:2. The gaining ratio between Saurabh and Shirin will be :
(a) 3:2

(b) 3:1
(c) 1:1
(d) 2:1

Solution:

The gaining ratio between Saurabh and Suresh is 3 : 2

Particulars	Saurabh	Shirin	Somesh
Old profit sharing Ratio	3/6	2/6	1/6
New profit sharing Ratio	3/5	2/5	–
Gaining Ratio = New – Old Ratio	**3/30**	**2/30**	

Hence, the correct answer is option (a).

Question 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

Solution:

In the absence of partnership deed, profits are to be shared equally among the partners. Therefore, Mohit's share of profit will be ₹15,000 (i.e. 30,000 × ½).
Hence, the correct answer is option (c).

Question 6

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.

Solution:

In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among <u>all existing</u> partners in <u>old profit sharing</u> ratio.

Question 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

Solution:

Amount standing in the Share forfeiture A/c is ₹12,00,000; 20,000 equity shares at ₹60 (₹100 - ₹40) which is the maximum permissible discount on re-issue of the forfeited equity shares. So, the maximum amount of discount at which these shares can be re-issued will be ₹12,00,000.
Hence, the correct answer is option (b).

Question 8

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

Solution:

Private Placement means any offer of securities to a select group of persons by a company other than by way of public offer.

Question 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

Solution:

The minimum amount to be transferred to Debenture redemption reserve will be 25% of the nominal value of debentures as per the Rule 18(7)(c) of the Companies Act, 2013 i.e. ₹2,00,000.
Hence, the correct answer is option (c).

Question 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.

Solution

Dissolution of partnership firm does not result into reconstitution of a firm as the firm winds up and closes it operations permanently. Hence, the correct answer is option (a).

Question 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 asset side of the balance sheet.
(c) debited to income and expenditure account and presented on the asset side of the balance sheet.
(d) deducted from the prize fund on the liability side of the balance sheet.

Solution:

Since, the balance of the Prize Fund exceeds the expenses incurred so they shall be directly deducted from the Prize Fund on the liability side of the balance sheet. Hence, the correct answer is option (d).

Question 12

No debenture redemption reserve is required for debentures issued by :
(a) manufacturing companies
(b) infrastructure companies
(c) banking companies
(d) trading companies

Solution:

No debenture redemption reserve is required for debentures issued by banking companies. So, the correct answer is option (c).

Question 13

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

Solution:

The portion of uncalled capital to be called only in the event of winding up of the company is called Reserve Capital.

Question 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
2018-19	₹ 86,000

During the year 2018-19 there was a loss of ₹ 20,000 due to fire which was not accounted for while calculating the profit.
Calculate the value of goodwill and pass the necessary journal entries to the treatment of goodwill.

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. It was agreed that:

(i) Goodwill of the firm be valued at ₹ 70,000.
(ii) Claim for workmen's compensation amounted 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.

Solution:

In the books of Kabir and Farid
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Apr.01	Premium for Goodwill A/c Dr. To Kabir's Capital A/c To Farid's Capital A/c (Being share of goodwill credited to the existing partners in 3: 1)		51,000	 38,250 12,750

Working Notes:

Average Profit for the last three years = (90,000 + 1,30,000 + 86,000)/3
= ₹ 1,02,000

Goodwill of the firm	=	Average Profits of the last three years × Number of Years' Purchase
	=	₹(1,02,000 × 2) = ₹ 2,04,000
Manik's share of goodwill	=	₹ (2,04,000 × ¼) = ₹ 51,000
Sacrificing Ratio among the partners will be same as old ratio	=	3 : 1

Note: *Loss due to fire has not been accounted for thus; the profits for the year 2018-19 are normal profits only.*

OR

In the books of Raka, Seema and Mahesh

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2019					
Apr. 01	Seema's Capital A/c (70,000 × 1/10)	Dr.		7,000	
	To Raka's Capital A/c (70,000 × 1/10)				7,000
	(Being goodwill adjusted among partners)				
Apr. 01	Workmen Compensation Fund A/c	Dr.		90,000	
	To Claim on the Fund A/c				40,000
	To Raka's Capital A/c				25,000
	To Seema's Capital A/c				15,000
	To Mahesh's Capitals A/c				10,000
	(Being claim on workmen compensation provided and excess distributed)				
Apr. 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 Capitals A/c				8,000
	(Being revaluation profit distributed)				

Working Notes:

1. Calculation of Gain/Sacrifice

Particulars	**Raka**	**Seema**	**Mahesh**
Old Ratio	5/10	3/10	2/10
New Ratio	2/5	2/5	1/5
Gain/Sacrifice	**(5/10 – 2/5) = 1/10**	**(3/10 – 2/5)= −1/10 (Gain)**	**(2/10 – 1/5) = Nil**

Question 15

How will the following items be treated while preparing the Income and Expenditure Account and Balance Sheet of a Not-for-profit-organization 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.

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

Solution:

In the books of ....
Income & Expenditure A/c
Dr. for the year ended 31st March, 2019 Cr.

Expenditure	Amount (₹)	Income	Amount (₹)
To Sports Material consumed (WN 1)	5,35,000		

Balance Sheet
as at 31st March, 2019

Liabilities	Amount	Assets	Amount

	(₹)		(₹)
Creditors for Sports Material	41,000	Stock of Sports Material	38,000

Working Notes:

1)

Dr. Creditors for Sports Material A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Payment to creditors)	5,23,000	By balance b/d	18,000
		By Stock of Sports Material A/c (Purchases made) (Bal. Fig.)	5,46,000
To balance c/d	41,000		
	5,64,000		**5,64,000**

Dr. Stock of Sports Material A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	27,0000	By Income & Expenditure A/c (Bal. Fig.)	5,35,000
To Creditors for Sports material a/c	5,46,000	By balance c/d	38,000
	5,73,000		**5,73,000**

OR

In the books of Glorious Club
Receipts & Payment A/c
Dr. for the year ended 31st March, 2019 Cr.

Receipts	Amount (₹)	Payments	Amount (₹)

To balance b/d		16,000	By Investments	35,000
To Subscriptions:			By Maintenance Expenses	15,000
2017-18	13,000		By Insurance Premium	6,000
2018-19	80,000	93,000	By balance c/d	1,78,000
To Locker rent		40,000		
To Life Membership Fees		85,000		
		2,34,000		**2,34,000**

Question 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 (₹)
Capitals:			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.

Solution:

In the books of Puneet and Akshara

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Puneet's Capital A/c (WN1)	Dr.		1,000	
	To Akshara's Capital A/c				1,000
	(Being interest on capital and commission not provided earlier, now rectified)				

Working Notes:

1)

Statement showing Adjustment

Particulars	Puneet		Akshara		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Profits wrongly distributed	16,000		24,000			40,000
Interest on capital to be provided (WN2)		5,200		6,300	11,500	
Comission to partner (1,000 × 4)				4,000	4,000	
Right distribution of profits		9,800		14,700	24,500	
Net Effect	**1,000 (Dr.)**		**1,000 (Cr.)**		**Nil**	

2) Calculation of Opening Capital and interest on capital of the partners:

Particulars	Puneet (₹)	Akshara (₹)
Capital of the partner as on 31st March, 2019	90,000	1,10,000
Add: Drawings made by the partners	(2,500 × 12) 30,000	(10,000 × 4) 40,000
Less: Profits distributed during the year	16,000	24,000
Opening Capital of the partners	1,04,000	1,26,000
Interest on Capital @5% per annum	5,200	6,300

Question 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.

Solution:

Dr. Veena's Capital A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	15,000	By balance b/d	75,000
		By General Reserve A/c	10,000
To Veena's Executors A/c	1,85,000	By Salary A/c	25,000
		By Keith's Capital A/c (WN1)	40,000

		By Bina's Capital A/c (WN1)	40,000
		By Profit & Loss Suspense A/c (Share of profit) (WN2)	10,000
	2,00,000		**2,00,000**

Working Notes:

1) Calculation of deceased Veena's share of goodwill

Average Profit for the last three years	=	(1,20,000 + 90,000 + 1,50,000)/3
	=	₹ 1,20,000
Goodwill of the firm	=	Average Profits of the last three years × Number of Years' Purchase
	=	₹(1,20,000 × 2) = ₹2,40,000
Veena's share of goodwill	=	₹ (2,40,000 × 1/3) = ₹80,000
Gaining Ratio among the partners will be same as old ratio	=	1 : 1

2) Calculation of Veena's Share of Profit

Average Profits of last three years	=	₹ 1,20,000
Profits till the date of death	=	₹ (1,20,000 × 3/12) = ₹ 30,000
Veena's Share of Profits	=	₹ (30,000 × 1/3)= ₹10,000

Question 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 & 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) Subscriptions in arrears for the year 2018-19 were ₹ 2,000

(iii) Outstanding salary ₹ 6,000.

Solution:

In the books of Shine Club
Income & Expenditure A/c
for the year ended 31st March, 2019

Dr. **Cr.**

Expenditure		**Amount (₹)**	**Income**		**Amount (₹)**
To Depreciation on Furniture A/c (1,22,000 × 10/100 × 6/12)		6,100	By Donations		45,000
To Salaries	32,000		By Subscriptions	60,000	
Add: Outstanding Salary	6,000	38,000	*Add:* Outstanding	2,000	62,000
			By Interest Received		5,800
To Surplus transferred to Capital Fund		68,700			
		1,12,800			**1,12,800**

Question 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 Realization 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.

Solution:

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Realisation A/c	Dr.		45,000	
	To Niyati's Capital A/c				45,000
	(Being unrecorded liability paid by the partner)				
Mar. 31	Realisation A/c	Dr.		32,000	
	To Cash A/c				32,000
	(Being creditors accepted furniture and balance amount paid in cash)				
Mar. 31	Kartik's Loan A/c	Dr.		18,000	
	To Cash A/c				18,000
	(Being Kartik's loan paid)				
Mar. 31	Ratik's Capital A/c	Dr.		72,000	
	To Realisation A/c				72,000
	(Being stock taken over by Ratik)				
Mar. 31	Realisation A/c	Dr.		6,000	
	To Kartik's Capital A/c				6,000
	(Being dissolution expenses paid by Kartik on firm's behalf)				
Mar. 31	Niyati's Capital A/c	Dr.		20,000	
	Kartik's Capital A/c	Dr.		12,000	

	Ratik's Capital A/c Dr. To Realisation A/c (Being loss on dissolution charged to partners)		8,000	40,000

Note: *No entry for furniture accepted by creditors. Expenses have been assumed to be borne by the firm.*

Question 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.

OR

(a) BGP Ltd. invited applications for issuing 15,000, 11% debentures of ₹ 100 each at a 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 applicants 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.

Solution:

(a)

In the books of Mayfair Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018				

March 31	Surplus i.e. Balance as per Statement of Profit & Loss A/c Dr. To Debenture Redemption Reserve A/c (Being 25% of 4,000 debentures transferred to DRR)		1,00,000	1,00,000
2018 April 30	Debenture Reserve Investment A/c Dr. To Bank A/c (Being Debenture Redemption Investment made at 15% for 4,000 debentures)		60,000	60,000
2019 March 31	Bank A/c Dr. To Debenture Reserve Investment A/c (Being debenture reserve securities matured)		60,000	60,000
2019 March 31	9% Debenture A/c Dr. Premium on Redemption A/c Dr. To Debenture holder's A/c (For amount due on debenture holders)		4,00,000 32,000	4,32,000
2019 March 31	Debenture holders A/c Dr. To Bank A/c (For debentures paid)		4,32,000	4,32,000
2019 March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (For DRR transferred to General reserve)		1,00,000	1,00,000

(b)

In the books of Hero Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Plant & Machinery A/c Dr. To Pearl Ltd. (Being Plant & Machinery purchased)		18,00,000	 18,00,000
	Pearl Ltd. A/c Dr. To Bills Payable A/c (Being consideration partly paid by issuing promissory note)		3,00,000	 3,00,000
	Pearl Ltd. A/c Dr. To 9% Debenture A/c To Security Premium Reserve A/c (Being 12,500 Debentures (15,00,000/120) of Rs 100 each issued to Hero Ltd. At premium of 20%)		15,00,000	 12,50,000 2,50,000

OR

(a)

Books of BGP Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Debenture Application & Allotment A/c (Being application money received for 25,000 shares)		37,50,000	 37,50,000
	Debenture Application & Allotment A/c Dr. To 11% Debentures A/c (15,000 x 100) To Security premium reserve A/c (15,000 x 50) To Bank A/c		37,50,000	 15,00,000 7,50,000 15,00,000

	(Being Debenture application money adjusted and balance refunded)			

(b)

In the books of Agam Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2018 Apr.01	Bank A/c Dr. To Debenture Application and Allotment A/c (Received application money on 8,000 Debenture)		36,00,000	 36,00,000
Apr.01	Debenture Application and Allotment A/c Dr. Discount on Issue of Debenture A/c Dr. Loss on Issue of Debenture A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c A/c (Application money transferred to Debentures A/c)		36,00,000 4,00,000 4,00,000	 40,00,000 4,00,000
Sep.30	Debentures Interest A/c Dr. To Debenture holders' A/c To TDS Payable A/c (Interest due)		1,80,000	 1,62,000 18,000
Sep.30	Debenture holders' A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest paid)		1,62,000 18,000	 1,80,000
2019 Mar.31	Debenture Interest A/c		1,80,000	

	To Debenture holders' A/c To TDS Payable A/c (Interest due)				1,62,000 18,000
Mar.31	Debenture holders' A/c TDS Payable A/c To Bank A/c (Interest paid)	Dr. Dr.		1,62,000 18,000	 1,80,000
Mar.31	Statement of Profit & Loss A/c To Debentures Interest A/c (Interest transferred to P&L)	Dr.		3,60,000	 3,60,000

Question 21

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

On application - ₹ 5 per share (including premium)
On allotment - ₹ 3 per share
On first & 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 applicants. Over payments received on application were adjusted towards sums due on allotment.

All calls were made and duly 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.

OR

Concept Stationary Ltd. invited applications 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 & final call – balance (including premium of ₹ 3)

Applications were received for 4,00,000 shares & 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 allotted 4,400 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were re-issued at ₹ 7 per share fully paid-up.

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

Solution:

In the Books of Premier Tools Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (`)	Credit Amount (`)
	Bank A/c	Dr.		12,50,000	
	To Share Application A/c				12,50,000
	(Received application money on 2,50,000 shares)				
	Share Application A/c	Dr.		12,50,000	
	To Share Capital A/c				6,00,000
	To Security Premium Reserve A/c				4,00,000
	To Share Allotment A/c				2,00,000
	To Bank A/c				50,000
	(Transfer of application money to Share Capital)				
	Share Allotment A/c			6,00,000	
	To Share Capital A/c				6,00,000
	(Allotment due on 2,00,000 shares)				
	Bank A/c	Dr.		3,88,000	
	Calls in arrears A/c	Dr.		12,000	
	To Share Allotment A/c				4,00,000
	(Allotment money received)				
	Share First and Final Call A/c	Dr.		8,00,000	
	To Share Capital A/c				8,00,000
	(Call money due on 2,00,000 shares)				

	Bank A/c Dr. Calls-in-Arrears A/c (6000 x 4) To Share First and Final Call A/c (Received call money)		7,76,000 24,000	 8,00,000
	Share Capital A/c (6000 x 10) Dr. To Calls in Arrears A/c (12,000 + 24,000) To Share Forfeiture A/c (Forfeiture of 6000 shares for non-payment of allotment and call money)		60,000	 36,000 24,000
	Bank A/c Dr. To Share Capital A/c To Security Premium Reserve A/c (Reissue of 3,000 shares at ₹16 per share)		48,000	 30,000 18,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve Account)		12,000	 12,000

Working Notes:

(1) Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application @ ₹5 each	Money transferred to Share Capital @ ₹3 each	Money transferred to SPR @ ₹2 each	Excess Application money	Amount due on Allotment	Amount adjusted on allotment	Money refunded
I	2,40,000	2,00,000	12,00,000	6,00,000	4,00,000	2,00,000	6,00,000	2,00,000	
II	10,000	–	50,000						50,000
Total	2,50,000	2,00,000	12,50,000	6,00,000	4,00,000				50,000

(2) Calculation of Shares allotted to Naveen:

Shares allotted to Naveen = 6000 shares = $\frac{2,00,000}{2,40,000} \times 7200$

Amount unpaid by Naveen	
Amount received on application (7200 x 5)	36,000
Less: actual transferred to share capital (6000 × 5)	30,000
Excess	6,000
Amount due on allotment (6000 x 3)	18,000
Less: excess adjusted	(6000)
Calls in arrears	12,000

(3) Share forfeiture amount transferred to capital reserve = $\frac{24,000}{6,000} \times 3,000$ = ₹ 12,000

OR

OR

In the books of Concept Stationary Ltd.
Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c To Share Application & Allotment A/c (Received application money & allotment on 4,00,000 shares)	Dr.		28,00,000	 28,00,000
	Share Application & Allotment A/c To Share Capital A/c To Share First Call A/c To Bank A/c (Transfer of application & allotment money to Share Capital)	Dr.		28,00,000	 21,00,000 4,20,000 2,80,000
	Share First and Final Call A/c To Share Capital A/c To Security Premium Reserve A/c (Call money due on 3,00,000 shares)	Dr.		18,00,000	 9,00,000 9,00,000
	Bank A/c Calls-in-Arrears A/c (18,000 + 24,000) To Share First and Final Call A/c (Received call money)	Dr. Dr.		13,38,000 42,000	 13,80,000

	Share Capital A/c (8,400 x 10) Dr. Security Premium Reserve A/c (8,400 x 3) Dr. To Calls in Arrears A/c (18,000 + 24,000) To Share Forfeiture A/c (Forfeiture of 8400 shares for non-payment of call money)		84,000 25,200	 42,000 67,200
	Bank A/c (8,400 x 7) Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Reissue of 8,400 shares at ₹7 per share)		58,800 25,200	 84,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on re-issue transferred to Capital Reserve Account)		42,000	 42,000

Working Notes:

(1) Computation Table

Categories	Shares Applied	Shares Allotted	Money received on Application &Allotment @ ₹7 each	Money transferred to Share Capital @ ₹7 each	Excess Application &Allotment money	Amount adjusted on First call	Amount to be refunded
I	80,000	80,000	5,60,000	5,60,000			
II	40,000	Nil	2,80,000				2,80,000
III	2,80,000	2,20,000	19,60,000	15,40,000	4,20,000	4,20,000	
	4,00,000	3,00,000	28,00,000	21,00,000	4,20,000	4,20,000	2,80,000

(2) Calculation of Shares applied to Amit:4000 shares

Calls in arrears = 4,000 × ₹ 6 = ₹ 24,000

(3) Calculation of Shares applied to Veni:

$$\text{Shares applied by Veni} = \frac{2{,}80{,}000}{2{,}20{,}000} \times 4400 = 5600 \text{ shares}$$

Amount unpaid by Veni	
Amount received on application (5600 × 7)	39,200
Less: actual transferred to share capital (4400 × 7)	30,800
Excess	8,400
Amount due on first call (4400 x 6)	26,400
Less: excess adjusted	(8,400)
Calls in arrears	18,000

Question 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 & 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, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Vihaan's admission.

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 & 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 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 Gary.
(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, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Radha's retirement.

Solution:

In the books of Achla, Bobby and Vihaan

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Liability on workmen compensation	30,000	By Land & Building	1,00,000
To Stock A/c	10,000		
To Profit on revaluation trsnf. to:			

Achla's Capital A/c	45,000			
Bobby's Capital A/c	15,000	60,000		
		1,00,000		**1,00,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)	Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)
To Bank A/c (withdrawn)	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	1,70,000	1,35,000		By Premium for Goodwill A/c	60,000	20,000	
To balance c/d	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**	**1,00,000**		**5,35,000**	**2,45,000**	**1,00,000**

Working Notes:

1) Calculation of New Profit-Sharing Ratio

Old Profit-sharing ratio = 3 : 1
Vihaan's Share = 1/5
Remaining Profits of the firm = (1 – 1/5) = 4/5
Achla's New Share = (4/5 × 3/4) = 3/5
Bobby's New share = (4/5 × ¼) = 1/5
New Profit-sharing ratio = 3 : 1 : 1
Sacrificing ratio is same as old ratio = 3 : 1

2) Calculation of Vihan's Share of Goodwill

Vihaan's Share of Goodwill = ₹(4,00,000 × 1/5) = ₹80,000

3) Adjustment of Capital:

Vihaan's Capital for 1/5th share	=	₹1,00,000
For 1 whole share, capital of the firm	=	₹(1,00,000 × 5) = ₹5,00,000
New Capital of Achla	=	₹ (5,00,000 × 3/5) = ₹3,00,000
New Capital of Bobby	=	₹ (5,00,000 × 1/5) = ₹1,00,000

Existing Capital of Achla and Bobby is ₹4,70,000 and ₹2,35,000

Amount to be credited to Achla's Current A/c	=	Old Capital – New Capital
	=	₹ (4,70,000 – 3,00,000)= ₹1,70,000
Amount to be credited to Bobby's Current A/c	=	Old Capital – New Capital
	=	₹ (2,35,000 – 1,00,000)= ₹1,35,000

Balance Sheet
as at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,10,000	Land and Building	6,00,000
Liability for workmen compensation		80,000	Debtors	40,000
Capitals:			Furniture	1,55,000
Achla	3,00,000		Cash at Bank (60,000 + 1,00,000 + 80,000 – 40,000)	2,00,000
Bobby	1,00,000			
Vihaan	1,00,000	5,00,000		
Current A/cs:				
Achla	1,70,000			
Bobby	1,35,000	3,05,000		
		9,95,000		**9,95,000**

OR

In the books of Gita and Garv
Revaluation A/c

Dr. **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
		By Stock A/c	16,000
		By Building A/c	1,00,000
		By Investments A/c	4,000

To Profit on revaluation transf. to: Gita's Capital A/c 36,000 Radha's Capital A/c 60,000 Garv's Capital A/c 24,000	1,20,000		
	1,20,000		1,20,000

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Gita (₹)	Radha (₹)	Garv (₹)	Particulars	Gita (₹)	Radha (₹)	Garv (₹)
To Radha's Capital A/c	90,000		60,000	By balance b/d	3,00,000	2,00,000	1,00,000
				By Gita's Capital A/c		90,000	
To Radha's Loan A/c		4,30,000		By Garv's Capital A/c		60,000	
To balance c/d	3,00,000		2,00,000	By General Reserve A/c	12,000	20,000	8,000
				By Revaluation A/c	36,000	60,000	24,000
				By Current A/c	42,000		1,28,000
	3,48,000	**4,30,000**	**2,60,000**		**3,48,000**	**4,30,000**	**2,60,000**

Working Notes:

1) Calculation of Radha's Share of Goodwill

Goodwill of the firm = ₹3,00,000

Radha's Share of Goodwill = ₹(3,00,000 × 5/10) = ₹1,50,000

Gaining ratio will be same as the new profit-sharing ratio i.e. 3: 2

2) Adjustment of Capital:

Total Capital of the firm = ₹5,00,000

Gita's New Capital = ₹(5,00,000 × 3/5) = ₹3,00,000

Garv's New Capital = ₹(5,00,000 × 2/5) = ₹2,00,000

Existing Capitals of Gita and Garv are ₹2,58,000 and ₹72,000

Amount to be debited to Gita's Current A/c	=	New Capital – Old Capital
	=	₹ (3,00,000 – 2,58,000)= ₹42,000
Amount to be debited to Garv's Current A/c	=	New Capital – Old Capital
	=	₹ (2,00,000 – 72,000)= ₹1,28,000

Balance Sheet
as at 31st March, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		60,000	Stock		96,000
Radha's Loan A/c		4,30,000	Building		6,00,000
Capital A/cs			Debtors		40,000
Gita	3,00,000		Current A/c:		
Garv	2,00,000	5,00,000	Gita	42,000	
			Garv	1,28,000	1,70,000
			Cash (50,000 + 34,000)		84,000
		9,90,000			**9,90,000**

Question 23

State the primary objective of preparing cash flow statement.

Solution:

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

Question 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.

Solution:

The cash outflow from investing activities will be ₹10,00,000 as draft is a part of cash & cash equivalents.

Question 25

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

Solution:

Issue of shares for consideration other than cash will result in **no flow of cash** as it involves settling business transactions by paying through issue of shares to the vendor.

Question 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

Solution:

Statement of profit and loss is not a tool of financial analysis. Hence, the correct answer is option (c).

Question 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.

Solution:

The limitation of financial analysis is that it is just a study of reports of the company. Hence, the correct answer is option (a).

Question 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

Solution:

As per Schedule III, Part I of the Companies Act, 2013 'calls-in-arrears' will be presented under the head of 'Shareholders Funds', in the Balance Sheet of a company. Hence, the correct answer is option (d).

Question 29

'Interest accrued but not due on loans' is shown in the companies balance sheet under the sub head _________.

Solution:

'Interest accrued but not due on loans' is shown in the companies balance sheet under the sub head Other Current Liabilities.

Question 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.

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.

Solution:

Current Assets	=	₹ 2,00,000
Current Ratio of the firm	=	Current Assets/Current Liabilities
2	=	2,00,000/Current Liabilities
Current Liabilities	=	₹1,00,000
Quick Ratio	=	Quick Assets/Current Liabilities
1.5	=	Quick Assets/1,00,000
Quick Assets	=	₹ 1,50,000
We know that, Quick Assets	=	Current Assets – Stock
Using the above formula, Stock	=	Current Assets – Quick Assets
	=	₹(2,00,000 – 1,50,000)
	=	₹ 50,000

Assuming stock to be average stock		
Inventory Turnover Ratio	=	Cost of goods sold/Average Stock
6	=	Cost of Goods sold/50,000
Cost of Goods Sold	=	₹ 3,00,000
Profit on Sale of Goods	=	₹(3,00,000 × 25/100) = ₹ 75,000
Revenue from Operations	=	Cost of Goods Sold + Gross Profit
	=	₹(3,00,000 + 75,000) = **₹ 3,75,000**

OR

Trade Receivables Turnover Ratio	=	Net Credit Sales/Average Receivables
Cost of Revenue from Operations	=	₹4,80,000
Let Net Sales be	=	x
Gross Profit ratio	=	Gross Profit/Net Sales × 100
20/100	=	x – 4,80,000/x
20x/100	=	x – 4,80,000
x	=	6,00,000
Net Sales of the firm is	=	₹6,00,000
Let the cash revenue from operations	=	y
Credit revenue from operations	=	y + 2,00,000
Total Sales of the firm	=	Cash Sales + credit sales
6,00,000	=	(y + y + 2,00,000)
y	=	2,00,000
Cash Sales of the firm	=	₹2,00,000
Net Credit Sales	=	₹(2,00,000 + 2,00,000) = ₹4,00,000
Average Receivables	=	₹(4,00,000/8)
	=	₹50,000
Let closing trade receivables be	=	z
Opening trade receivables	=	z/4
Average trade Receivable	=	(Opening Trade Receivables + Closing trade Receivables)/2
50,000	=	(z + z/4)/2
z	=	80,000

Therefore, Opening Trade Receivables and Closing Trade Receivables of the firm are ₹20,000 and ₹80,000 respectively.

Question 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%

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.	31-03-19 (₹)	31-03-18 (₹)
	Equity and Liabilities			
(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**

Question 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 at 31st March, 2019

Particulars	Note No.	31-03-19 (₹)	31-03-18 (₹)
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 Liabilities			
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	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
2. Current Assets			
(a) Current Investments		1,40,000	70,000
(b) Trade Receivables		4,40,000	1,50,000
(c) Cash and Cash Equivalents		1,55,000	63,000
Total		**22,00,000**	**18,00,000**

Notes to Accounts

	Particulars	31-03-19 (₹)	31-03-18 (₹)
1.	**Reserves and Surplus**	50,000	40,000
	Surplus (Balance in Statement of Profit and Loss)	**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.

Solution:

Cash Flow Statement
for the years ended 31st March 2018 and 31st March, 2019

Particulars	Details	Amount (₹)
A. Cash Used in Operating Activities		(18,000)*
B. Cash Flow from Investing Activities		
Purchase of Plant & Machinery	(4,70,000)	
Sale of Plant & Machinery	22,000	
Purchase of Goodwill	(1,10,000)	
Cash used in Investing Activities		(5,58,000)
C. Cash flow from Financing Activities		
Proceeds from issue of shares	8,00,000	
Redemption of debentures	(3,00,000)	
Interest Paid on debentures (8,000 + 6,000)	(14,000)	
Cash Flow from Financing Activities		4,86,000
Net Increase in Cash and Cash Equivalents (A – B + C)		**(90,000)**
Add: Opening Balance of Cash and cash equivalents	2,30,000	
Opening Balance of Current Investments	1,90,000	
Cash and Cash equivalents at the end of the period		**3,30,000**
Closing Balance of Cash and cash equivalents	3,00,000	
Closing Balance of Current Investments	30,000	**3,30,000**

**There is a printing mistake in the question paper. ₹18,000 given as Cash flow from operating activities is actually 'Cash Outflow'*

Working Notes:

Dr. Plant & Machinery A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	10,90,000	By Accumulated depreciation A/c	12,000
To Bank A/c (Purchase) (Balancing Fig.)	4,70,000	By Statement of Profit & Loss	6,000
		By Bank A/c (Sale)	22,000
		By balance c/d	15,20,000
	15,60,000		**15,60,000**

Dr. Accumulated Depreciation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant & Machinery A/c (Dep. on asset sold)	12,000	By balance b/d	90,000
To balance c/d	1,20,000	By statement of Profit & Loss (Dep. Charged during the year)	42,000
	1,32,000		**1,32,000**