

Sample Paper – 2014
Class – XII
Subject – Accountancy

1. Find the interest on drawings at 6 % per annum for partner Rajesh, who withdrew Rs 1,200 at the end of every month for six months ending on 31.3.2012. 1

2. Mr. A and Mr. B are partners of XYZ firm. Mr. A does not participate in the management. Is he liable for the act of Mr. B, who takes part in the management? 1

3. Aman and Sona are partners sharing profits and losses in the ratio of 3:1. They decided to admit Raman in the firm for $\frac{1}{10}$ th share which he acquires from Aman and Sona in the ratio of 2:1. State the new ratio of Sona. 1

4. A, B and C are the partners. B died 4 months after the closure of financial year, the firms profits were Rs. 20,000. Calculate B's share of profit. 1

5. What is meant by Authorised Capital? 1

6. State with reason whether a company can issue its shares at a discount in its Initial Public Offer (IPO) 1

7. X Co Ltd purchased assets worth Rs. 28,80,000. It issued 10% Debentures of Rs.1000 each at a discount of 4 percent in full satisfaction of the purchase consideration. Find the number of debentures issued to the vendor. 1

8. A, B and C were partners in a firm sharing profits and losses in the ratio of 3: 4 : 3. Their capitals were fixed at Rs. 1,00,000, Rs. 2,00,000 and Rs. 3,00,000 respectively. Instead of crediting interest on capital @ 9 % p.a., it was credited to them @ 10 % p.a. for the year 1996. Showing your working clearly, pass the necessary journal entry. 3

9. Jai- Krishna Ltd. purchased Sundry Assets costing Rs. 2,02,500. It was agreed that the purchase consideration was to be paid by issue of 9% Debentures. Pass the **journal entries** in the Books of Jai- Krishna Ltd assuming the price has been paid by the issuance of :
 - a) 2,025 debentures of Rs. 100 each
 - b) 1,500 debentures of Rs. 100 each

- c) 2,250 debentures of Rs. 100 each 3
10. Shri Ganesha Ltd. Issued 3,000, 10 % Debentures of Rs. 100 each at par on 31.3.1996, repayable at 20% premium after 7 years. Debenture Holders have the options to convert their holdings into 8% preference share of Rs. 100 each at a premium of Rs. 25 per share at any time after one year but before 5 years. On 31.3.2000, Anshuman, a holder of 200 Debenture notified to exercise the option. Make necessary journal entries related to issue and redemption on 31.3.96 and 31.3.2000. 3
11. X and Y share profits and losses in the ratio of 5:3. Z is admitted for $\frac{3}{10}$ th share of profits, half of which was gifted by X and remaining half was taken by Z equally from X and Y. The Goodwill of the firm is valued at Rs. 21,600. Z is unable to bring his share of goodwill in cash. Pass the necessary **journal entry** and also calculate the **new profit sharing ratio**. 4
12. Sita, Rita and Gita were partners in a firm sharing profits in 2:2:1 ratio. Rita died on 24-8-2007. On Rita's death the goodwill of the firm was valued at Rs. 75,000. The partnership deed provided that on the death of a partner her share in the profits of the firm in the year of the death will be calculated on the basis of last year's profit. The profit of the year ended 31-3-2007 was Rs. 2,00,000. Calculate Rita's share of profit till the time of her death and pass the necessary journal entries for the treatment of goodwill and her share of profit. 4
13. ABCL has an authorized capital of Rs. 10,00,000 divided into 10,000 Equity Shares of Rs. 100 each. It offered 7,000 Equity Shares of Rs. 100 each. The public applied for 6,000 shares only. All the calls were made and duly received except final call of Rs 30 per share on 300 shares. 100 of these shares were forfeited. Show how Share Capital will appear in the Balance Sheet of the company as per Schedule VI, Part 1 of the Company's Act 1956. 4
14. Resurgere Mines Ltd. issued applications for 1,00,000 equity shares of Rs 10 each at a premium of Rs. 4 per share. The amount was payable as follows:
 On application Rs 6 (including premium Rs. 2 per share), on allotment Rs 6 (including premium Rs. 2 per share), Balance on first and final call.
 Application for 2,00,000 shares were received. Allotment was made to the applicants of 1,50,000 shares on pro-rata basis and remaining shares were rejected. Suryakant who applied for 300 shares, failed to pay allotment and call money. His shares were forfeited and afterwards 160 of these shares were re-issued to new shareholder @ Rs. 8 per share fully paid up.
- I Which value has been affected by rejecting the applications of the applicants who had applied for 50,000 shares?
 II. Suggest a better alternative for the same.

III. Give journal entries for **FORFEITURE AND RE-ISSUE ONLY** in the books of the company. 4

15. A, B and C are in partnership. A and B sharing profit in the ratio of 3:1 and C receiving an annual salary of Rs.64,000 plus 5 % of the profits after charging his salary and commission , or ¼ th of the profits of the firm whichever is larger. Any excess of the latter over the former received by C is, under the partnership deed, to be borne by A and B equally. The profit for the year ended 31st March, 2011 came to Rs. 3,36,000 after charging C’s salary. Show the distribution of profit among the partners. 6

16. Following is the Balance Sheet of Aman and Vishal sharing P/L in the ratio of 3:1 as on 31st December 2001

**Balance Sheet
as at 31-12-2001**

Liabilities	Rs.	Assets	Rs.
Creditors	16,800	Bank	9,840
Mrs. Aman's Loan	4,000	Debtors	2,400
Vishal's Loan	6,000	Stock	4,000
Workmen Compensation Fund	4,000	Investments	10,400
Aman's Capital	3,200	Plant	4,000
Vishal's Capital	800	Goodwill	3,000
		Patents	1,160
	34,800		34,800

Both the partners agreed to dissolve the business as on 31-12-2001 to the following conditions:

- a) Vishal agreed to take Investments at an agreed value of Rs. 10,000.
- b) The other assets were realized as under:
Stock Rs. 3,200; Debtors Rs. 7,400; Plant Rs. 6,000
- c) Realisation Expenses were Rs. 2,000.
- d) The Creditors agreed to accept Rs 16,000 in full settlements of their claims.
- e) Goodwill and Patents were taken over by Aman at Book values.
- f) One of the worker met an accident and Rs. 2,500 were payable for his treatment.

Prepare Realisation Account, Bank Account and Partners’ Capital Account. 6

17.

Aban Offshore Ltd. invited application for 1,00,000 Equity Shares of Rs. 10 each(at a premium of 5%) payable as Rs. 2 on application , Rs. 3.5 on allotment (including premium) and balance on first and final 8

call. Applications were received for 3,00,000 shares and the shares were allotted on a pro-rata basis. The excess application money was to be adjusted against allotment and call. Mohseen, a shareholder, who applied for 3,000 shares, failed to pay the allotment and call money and his shares were accordingly forfeited and of these 800 shares were reissued at Rs. 8 per share as fully paid. Pass necessary **journal entries** in the books of firm.

OR

Coal India Ltd. issued a prospectus inviting application for 1,00,000 shares of Rs. 10 each at a discount of Rs 2 per share payable:- (The company got the necessary sanction of Company Law Tribunal for discount)

Rs. 2 on application

Rs. 4 on allotment

Rs. 2 on First and Final Call

Application were received for 1,20,000 shares. Allotment was made as under:

- i. To applicants for 20,000 shares _____ in full
- ii. To applicants for 40,000 shares _____ 30,000 shares
- iii. To applicants for 60,000 shares _____ 50,000 shares

The shares were fully called and paid up except amounts on allotment and call, not paid by those who applied for 2,000 shares out of the group applying for 40,000 shares. These shares were forfeited by the directors and 1,200 shares of them were re- issued @ 7 per share. Show the **journal entries** in the books of the company.

18.

Sushil Rakesh, Kavita and Ajit were partners in a firm two years ago when Ajit died. Later on, Sushil Rakesh and Kavita had decided to carry on the partnership amongst them sharing profits in the ratio of 3: 2: 1. However, in wake of deteriorating financial position of the family of Ajit, partners agreed upon admitting the wife of Ajit named Anita into the firm.

Following is their Balance Sheet.

Balance Sheet
as at 31-12-2006

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Plant and Machinery	40,320
Sushil	31,920	Furniture	13,880
Rakesh	26,880	Stock	23,520
Kavita	13,440	Debtors	21,168
Creditors	15,120	Bank	6,912
Bills Payable	13,040		
Profit and Loss A/c	5,400		
	1,05,800		1,05,800

On 1.1.2007, Anita is admitted into partnership on following terms-

- a) Anita will bring Rs.11,200 as capital and Rs 5,000 as her share of goodwill.
- b) New profit sharing ratio will be 2 : 2 : 1 : 1

- c) Plant and Machinery to be decreased by 10 %
- d) Furniture to be reduced to Rs. 11,798
- e) Bills payable to be reduced by Rs.540.
- f) The Capitals of all partners are to be adjusted on the basis of Aishwarya's Capital, adjustments to be made through cash.

I Mention the values displayed by partners in admitting Anita into the partnership.

II Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

OR

X, Y, Z were partners in a firm whose Balance Sheet as on 31st March 2007 was as under:

**Balance Sheet
as at 31-3-2007**

Liabilities	Rs.	Assets	Rs.
Creditors	18,000	Cash	16,000
General Reserve	7,500	Debtors	22,500
X's Capital	20,000	Stock	26,500
Y's Capital	14,500	Furniture	5,000
Z's Capital	10,000		
	70,000		70,000

One month ago Y who was of the age of 58 years met with an accident. The doctor advised him not to take much of physical work so Y decided to retire from the partnership business and open a small cafeteria in his locality. He requested his fellow partners to settle his account immediately, in this connection it was decided to make the following adjustments:

- a) To reduce Stock and Furniture by 10 %
- b) To provide for Bad and Doubtful Debts at 20 % on Debtors.
- c) A long dispute with the creditors was settled and firm has to pay Rs 15,000. In anticipation Rs. 5,000 have already been included in sundry creditors for this purpose.
- d) Goodwill of the firm was valued Rs. 12,000 and Y's share of the same to be adjusted.
- e) To share future profits between the remaining partners in 5:3.
- f) Y should be paid off and the entire sum payable to Y shall be brought in by X and Z in such a way that their capitals should be in their new profit sharing ratio.

I Mention the values displayed by partners on Y's retirement.

II Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

ANALYSIS OF FINANCIAL STATEMENTS

19. Give one limitation of Financial Statement. 1
20. State which of the following would result in inflow/outflow of cash or cash equivalents:
- a) Payment of Interest on Loan
 - b) Profit on Sale of Machine 1
21. Classify the following activities as (a)Operating Activities, (b)Investing Activities and (c) Financing Activities:
- a) Dividend paid by non-financial enterprise
 - b) Dividend received by financial enterprise. 1
22. The Debt Ratio of a company is 2 : 3. Which of the following would increase, decrease or not change the debt Equity Ratio:
- a) Cash received from Debtors.
 - b) Issue of Equity Shares
 - c) Redemption of Debentures. 3
23. Prepare the **Comparative Balance Sheet** from the following: 4

PARTICULARS	31-3-2011	31-3-2012
I. EQUITY AND LIABILITIES		
1. Shareholders Funds		
Share Capital	1,00,000	1,50,000
Reserves and Surplus	1,00,000	1,00,000
2. Non-Current Liabilities		
Long term loan	20,000	80,000
3. Current Liabilities		
Trade Payables	30,000	50,000
Total	2,50,000	3,80,000
II. EQUITY		
1. Non-Current Assets		
1. Fixed Assets		
a) Plant and Machinery	1,00,000	1,80,000
b) Furniture	80,000	1,00,000
2. Non Trade Investments	20,000	20,000
2. Current Assets		
Trade Receivables	50,000	80,000
Total	25,0000	3,80,000

24.

From the following items of Balance Sheet of SD. Ltd, Compute **Return on Capital Employed** and **Quick Ratio.** 4

Equity Share Capital (1,00,000 Equity Share of Rs 10each)	10,00,000
General Reserve	2,50,000
10% Debentures	5,00,000
Outstanding Expenses	1,00,000
Bills Payable	2,50,000
Creditors	4,00,000
Profit for the Year	2,50,000
Fixed Assets	14,00,000
Debtors	6,00,000
Stock	2,00,000
Cash	4,00,000
Prepaid Expenses	50,000
Preliminary Expenses	1,00,000

25.

Following is the Balance Sheet of Mahindra Satyam Ltd. Prepare the **Cash Flow Statement (AS-3)** 6.

PARTICULARS	31-3-2011	31-3-2012
III. EQUITY AND LIABILITIES		
1. Shareholders Funds		
Equity Share Capital	1,50,000	2,50,000
<i>Reserves and Surplus:</i> 31.3.11 31.3.12		
General Reserve 35,000 40,000		
Bal. of Statement of P/L 75,000 97,000		
Preliminary Expenses (10,000)	1,00,000	1,37,000
2. Non-Current Liabilities		
8% Debentures	1,00,000	1,20,000
3. Current Liabilities		
Trade Payables(Creditors)	25,000	38,000
Outstanding Expenses	30,000	20,000
<i>Short term Provision:</i> Provision for Tax	15,000	5,000
Total	4,20,000	5,70,000
IV. EQUITY		
1. Non-Current Assets		
1. Fixed Assets 31.3.11 31.3.12		

a) Plant	2,25,000	4,40,000		
Less Acc. Depreciation	(25,000)	(40,000)	2,00,000	4,00,000
b) Furniture			95,000	1,00,000
2. Current Assets				
Inventories			80,000	45,000
Trade Receivables(Debtors)	31.3.11	31.3.12		
	50,000	30,000		
Less: Prov. For Doubtful Debts	(15,000)	(5,000)	35,000	25,000
Cash and Cash Equivalents			10,000	-
Total			4,20,000	5,70,000

Adjustments

1. Tax paid during the year Rs.30,000
2. Plant costing Rs. 65,000 (accumulated depreciation Rs. 10,000) was sold for 65,000.
3. New Debentures have been issued on 31-12-2012.

	To Y's Capital A/c (Being X and Y Sacrifice in 3:1)		4,860 1,620	
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12.	<p>S:R:G = 2:2:1 R's share = 2/5 Firm's goodwill = 75,000 Therefore R's Share of goodwill = 75,000 x 2/5 = 30,000 R's Share in profit = 2,00,000 x 2/5 x 146/365 = 32,000</p> <p style="text-align: center;">JOURNAL ENTRY IN THE BOOKS OF FIRM</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>Particulars</th> <th>Dr. Rs.</th> <th>Cr. Rs.</th> </tr> </thead> <tbody> <tr> <td>Sita's Capital A/c Dr.</td> <td>20,000</td> <td></td> </tr> <tr> <td>Gita's Capital A/c Dr.</td> <td>10,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">To Rita's Capital A/c (Being Sita and Gita gains in 2:1)</td> <td></td> <td>30,000</td> </tr> <tr> <td>P/L Suspense A/c Dr.</td> <td>32,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">To Rita's Capital A/c</td> <td></td> <td>32,000</td> </tr> </tbody> </table>	Particulars	Dr. Rs.	Cr. Rs.	Sita's Capital A/c Dr.	20,000		Gita's Capital A/c Dr.	10,000		To Rita's Capital A/c (Being Sita and Gita gains in 2:1)		30,000	P/L Suspense A/c Dr.	32,000		To Rita's Capital A/c		32,000	<p>2 Marks for the correct calculation</p> <p>2 Marks for the Journal Entry</p> <p>Total=4 marks</p>
Particulars	Dr. Rs.	Cr. Rs.																		
Sita's Capital A/c Dr.	20,000																			
Gita's Capital A/c Dr.	10,000																			
To Rita's Capital A/c (Being Sita and Gita gains in 2:1)		30,000																		
P/L Suspense A/c Dr.	32,000																			
To Rita's Capital A/c		32,000																		

13.	<table border="1" style="width: 100%;"> <thead> <tr> <th>PARTICULARS</th> <th>Note No.</th> <th>Current Yr.</th> <th>Prev. Yr</th> </tr> </thead> <tbody> <tr> <td>I. EQUITY AND LIABILITIES</td> <td></td> <td></td> <td></td> </tr> <tr> <td> 1. Shareholders Funds</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td> Share Capital</td> <td></td> <td>5,91,000</td> <td></td> </tr> <tr> <td>II. EQUITY</td> <td></td> <td></td> <td></td> </tr> <tr> <td> 1. Current Assets</td> <td>2</td> <td></td> <td></td> </tr> <tr> <td> Cash and Cash Equivalents</td> <td></td> <td>5,91,000</td> <td></td> </tr> </tbody> </table>	PARTICULARS	Note No.	Current Yr.	Prev. Yr	I. EQUITY AND LIABILITIES				1. Shareholders Funds	1			Share Capital		5,91,000		II. EQUITY				1. Current Assets	2			Cash and Cash Equivalents		5,91,000		<p>2 Mark each for the Balance Sheet</p>
PARTICULARS	Note No.	Current Yr.	Prev. Yr																											
I. EQUITY AND LIABILITIES																														
1. Shareholders Funds	1																													
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1. Current Assets	2																													
Cash and Cash Equivalents		5,91,000																												

	Share Forfeiture A/c Dr. To Capital Reserve (Being Share forfeiture transferred to Capital Reserve)	800	800	
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15. Profit and Loss Appropriation A/c

Particulars	Amount Rs.	Particulars	Amount Rs.
To A's Capital 3,20,000 x 3/4 = 2,40,000		By Profit & Loss A/c 3,36,000	
Less Due to C = 10,000	2,30,000	Add : C's Salary 64,000	4,00,000
To B's Capital 3,20,000 x 1/4 = 80,000			
Less Due to C = 10,000	70,000		
To C's Capital 4,00,000 x 1/4 = 1,00,000	1,00,000		
	<u>4,00,000</u>		<u>4,00,000</u>

Total=6 marks

16. Books of Aman and Vishal
REALISATION ACCOUNT

Particulars	Rs.	Particulars	Rs.
To Debtors	2,400	By Creditors	16,800
To Stock	4,000	By Mrs. Aman's Loan	4,000
To Investments	10,400	By WCF	2,500
To Plant	4,000	By Vishal(Investments)	10,000
To Goodwill	3,000	By Bank:	16,600
To Patents	1,160	Stock	3,200
To Bank:		Debtors	7,400
Mrs. Aman's Loan	4,000	Plant	6,000
Expenses	2,000	By Aman:	4,160
Creditors	16,000	Goodwill	3,000
WCF	2,500	Patents	1,160
To Profit Transferred to	4,600		
Aman's Capital	3,450		
Vishal's Capital	1,150		

6 Marks

54,060

54,060

PARTNERS' CAPITAL ACCOUNT

Particulars	Aman	Vishal	Particulars	Aman	Vishal
To Realisation A/c	4,160	10,000	By Bal b/d	3,200	800
To Bank A/c *	3,615		By Realisation Profit	3,450	1,150
			By WCF	1,125	375
			By Bank A/c *		7,675
	7,775	10,000		7,775	10,000

Vishal's Loan A/c

Particulars	Rs.	Particulars	Rs.
To Bank A/c	6,000	By Bal. b/d	6,000
	6,000		6,000

Bank A/c

Particulars	Rs.	Particulars	Rs.
To Bal. b/d	9,840	By Realisation A/c	24,500
To Realisation A/c	16,600	By Aman	3,615
To Vishal	7,675	By Vishal's Loan A/c	6,000
	34,115		34,115

17.

BOOKS OF ABAN OFFSHORE LTD.
JOURNAL

Particulars	Dr. Rs.	Cr. Rs.
Bank A/c Dr. To Equity Share Application (Being the amount received on application)	6,00,000	6,00,000

1 Mark

1 Mark

Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Equity Share First and Final Call (Being the amount of application money adjusted in share capital, allotment and call)	6,00,000	2,00,000 3,50,000 50,000	1 Mark
Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being amount due for allotment)	3,50,000	3,00,000 50,000	1 Mark
Equity Share First and Final Call A/c Dr. To Equity Share Capital (Being amount due for First and Final Call)	5,00,000	5,00,000	1 Mark
Bank A/c Dr. To Equity Share First and Final Call A/c (Being amount received on First and Final Call)	4,49,000	4,49,000	
Share Capital A/c Dr. (1,000 x 10) To Share First and Final Call A/c (1,000 x 5) To Share Forfeiture A/c (1,000 x 5) (Being 1,000 Shares forfeited for non payment of Calls money)	10,000	5,000-4,000=1,000 5,000+4,000=9,000	1 Mark
Bank A/c Dr. (800 x 8) Share Forfeiture A/c Dr. (800 x 2) To Share Capital A/c(800 x 10) (Being 800 Forfeited shares re-issued @ Rs. 8 per share)	6,400 1,600	8,000	1 Mark
Share Forfeiture A/c Dr. To Capital Reserve (Being Share forfeiture transferred to Capital Reserve)	5,600	5,600	

OR

BOOKS OF COAL INDIA LTD.
JOURNAL

Particulars	Dr. Rs.	Cr. Rs.	
Bank A/c Dr. To Equity Share Application (Being the amount received on application)	2,40,000	2,40,000	½ Mark
Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being the amount of application money adjusted in share capital, allotment and refunded)	2,40,000	2,00,000 40,000	1 Mark
Equity Share Allotment A/c Dr. Discount On Issue A/c Dr. To Equity Share Capital A/c (Being amount due for allotment)	4,00,000 2,00,000	6,00,000	1 Mark
Bank A/c Dr. To Share Allotment A/c (Being amount received on Allotment)	3,55,000	3,55,000	1 Mark
Equity Share First and Final Call A/c Dr. To Equity Share Capital (Being amount due for First and Final Call)	2,00,000	2,00,000	½ Mark
Bank A/c Dr. To Equity Share First and Final Call A/c (Being amount received on First and Final Call)	1,97,000	1,97,000	1 Mark
Equity Share Capital A/c Dr. (1,500 x 10) To Share Discount A/c (1,500 x 2) To Share Allotment A/c (1,500 x 4) To Share First and Final Call A/c (1,500 x 2) To Share Forfeiture A/c (1,500 x 5) (Being 1,000 Shares forfeited for non payment of Calls money)	15,000	3,000 6,000-1,000=5,000 3,000 3,000+1,000=4,000	1 Mark
Bank A/c Dr. (1,200 x 7) Share Discount A/c Dr. (1,200 x 2) Share Forfeiture A/c Dr. (1,200 x 1) To Share Capital A/c (1,500 x 10) (Being 1,500 Forfeited shares re-issued @ Rs. 7 per share)	8,400 2,4,00 1,200	12,000	1 Mark
Share Forfeiture A/c Dr. To Capital Reserve (Being Share forfeiture transferred to Capital Reserve)	2,000	2,000	1 Mark

Anita	11,200	Bank	2,046
Creditors	15,120		
Bills Payable	12,500		
	<u>94,820</u>		<u>94,820</u>

The values reflected by X and Z on retirement of Y are as follows:

- Concern for others
- Trustworthy
- Helpful even after retirement (paying immediate cash for the help)
- Understanding

RETIREMENT

Books of X, Y and Z REVALUATION ACCOUNT

Particulars	Rs.	Particulars	Rs.
To Stock	2,650	By Creditors	5,000
To Furniture	500	By Loss Transferred to	17,650
To URA	15,000	X's Capital	5,884
To Prov. For DD	4,500	Y's Capital	5,883
		Z's Capital	5,883
	<u>22,650</u>		<u>22,650</u>

3 Marks

PARTNERS' CAPITAL ACCOUNT

Particulars	X	Y	Z	Particulars	X	Y	Z
To Revaluation Loss	5,884	5,883	5,883	By Bal b/d	20,000	14,500	10,000
To Y's Capital A/c	3,500		500	By General Reserve	2,500	2,500	2,500
To Balance c/d	21,469		12,881	By X's Capital A/c		3,500	
To Cash *		15,117		By Z's Capital A/c		500	

3 Marks

				By Cash*	8,353		6,764
	30,853	21,000	19,264		30,853	21,000	19,264

**Balance Sheet
as at 31-03-2007**

2 Marks

Liabilities	Rs.	Assets	Rs.
Capitals-		Debtors	18,000
X	21,469	Stock	23,850
Z	12,881	Furniture	4,500
Creditors	13,000	Cash	16,000
URA	15,000		
	<u>62,350</u>		<u>62,350</u>

PART-B

(Analysis of Financial Statements)

19.	<p>Limitations of Financial Statements are:</p> <ol style="list-style-type: none"> 1. Manipulation or Window dressing 2. Use of Diverse Procedures 3. Qualitative aspect Ignored 4. Historical 5. Ignores Price Level Changes 6. Personal Bias 	1 Mark
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7. Worthless in lack of Regular Data or Information			
20.	a) Payment of Interest on Loan b) Profit on Sale of Machine	:- Operating Activity :- Operating Activity	1 Mark
21.	a) Dividend paid by non financial enterprise b) Dividend received by financial enterprise.	:-Financing Activity :-Operating Activity	1 Mark
22.	a) Cash received from Debtors. b) Issue of Equity Shares c) Redemption of Debentures.	:-No Change :-Decrease :-Decrease	3 Marks

COMPARATIVE BALANCE SHEET					4 Marks
Particulars	2003	2004	Inc/ Dec	% Change	
(A) Fixed Assets	410000	470000	60000	14.63	
(B) Add: Investments	5000	10000	5000	100.00	
(C) Working Capital					
Current Assets	65000	110000	45000	69.23	
Current Liabilities	70000	100000	30000	42.86	
Working Capital= CA-CL	-5000	10000	15000	-300.00	
Capital Employed =A+B+C	410000	490000	80000	19.51	
Less: Long Term Loans					
8% Debentures	30000	80000	50000	166.67	
Shareholder's Fund	380000	410000	30000	7.89	
Represented By:					
Share Capital	100000	130000	30000	30.00	
General Reserve	280000	280000	0	0.00	
Shareholder's Fund	380000	410000	30000	7.89	

24.	Return On Capital Employed = $\frac{\text{Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$	2 Marks
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Profit before Interest, Tax and Dividend = Profit for the year+ Interest
 Therefore ,Profit before Interest, Tax and Dividend= 2,50,000+50,000 = Rs.3,00,000
 Capital Employed = Net Fixed Assets + Working Capital
 Net Fixed Assets = 14,00,000
 Working Capital= Current Assets- Current Liabilities
 Here Current Assets = Debtors+ Stock + Cash+ Prepaid Expenses
 =6,00,000+ 2,00,000+ 4,00,000+ 50,000 = Rs.12,50,000
 And Current Liabilities = Outstanding Expenses+ Bills Payable+ Creditors
 = 1,00,000+ 2,50,000 + 4,00,000 = Rs.7,50,000
 Therefore Working Capital = Current Assets- Current Liabilities
 = Rs. 12,50,000 - 7,50,000 = Rs. 5,00,000
 We Know Capital Employed = Net Fixed Assets + Working Capital
 =14,00,000 + 5,00,000 = Rs. 19,00,000

Putting the Values in Formula

Return on Capital Employed = $\frac{\text{Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$

Return on Capital Employed = $\frac{3,00,000}{19,00,000} \times 100$

Return on Capital Employed = 15.79 %

b) We Know Quick Ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$

Here Quick Assets = Debtors+ Stock + Cash+ Prepaid Expenses
 =6,00,000+ 4,00,000 = Rs.10,00,000

And Current Liabilities = Outstanding Expenses+ Bills Payable+ Creditors
 = 1,00,000+ 2,50,000 + 4,00,000 = Rs.7,50,000

Therefore Putting in the formula

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

Quick Ratio = $\frac{10,00,000}{7,50,000}$

Quick Ratio = 1.33 : 1

2 Marks

25.

CASH FLOW STATEMENT

6 Marks

A.	OPERATING ACTIVITY		
	Net Profit as Per P/L Account	20,000	
	Add: Provision for Taxation	20,000	
	General Reserve	5,000	
	Prov. For DD	-10,000	
	Preliminary Expenses	10,000	
	Interest on Debentures	8,000	
	Depreciation A/c	25,000	
	Profit on Sale of Machinery	-10,000	
	OPERATING PROFIT BEFORE WC CHANGE	68,000	68,000
Add	Increase in S. Creditors	13,000	
Add	Decrease in Stock	35,000	
Add	Decrease in Debtors	20,000	
Less	Decrease in Outstanding Expenses	-10,000	58,000
	CASH GENERATED FROM OPERATING ACTIVITIES		1,26,000
Less	Tax paid		-30,000
	NET CASH INFLOW FROM OPERATING ACTIVITIES		96,000
B	INVESTING ACTIVITIES		
	Sale of Furniture	10,000	
	Purchase of Plant and Machinery	-2,80,000	
	Purchase of Patents	-15,000	
	Sale of Plant and Machinery	65,000	
	NET CASH OUTFLOW FROM INVESTING ACTIVITIES	-2,20,000	-2,20,000
C	FINANCING ACTIVITIES		
	Issue of Equity Share Capital	1,00,000	
	Increase in Securities Premium	2,000	
	Issue of 8% Debentures	20,000	
	Payment of Interest on 8% Debentures	-8,000	
	NET CASH INFLOW FROM FINANCING ACTIVITIES	1,14,000	1,14,000
A+B+C	NET INCREASE IN CASH AND CASH EQUIVALENTS		-10,000
	CASH AND CASH EQUIVALENTS in BEGINNING		10,000
	CASH AND CASH EQUIVALENTS in END		0

WORKING NOTES

PROVISION FOR TAXATION A/c

www.cbseguess.com

Other Educational Portals

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www.niosguess.com | www.iitguess.com

Particulars	Rs.	Particulars	Rs.
To Tax Paid	30,000	By Bal. b/d	15,000
To Bal. c/d	5,000	By Prov. For Taxation*	20,000
	35,000		35,000

PLANT AND MACHINERY A/c

Particulars	Rs.	Particulars	Rs.
To Bal. b/d	2,25,000	By Depreciation	10,000
To Profit on Sale	10,000	By Cash(Sale of Machinery)	65,000
To Cash(Purchase of Machinery)*	2,80,000	By Bal. c/d	4,40,000
	5,15,000		5,15,000

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