Accountancy

Class- XII

Time:- 3hrs. **M.M.80**

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions:

(i) ***This question paper contains two parts: A and B.***
(ii) ***All questions are compulsory.***
(iii) ***Marks for each question are indicated against it.***
(iv) ***All parts of questions should be attempted at one place.***
(v) ***Show your working clearly (If any).***
(vi) ***Draw the appropriate format & write down the narration also.***

PART—A
(ACCOUNTING FOR NOT-FOR- PROFIT ORGANISATION, PARTNERSHIP FIRMS & COMPANIES)

1. Give two circumstances under which a partnership firm is dissolved by the order of court. 【1】

2. A and B are partners in a firm sharing profits and losses in the ratio of 5:3. They admitted C as a new partner for ¼ th share. B surrenders 1/3 of his share in favour of C. Calculate A's remaining share. 【1】

   OR

   At the time of retirement of a partner, state the condition when there is no need to compute the gaining ratio.

3. What do you mean by Subscription? 【1】

   OR

   What do you mean by Endowment Fund?

4. If a fixed amount is withdrawn on the last day of every quarter, at what average period the interest on total drawings will be calculated? 【1】

5. Give two circumstances in which need for valuation of goodwill arises? (Except Admission, Retirement and Death of a partner) 【1】

6. Can Securities Premium Reserve be used as working capital? Give reason in support of your answer. 【1】

   OR

   What is meant by Participating Preference Shares?

7. Rama Ltd. issued 8,000, 12% Debentures of Rs. 100 each redeemable at 10 % premium. These Debentures were due for redemption on 31-03-2018. The company had a balance of Rs. 15,00,000 in its Statement of Profit and Loss, Instead of declaring dividend , it was decided to redeem the debentures. Required investment was made in 9% Government securities on 30/04/2017. Pass necessary Journal entries in the books of company for redemption of debentures. 【3】

8. Calculate value of goodwill by Average Profit Method when three years purchases is required and on the basis of last 4 Years profits and losses.

2010-11	Profit	Rs.50,000	(Including overvaluation of closing stock Rs. 4,000)
2011-12	Loss	Rs.30,000	(after charging abnormal loss Rs. 6,000)
2012-13	Profit	Rs. 40,500	(including a computer purchased on 01/01/2013 for Rs. 20,000 but treated as Revenue Expenditure and debited to Profit and Loss account. Depreciation @ 10% p.a. by WDV method is not recorded in books)
2013-14	Profit	Rs.81,950	(Including interest on investment Rs. 8,000)

【3】

9. On 01-04-2014, Mahesh Ltd. issued 20,000, 15% Debentures of face value 100 each at a discount of 6% to be redeemed as follows:

31-03-2016	Rs. 10,00,000
31-03-2018	Rs. 10,00,000

Prepare Discount on Issue of Debentures Account. 【3】

OR

Complete the missing information:

Journal

Date	Particulars		LF	Dr.	Cr.
	Share Capital A/c	Dr.		?	
	?	Dr.		?	
	To -------?------				?
	To ------?------				?
	(Being 3,000 shares of Rs.100 each, Rs.75 called up forfeited due to non-payment of allotment of Rs 45 each including premium of Rs.5 per share)				
	?	Dr.		?	
	?	Dr.		?	
	To -----?------				?
	(Being reissue of 2,000 forfeited shares at Rs. 60 per share as Rs. 75 paid up)				
	?	Dr.		?	
	To ------? -----				?
	(Being---)				

【3】

10. Extract of Receipts and Payments Account for the year ended 31-03-2018.

Receipts	Amount	Payments	Amount
		By Salary	
		2016-17	20,000
		2017-18	3,20,000
		2018-19	10,000

Additional information:

(i)	Salary still outstanding for the year ended 31-03-2017	28,000
(ii)	Salary outstanding as on 31-03-2018	60,000
(iii)	Salary paid in advance on 31-03-2017	12,000

Show the Salary in Income & Expenditure Account and Balance Sheet as at 31.03.2018. 【3】

11. X, Y and Z are partners in a firm sharing profits in the ratio of 5:3:2. Z retired from the firm on 01-04-2017and his final capital balance after all adjustment transferred to his Loan account which was Rs.2,00,000. It was decided by X and Y to discharge Z's loan in four half yearly equal installment with 10% p.a. interest on outstanding balance.
Prepare Z's Loan account for the year 2017-18 and also pass all the journal entries for 2017-18. Accounts are closed on 31st March every year. **【4】**

12. B, C and D were partners in a firm sharing profits in the ratio of 5:3:2. On 31-03-2018 their Balance Sheet was as follows:

Liabilities		Amount	Assets	Amount
Creditors		60,000	Bank	10,200
D's Loan		70,000	Stock	24,500
Capital			Debtors	27,300
B	40,000		Building	1,30,000
C	50,000		Loan to B	10,000
D	52,000	1,42,000	Profit and Loss (for the year 2017-18)	70,000
Total		2,72,000		2,72,000

B died on 30-06-2018.The partnership deed provided the following terms on the death of a partner:

(i) B' s share of profit or loss till the date of death was to be calculated on the basis of the profit or loss for the year ending 31-03-2018.

(ii) Goodwill of the firm is valued at 3 years' purchases of the average profits of last 5 years.

2016-17	Rs. 70,000	2015-16	Rs.60,000
2014-15	Rs. 50,000	2013-14	Rs. 40.000

Pass all the necessary Journal Entries at the time of death of B. **【4】**

13.. From the following Receipts and Payments Account, prepare Income and Expenditure Account for the year ended 31-03-2018..

Receipts	Amount	Payments	Amount
Bank Balance	36,000	Repairs	7,000
Life Membership fees	20,000	Rent (11 Months)	33,000
Subscriptions	30,000	12% Investment (Purchased1/1/2018)	80,000
Legacy	28,000	Salaries	7,000
Sale of old newspaper	5,000	Prize expenses	12,000
Prize Fund	18,000	Charity show expenses	13,000
Charity Fund	10,000	Upkeep of land	6,000
Donation	9,000	Sports Equipment purchased	55,000
Entrance fees	12,000	Stationeries	8,000
Government Grant	20,000	Furniture Purchased	50,000
Sale of old furniture (Book Value Rs. 20,000)	12,000	Insurance premium (annually upto 30-06-2018)	18,000
Locker Rent Received	18,000	Electricity Expenses	9,000
Donation for building	70,000		
Bank overdraft	10,000		
	2,98,000		2,98,000

Additional Information:

(i) Entrance Fees accrued ₹6,000. Managing Committee decided to treat 25% of entrance fees as Capital Receipts and balance as revenue receipts.
(ii) Outstanding subscription as on 31-03-2017 was Rs.10,000. (Out of which only 8,000 received during the year.
(iii) Outstanding subscription as on 31-03-2018 was Rs.14,000.
(iv) Stock of sports equipment on 31-03-2017 was Rs.20,000 and on 31-03-2018 was Rs.48,000.
(v) On 31-03-2017 value of furniture was Rs.35,000. 【6】

14. Sohan and Suresh were partners in a firm sharing profits in the ratio of 3:2. On 31-03-2018 their Balance Sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors	45.000		
Machinery Replacement Reserve	10,000	Stock	40,000
Bank Overdraft	30,000	Investment	50,000
Capital		Debtors	55,000
Sohan	2,00,000	Building	1,00,000
Suresh	1,00,000	Machinery	1,30,000
Workmen Compensation Reserve	20,000	Goodwill	75,000
Current Account(Suresh)	75,000	Current Account (Sohan)	30,000
Total	4,80,000	Total	4,80,000

On the above date the firm dissolved on the following terms:

(i) Creditors accepted the debtors in full settlement of their claims.
(ii) Bank overdraft discharge along with interest of Rs.2,000. Claims paid to worker Rs.18,000.
(iii) Sohan took over the 40% of the stock are 20% less than book value and remaining stock realized at 110% of book value.
(iv) Investment taken over by Sohan at book value.
(v) Building and machinery taken over by Suresh at agreed value of Rs.7,00,000.

Prepare Realisation Account. 【6】

OR

Record the necessary Journal Entries at the time of Dissolution of firm in the following cases: (Assuming that all realisable assets and third party liabilities have been already transferred to Realisation Account)

(i) Creditors were paid Rs. 18,000 in full settlement of their claims of Rs. 20,000.
(ii) Creditors worth Rs. 86,000 accepted Rs. 40,000 as cash and investment worth Rs. 42,000 in full settlement of their claims.
(iii) Creditors were Rs. 18,000. They accepted machinery worth Rs. 15,000 in full settlement of their claim.
(iv) Creditors were Rs. 90,000. They accepted building valued Rs. 1,50,000 and paid remaining Cash to the firm.
(v) Investment sold through a broker for Rs. 40,000 and brokerage 2%.
(vi) Debtors 50,000(gross), provision for doubtful debts 5,000, At the time of dissolution actual bad debts Rs.12,000. 【6】

15. The partners of the firm, M, N and O distribute the profit of the firm for the year ended on 31-3-2018 Rs. 80,000 in the ratio of 3:3:2. without providing the following adjustment.
   (i) M and O were entitled to a salary of Rs.1,500 each per month.
   (ii) N was entitled to get a commission of Rs.4,000
   (ii) N and O had guaranteed a minimum profit of Rs 35,000 p.a. to M & any deficiency to be borne equally by N and O.

   Pass the necessary adjustment journal entry for above in the books of firm assuming that capital accounts of partners are fixed. Show your working clearly. **[6]**

16. Alfa and Beta are partners sharing profits in capital ratio, their Balance Sheet as on 31-03-2018 was as follows:

Liabilities	Amount	Assets	Amount
Provision for doubtful debts	40,000	Debtors	8,00,000
Creditors	2,00,000	Bank	1,00,000
Workmen Compensation Reserve	56,000	Stock	2,00,000
Outstanding Expenses	30,000	Machinery	3,86,000
Capital			
Alfa	6,00,000	Profit and Loss	40,000
Beta	6,00,000		
	15,26,000		15,26,000

   Gama was admitted as a new partner on this date:
   (i) New ratio is 3:2:1.
   (ii) He bring Rs. 5,00,000 as his share of capital in cash but he was unable to bring his share of goodwill in cash and goodwill of the firm is valued Rs.1,80,000
   (iii) Claim on account of workmen compensation was Rs.30,000.
   (iv) To write off bad debts amounted to Rs.48,000.
   (v) Creditors were paid Rs. 10,000 more.
   (vi) Outstanding expenses brought down to Rs.12,000.
   (vii) Rs.30,000 to be provided for an unforeseen liability.
   (viii) Adjust the capital on the basis of Gama's capital and for this purpose Current account are to be opened..

   Prepare Revaluation Account, Capital Accounts of partners and Balance sheet of new firm. **[8]**

OR

A, B and C are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on 31-03-2018 was as under:

Liabilities	Amount	Assets	Amount
Capital		Bank	2,000
A	28,000	Debtors	10,000
B	20,000	Stock	14,000
C	12,000	Plants	36,000
Provident Fund	10,000	Goodwill	8,000
	70,000		70,000

C retired on 01-04-2018 on the following terms:
(i) Plant be valued at Rs.48,000. Provident Fund increased by Rs. 2,000.
(ii) A customer whose account was written off as bad debts Rs. 2,000 in the previous year now promised to pay in writing, therefore accounted for it.
(iii) C's interest in the firm is valued at Rs. 18,800 after revaluation profits and all others transactions.

(iv) The entire sum payable to C is brought in by A and B in such a way, so that their capital remains in new profit sharing ratio of 2:1 and assuming bank balance should be Rs. 4,000.

Prepare Revaluation Account, Capital Accounts of partners , Bank Account and Balance Sheet. **【8】**

.17. ShyamLtd .issued 4,00,000 shares of Rs.10 each at a premium of 40%.

Amount payable as follows:

On application	Rs.6 (including Rs.2 premium)
On allotment	Rs.5 (including Rs.2 premium)
On first call and final call	Balance

Application were received for 6,00,000 shares . Allotment was made to all the applicant on pro-rata basis. Ajay to whom 800 shares were allotted failed to pay allotment money and his shares were forfeited after allotment.

Sonu who have applied for 3,000 shares failed to pay first call money and his shares were forfeited after first call.

All the forfeited shares were reissued @ Rs.11 per shares as fully paid up.

Pass all the necessary journal entries in the books of Shyam limited. **【8】**

OR

Atlas Ltd. issued 10,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows:

On application	Rs.4
On allotment	Rs.6 (4+2)
On first call	Rs.2

Application were received For 20,000 shares and allotment was made as follows"

(A)	Applicant of 12,000 shares	5000 shares allotted
(B)	Applicant of 5,000 shares	4000 shares allotted
(C)	Applicant of 2,000 shares	No allotment
(D)	Applicant of 1,000 shares	Full allotment

Raman who belongs to category A failed to pay allotment and first call money on 100 shares. Suresh who has applied for 500 shares belongs to category B failed to pay allotment and first call money. Shares of both the persons were forfeited.

Out of forfeited shares 150 shares were reissued for Rs. 8 each as fully paid. Reissued shares included 75 shares of Raman and 75 shares of Suresh.

Pass all the necessary journal entries in the books of Atlas Ltd. **【8】**

PART—B
(FINANCIAL STATEMENT ANALYSIS)

18. State how Cash Flow Statement is historical in nature. **【1】**

19. Purchase of Marketable Securities will result in inflow, outflow or no flow of fund. Give reason also. **【1】**

20. Under which major heads and subheads of Balance Sheet of a company, will the following items be shown:
    (i) Stores and Spares
    (ii) Discount on issue of debentures
    (iii) Calls in Arrear
    (iv) Term Loan from bank **【4】**

21. (A) The Quick Ratio of company is 1.5 : 1. State, giving reason which of the following transactions would increase, decrease or not alter the ratio.
   (i) Goods purchased on credit Rs. 10,000
   (ii) Debentures of Rs. 50,000 converted into Equity Shares on maturity

   (B) The proprietary ratio of the company is 0.40 : 1. State, giving reasons which of the following transactions would increase, decrease or not alter the ratio.
   (i) Goods costing Rs. 20,000 sold at a profit of 20%.
   (ii) Bonus shares of Rs. 10,000 issued to existing shareholders. 【4】

OR

Calculate Current Assets from the following figures:

Revenue From Operation	10,00,000
Gross Profit	25% on Cost of RFO
Inventory Turnover Ratio	8 Times
Closing inventory were two times more than opening inventory.	
Quick Ratio	0.75
Current liabilities	80,000

【4】

.22. Prepare a Comparative Statement of Profit and Loss from the following information:

Particulars	31-03-2018	31-03-2017
Revenue From Operations	30,00,000	20,00,000
Purchases of stock in trade	70% of RFO	60% of RFO
Employee benefit expenses	2,00,000	3,00,000
Change in inventories	1,00,000	(1,00,000)
Other expenses	5,00,000	4,00,000
Interest on investment received	1,00,000	2,00,000
Income Tax	50%	40%

【4】

OR

From the following information of a company, prepare Common size Balance Sheet:

Share Capital	20,00,000
Cash and Cash Equivalent	2,00,000
Trade payable	10,00,000
Reserve and Surplus	8,00,000
Trade Receivable	19,00,000
Short term Provision	4,00,000
Long term Borrowings	6,00,000
Long term Provision	2,00,000
Fixed –Tangible Assets	15,00,000
Fixed- Intangible Assets	4,00,000
Current Investment	1,00,000
Inventory	9,00,000

【4】

23.. Following are the Balance Sheet of Mohan Ltd. as at 31-03-2018 and 31-03-2017, Prepare Cash flow Statement.

Particulars	Note No.	31-03-2018	31-03-2017
I. EQUITY AND LIABILITIES			
1.Shareholder Fund			
(1) Share Capital	1	15,00,000	12,00,000
(2) Reserve and Surplus	2	9,00,000	7,00,000
2. Non Current Liabilities			
(1) Long Term Borrowings	3	8,00,000	6,00,000
3.Current liabilities			
(1) Short Term Borrowings	4	20,000	10,000
(2) Trade Payables		2,00,000	1,20,000
(3) Other Current Liabilities	5	3,80,000	2,80,000
(4) Short Term Provision	6	2,00,000	1,90,000
Total		40,00,000	31,00,000
II.ASSETS			
1.Non Current Assets			
(1) Fixed Assets			
(A) Tangible Assets	7	10,00,000	9,00,000
(B) Intangible Assets	8	2,00,000	1,40,000
(2) Non Current Investment		7,00,000	3,00,000
(3) Long Term Loans and Advances		6,00,000	2,50,000
2.Current Assets			
(1) Current Investment	9	4,00,000	3,00,000
(2) Inventory		2,40,000	2,70,000
(3) Trade Receivables		6,80,000	8,00,000
(4) Cash and Cash equivalent		1,30,000	90,000
(5) Other Current Assets	10	50,000	50,000
Total		40,00,000	31,00,000

Notes to Accounts:

	31-03-2018	31-03-2017
1. Share Capital		
(i) Equity Share Capital	15,00,000	12,00,000
2. Reserve and Surplus		
(i) General Reserve	6,30,000	4,30,000
(ii) Profit and Loss	2,40,000	2,70,000
(iii) Securities Premium Reserve	30,000	- - --
	9,00,000	7,00,000
3. Long term borrowings:		
(i) 15%Debentures	8,00,000	6,00,000
4. Short Term Borrowings		
(i) Bank Overdraft	20,000	10,000
5. Other Current Liabilities		
(i) Outstanding Expenses	3,80,000	2,80,000

6.	Short Term Provision			
	(i)	Provision for Taxation	2,00,000	1,90,000
7.	Tangible Assets			
	(i)	Machinery	10,00,000	8,50,000
		(--) Accumulated Depreciation	4,00,000	3,00,000
			6,00,000	5,50,000
	ii)	Furniture	4,00,000	3,50,000
			10,00,000	9,00,000
8.	Intangible Assets			
	(i)	Goodwill	2,00,000	1,40,000
9.	Current Investment			
	(i)	Marketable Securities	4,00,000	3,00,000
10.	Other Current Assets			
	(i)	Prepaid Insurance	50,000	50,000

Additional Information:

(i) During the year machinery costing 2,00,000 (Accumulated depreciation Rs. 80,000) sold for Rs. 50,000.

(ii) Proposed dividend for the year amounted to Rs. 60,000

(iii) Provision for taxation made during the year Rs. 1,50,000. 【6】

Accountancy

Class- XII

PART—A

(ACCOUNTING FOR NOT –FOR-- PROFIT ORGANISATION, PARTNERSHIP FIRMS &COMPANIES)

1. (i) If a partner become person of unsound mind.
   (ii) If a partner is guilty of misconduct.
   (iii) If a partner transfer his interest without consent of other partner
   (iv) If a partner is permanently incapable of performing his duties
   (v) If a court find that the dissolution of firm is justified.

   Any Two (1/2+1/2=1)

2. B's Share=3/8
   Surrender by B in favour of C=3/8 x 1/3= 1/8
   Surrender by A in favour of C= ¼-1/8=1/8
   A's Remaining share= 5/8 – 1/8 =4/8 (1)

   OR

   When it is not given that retiring partner share is taken by remaining partner in which ratio.
   Then it is assumed that retiring partner share taken by remaining partner in their old ratio which is gaining ratio. (1)

3. Subscription means periodically amount paid by member of NPO so that their membership remains continue. (1)

   OR

   Endowment fund means a fund which is arise from gift received by NPO and income of that fund can be utilised for some specific purpose. (1)

4. Average period = (9+0)/2=4.5 (1)

5. (1) When there is change in profit sharing ratio among existing partner
   (2) Sale of partnership firm
   (3) Amalgamation of partnership firm Any two (½ +1/2=1)

6. No Securities premium reserve cannot be used as working capital.
   It can be used only for the purpose of section 52 as per company Act, 2013.
   (1/2 +1/2=1)

   OR

   Participating Preference shares are those who have two additional right:
   (i) In addition to fixed preference dividend , carry a right in the surplus profit after giving dividend to equity shareholder
   (ii) At the time of winding up after paying both preference shares and equity shares if still some surplus left , they are entitled to receive pre-determined portion in surplus also. (1/2+1/2=1)

7. In the books of Ramait Ltd.

Journal

Date	Particulars	L.F.	Dr.	Cr.
2017				
March 31	Surplus in Statement of Profit and Loss Dr.		8,00,000	
	To Debenture Redemption Reserve A/c			8,00,000
	(Being transfer of surplus to DRR, 100% of outstanding debentures.)			
April 30	Debenture Redemption Investment A/c Dr.		1,20,000	
	To Bank A/c			1,20,000
	(Being investment made @ 15% of redeemed debentures)			
2018				
March 31	Bank A/c Dr.		1,29,900	
	To Debenture Redemption Investment A/c			1,20,000
	To Interest Earned A/c			9,900
	(Being investment realized with interest)			
	12% Debentures A/c Dr.		8,00,000	
	Premium on Redemption of Debentures A/c Dr.		80,000	
	To Debenture Holder A/c			8,80,000
	(Being debenture due for redemption)			
	Debenture Holder A/c Dr.		8,80,000	
	To Bank A/c			8,80,000
	(Being amount paid to debenture holder)			
	Debenture Redemption Reserve A/c Dr.		8,00,000	
	To General Reserve A/c			8,00,000
	(Being balance of DRR transferred to general reserve)			

(½ x 6=3)

Working Notes:

1. Amount transferred to DRR= 100% of 8,00,000= 8,00,000
2. Investment made= 15% of 8,00,000= 1,20,000
3. Interest on investment= 1,20,000 x 9/100 x 11/12= 9,900
4. Amount received= 1,20,000+ 9,900= 1,29,900

8. Calculation of adjusted average profit

Year	Particulars		Amount
2010-11	Profit	50,000	
	Less: Overvaluation of closing stock	4,000	46,000 (1/2)
2011-12	Loss	--30,000	
	Add: Overvaluation of Opening stock	4,000	
	Add : Abnormal Loss	6,000	--20,000 (1/2)
2012-13	Profit	40,500	
	Add: Computer purchased but debited to P/L	20,000	
	Less: Depreciation on computer (3 M)	500	60,000 (1/2)

2013-14	Profit	81,950	
	Less : Interest on investment	8,000	
	Less: Depreciation on computer	1,950	72,000(1/2)
	Total Adjusted profit		1,58,000

Average profit = Total Adjusted profit/ No. of years

= 1,58,000/4= 39,500 (1/2)

Value of Goodwill= Average profit x No. of years purchased

= 39,500 x 3= 1,18,500 (1/2)

--------- (3)

9..

In the Books of Mahesh Ltd.

Discount on Issue of Debentures A/c

Date	Particulars	Amount	Date	Particulars	Amount
2014			2015		
April 1	To 12% Debentures A/c	1,20,000	March 31	By Statement of P&L	40,000
				By Balance c/d	80,000
		1,20,000			1,20,000
2015			2016		
April 1	To Balance b/d	80,000	March 31	By Statement of P&L	40,000
				By Balance c/d	40,000
		80,000			80,000
2016			2017		
April 1	To Balance b/d	40,000	March 31	By Statement of P&L	20,000
				By Balance c/d	20,000
		40,000			40,000
2017			2018		
April 1	To Balance b/d	20,000	March 31	By Statement of P&L	20000
		20,000			20,000

Working Notes:

1. Discount on issue of debentures= 20,00,000 x 6/100 = 1,20,000
2. Amount of discount on issue of debentures written off every year:

Year ended	Amount Outstanding	Ratio	Discount written off
31/03/2015	20,00,000	2	40,000
31/03/2016	20,00,000	2	40,000
31/03/2017	10,00,000	1	20,000
31/03/2018	10,00,000	1	20,000
		6	1,20,000

(2+1=3)

OR

Complete the missing information:

Journal

Date	Particulars	LF	Dr.	Cr.
	Share Capital A/c (3000 x 75)	Dr.	2,25,000	
	Securities Premium Reserve Ac (3000 x 5)	Dr.	15,000	
	To Calls in Arrear A/c (3000 x 45)			1,35,000
	To Forfeited Shares A/c (3000 x 35)			1,05,000
	(Being 3000 shares of Rs. 100 each, 75 called up forfeited due to non payment of allotment of Rs 45 each including premium of Rs. 5 per share)			
	Bank A/c (2000 x 60)	Dr.	1,20,000	
	Forfeited Shares A/c (2000 x 15)	Dr.	30,000	
	To Share Capital A/c (2000 x 75)			1,50,000
	(Being reissue of 2000 forfeited shares at Rs. 60 per share as Rs. 75 paid up)			
	Forfeited Share A/c	Dr.	40,000	
	To Capital Reserve A/c			40,000
	(Being gain on reissued forfeited shares transfer to Capital Reserve)		(1+1+1= 3)	

10. Income and Expenditure Account

For the year ended 31/03/2018

Expenditure		Amount	Income	Amount
To Salary	3,20,000			
Add: O/S salary at end	32,000			
Add: Salary paid in advance In beginning	12,000	3,64,000		

(2)

Balance Sheet

As at 31/03/2018

Liabilities		Amount	Assets	Amount
Outstanding salary			Prepaid Salary	10,000
2016-17	28,000			
2017-18	32,000	60,000		

(1)

---- (3)

11. Z's Loan A/c

Date	Particulars	Amount	Date	Particulars	Amount
2017			2017		
Sept.30	To Bank A/c	60,000	April 1	By Z's Capital A/c	2,00,000
2018			Sept. 30	By Interest on Loan A/c	10,000
March 31	To Bank A/c	57,500	2018		
			March 31	By interest on Loan A/c	7,500
	To Balance c/d	1,00,000			
		2,17,500			2,17,500 (2)

Journal

Date	Particulars		LF	Dr.	Cr.
2017					
April 1	Z's Capital A/c	Dr.		2,00,000	
	To Z's Loan A/c				2,00,000
	(Being balance of z's Capital after all adjustment transferred To Z's Loan account)				
Sept. 30	Interest on loan A/c	Dr.		10,000	
	To Z's loan A/c				10,000
	(Being interest on Z's loan due)				
Sept. 30	Z's Loan A/c	Dr.		60,000	
	To Bank A/c				60,000
	(Being installment of Z's loan paid)				
2018					
March 31	Interest on loan A/c	Dr.		7,500	
	To Z's loan A/c				7,500
	(Being interest on Z's loan due)				
March 31	Z's Loan A/c	Dr.		57,500	
	To Bank A/c				57,500
	(Being installment of Z's loan paid)				
March 31	Profit and Loss A/c	Dr.		17,500	
	To Interest on Loan A/c				17,500
	(Being interest transferred to profit and loss account)				

(2)

-----

(4)

12. Journal

Date	Particulars		LF	DR.	CR.
2015					
June 30	B's Capital A/c	Dr.		35,000	
	C's Capital A/c	Dr.		21,000	
	D's Capital A/c	Dr.		14,000	
	To Profit and Loss A/c				70,000
	(Being loss distributed in all partners in old ratio)				
	B's Capital A/c	Dr.		10,000	
	To B's Loan A/c				10,000
	(Being B's loan transferred to B's Capital)				
	B's Capital A/c	Dr.		8,750	
	To Profit and Loss Suspense A/c				8,750
	(Being estimated loss debited to B's Capital)				
	C's Capital A/c	Dr.		27,000	
	D's Capital A/c	Dr.		18,000	
	To B's Capital A/c				45,000
	(Being B's capital account is credited with his share Of goodwill and C's capital account and D's Capital account is debited in gaining ratio)				
	B's Capital A/c	Dr.		31,250	
	To B's Executor A/c				31,250
	(Being balance of B's capital transferred to B's Executor account)				

(1/2 + ½+ 1+1+1=4)

Working Notes :

1. Calculation of B's share in current year profit or loss
   Loss for the year 31/03/2015= 70,000
   So assumed current year loss = 70,000
   B's share in loss= 70,000 x 3/12 x 5/10= 8,750

2. B's share in goodwill
   Total profits of 5 years = 70,000+60,000+50,000+40,000—70,000=1,50,000
   Average Profits = 1,50,000/5 = 30,000
   Value of goodwill = 30,000 x 3= 90,000
   B's share = 90,000 x 5/10= 45,000 Gaining ratio= 3:2

3. Balance of B's Capital= 40,000+45,000—35,000—10,000—8,750= 31,250

13.

Income and Expenditure Account
For the year ended 31/03/2014

Expenditure		Amount	Income		Amount
To Repairs		7,000	By Subscription	30,000	
To Rent	33,000		(--) Subscription related		
(+) O/s Rent	3,000	36,000	to previous year	8,000	
To Salaries		7,000	(+) O/s Sub. At end	12,000	34,000
To Charity Show Expenses					
(13,000 --- 10,000)		3,000	By Sale of old newspaper		5,000
To Upkeep of land		6,000	By Donation		9,000
To Sports Equipment Consumed			By Entrance Fees		
(20,000 + 55,000 – 48,000)		27,000	(75% of 18,000)		13,500
			By Government Grant		20,000
To Stationeries		8,000	By Locker rent received		18,000
To Insurance Premium	18,000		By Accrued interest on		
(--) Prepaid insurance	4,500	13,500	investment		2,400
To Electricity Expenses		9,000	By Deficit		22,600
To Loss on sale of furniture					
(20,000 – 12000)		8,000			
Total		1,24,500	Total		1,24,500

(18 items x 1/3= 6)

14.

Realisation Account

Particulars		Amount	Particulars		Amount
To Stock A/c		40,000	By Creditors A/c		45,000
To Investment A/c		50,000	By Machinery Replacement Reserve A/c		10,000
To Debtors A/c		55,000	By Bank overdraft		30,000
To Building A/c		1,00,000	By Workmen Compensation Reserve		18,000
To Machinery A/c		1,30,000	(Up to actual liability)		
To Goodwill A/c		75,000(1)			(1)
To Cash A/c			By Cash A/c		
Bank overdraft	32,000		Stock	26,400	26,400(1/2)
Claim to workers	18,000	50,000 (1)	By Sohan's Current A/c		
To Partner's Current A/c			Stock	12,800	
(Realisation Profit)			Investment	50,000	62,800 (1)
Sohan	2,35,320		By Suresh's Current A/c		
Suresh	1,56,880		Building & Machinery		7,00,000(1/2)
		3,92,200 (1)			
		8,92,200			8,92,200

(1+1+1+1/2+1+1/2+1)=6

OR

Journal

Date	Particulars	LF	DR.	CR.
(i)	Realsiation A/c	Dr.	18,000	
	To Cash A/c OR Bank A/c			18,000
	(Being amount paid to creditor at the time of dissolution)			
(ii)	Realsiation A/c	Dr.	40,000	
	To Cash A/c Or Bank A/c			40,000
	(Being amount paid to creditor at the time of dissolution In full settlement)			
(iii)	NO ENTRY			
(iv)	Cash A/c Or Bank A/c	Dr.	60,000	
	To Realisation A/c			60,000
	(Being amount returned by creditors at the time of dissolution By taking building)			
(v)	Cash A/c Or Bank A/c	Dr.	39,200	
	To Realisation A/c			39,200
	(Being investment sold at the time of dissolution)			
(vi)	Cash A/c Or Bank A/c	Dr.	38,000	
	To Realisation A/c			38,000
	(Being amount realized from debtors at the time of dissolution)			(1x 6 = 6)

15. Table Showing Adjusted Amount

Particulars		M	N	O	Total
Salary to partners	CR.	18,000		18,000	36,000(1)
Commission to partners	CR		4,000		4,000 (1)
#Actual profit to be credited	CR.	35,000	5,000	Nil	40,000(1)
Total Amount to be credited		53,000	9,000	18,000	80,000
Profit already wrongly distributed	DR.	30,000	30,000	20,000	80,000(1)
NET EFFECT		23,000 Cr.	21,000 Dr.	2,000 Dr.	

#Actual profits = 80,000—36,000—4,000= 40,000 will be distributed in 3:3:2

	M	N	O
Profit Distributed	15,000,	15,000	10,000
Guarantee adjusted	+20,000	(-)10,000	(-)10,000
	35,000	5,000	Nil

Journal

Date	Particulars		LF	DR.	CR.
	N's Current A/c	Dr.		21,000	
	O's Current A/c	Dr.		2,000	
	To M's Current A/c				23,000
	(Being adjustment entry passed)				

(2)

(1+1+1+1+2= 6)

Note ; Adjustment table may be prepared in any form

16. Revaluation Account

Particulars	Amount	Particulars		Amount
To Bad Debts A/c (48,000—40,000)	8,000	By Outstanding Expenses A/c		18,000
To Creditors A/c	10,000	By Revaluation Loss (Transfer to Capital accounts)		
To Outstanding Liability	30,000	Alfa	15,000	
		Beta	15,000	30,000
	48,000			48,000

(2)

Partner's Capital Accounts

Particulars	Alfa	Beta	Gama	Particulars	Alfa	Beta	Gama
To Profit & loss A/c	20,000	20,000	----	By Balance B/d	6,00,000	6,00,000	-----
To Revaluation A/c	15,000	15,000	----	By Workmen comp.	13,000	13,000	----
To Balance C/d	578000	608000	500000	By Bank A/c	-----	-----	5,00,000
				By Gama's Current A/c	----	30,000	----
	613000	643000	500000		613000	643000	500000
				By Balance b/d	578000	608000	500000
				By Alfa's Current A/c	922000		
				By Beta's Current A/c		392000	
To Balance c/d	1500000	1000000	500000				
	1500000	1000000	500000		1500000	1000000	500000

(4)

Balance Sheet of New Firm

Liabilities	Amount	Assets		Amount
Outstanding liability	30,000	Debtors	8,00,000	
Creditors	2,10,000	(-) Bad Debts	48,000	7,52,000
Workmen Compensation claims	30,000	Stock		2,00,000
Outstanding Expenses	12,000	Machinery		3,86,000
Capital		Bank		6,00,000
Alfa	15,00,000	Current Accounts		
Beta	10,00,000	Alfa		9,22,000
Gama	5,00,000	Beta		3,92,000
		Gama		30,000
	32,82,000			32,82,000

(2)

(2+4+2=8)

Working Notes :

1.Sacrificing ratio

Alfa=1/2 -3/6=0 Beta=1/2 -2/6=1/6

Gama's share in goodwill=1,80,000x 1/6=30,000

2.Adjustment of goodwill

Total capital of new firm on the basis of Gama's Capital= 5,00,000x6/1=30,00,000

It will be distributed in new ratio which is 3:2:1

So Alfa's Capital =15,00,000 Beta's Capital =10,00,000 Gama's Capital =5,00,000

OR

Revaluation Account

Particulars		Amount	Particulars	Amount
To Provident Fund A/c		2,000	By Plant A/c	12,000
			By Debtors A/c	2,000
To Partner's Capital A/c				
(Revaluation Profit)				
A	6,000			
Bi	3,600			
C	2,400	12,000		
		14,000		14,000

Partner's Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To Goodwill A/c	4,000	2,400	1,600	By Balance b/d	28,000	20,000	12,000
To C's Capital A/c	5,000	1,000	---	By Revaluation A/c	6,000	3,600	2,400
				By A's Capital A/c	--	---	5,000
				By B's Capital A/c	---	---	1,000
To Balance c/d	25,000	20,200	18,800				
	34,000	23,600	20,400		34,000	23,600	20,400
				By Balance b/d	25,000	20,200	18,800
To Bank A/c	----	-----	18,800	By Bank A/c	19,000	1,800	-----
To Balance c/d	44,000	22,000	----	-			
	44,000	22,000	18,800		44,000	22,000	18,800

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	2,000	By C's Capital A/c	18,800
To A's Capital A/c	19,000		
To B's Capital A/c	1,800	By Balance c/d	4,000
	22,800		22,800

Balance Sheet of New Firm (A and B)
As at --------------------------

Liabilities	Amount	Assets	Amount
Capital		Bank	4,000
A	44,000	Debtors	12,000
B	22,000	Stock	14,000
		Plants	48,000
Provident Fund	12,000		
	78,000		78,000

(2+3+1+2)=(8)

Working Notes :

1. Calculation of Gaining Ratio:

Old Ratio of A, B and C= 5:3:2

New Ratio A and B =` 2:1

A's Gain= 2/3 –5/10=5/30

B's Gain= 1/3—3/10= 1/30 Gaining Ratio of A and B = 5:1

2. Calculation of C's share in goodwill;

Capital balance of C after all adjustments= 12,000+2,400—1,600=12,800

C's interest valued in firm after all adjustment= 18,800

C's Share of Goodwill(Hidden goodwill)= 18,800—12,800=6,000

3. Calculation of amount brought by A and B

Capital balance of A and B after all adjustments=25,000+20,200=45,200

Add :	Amount payable to C	=	18,800
Add:	Bank balance Required		= 4,000
Less:	Already bank balance given		= (2,000)
	Total capital of new firm		66,000

A's new capital = 66,000 x 2/3=44,000

B's new capital = 66,000 x 1/3=22,000

A's will bring= 44,000—25,000= 19,000

B's will bring = 22,000—20,200= 1,800

17. In the books of Shyam Ltd.

Journal

Date	Particulars		L.F.	Dr.	Cr.
1.	Bank A/c	Dr.		36,00,000	
	To Share Application A/c				36,00,000
	(Being application money received on 6,00,000 shares)				(1/2)
2.	Share Application A/c	Dr.		36,00,000	
	To Share Capital A/c (4,00,000 x 4)				16,00,000
	To Securities Premium Reserve A/c(4,00,000 x 2)				8,00,000
	To Share Allotment A/c (2,00,000 x 6)				12,00,000
	(Being application money transferred to share capital and excess money adjusted)				(1)
3.	Share Allotment A/c(4,00,000 X 5)	Dr.		20,00,000	
	To Share Capital A/c (4,00,00 X 3)				12,00,000
	To Securities Premium Reserve A/c (4,00,000 X 2)				8,00,000
	(Being Allotment money due)				(1/2)
4.	Bank A/c	Dr.		7,98,400	
	Calls in Arrear A/c	Dr.		1,600	
	To Share Allotment A/c				8,00,000
	(Being allotment money received)				(1)
5.	Share Capital A/c (800x7)	Dr.		5,600	
	Securities Premium Reserve A/c (800x2)	Dr.		1,600	
	To Calls in Arrear A/c (800 x 5 –2,400)				1,600
	To Share Forfeiture A/c(800x4 + 2,400)				5,600
	(Being 800 shares forfeited)				(1)

6.	Share First Call A/c(3,99,200 x3)	Dr.	11,97,600	
	To Share Capital A/c			11,97,600
	(Being share first call money due)			(1/2)
7.	Bank A/c (3,97,200 x 3)	Dr.	11,91,600	
	Calls in Arrear A/c (2,000 x 3)	Dr.	6,000	
	To Share First Call A/c			11,97,600
	(Being share first call money received)			(1/2)
8.	Share Capital A/c (2000 x10)	Dr.	20,000	
	To Calls in Arrear A/c(2000x3)			6,000
	To Share Forfeiture A/c(2000x7)			14,000
	(Being 2000 shares forfeited)			(1)
9.	Bank A/c(2800x 11)	Dr.	30,800	
	To Share Capital A/c(2800x10)			28,000
	To Securities Premium Reserve A/c(2800x1)			2800
	(Being forfeited share reissued)			(1)
10.	Share Forfeiture A/c(5600+14000)	Dr.	19,600	
	To Capital Reserve A/c			19,600
	(Being balance of share forfeiture transferred to capital reserve)			(1)

NOTE: Alternatively question can be solved by without opening Calls in Arrear A/c

Working Notes :

(i) Calculation of amount received on allotment

Allotment Due		20,00,000
(--)	Already received	12,00,000
(--)	Not received	
	Applied share of Ajay= (6,00,000/4,00,000) x 800= 1200	
	Excess money received= (1200 x 6) – (800 x 6)= 2,400	
	So Allotment not received= (800 x 5) –2,400=	1,600
		7,98,400

(ii) Allotted shares to Sonu on which he failed to first call money
=(4,00,000/6,00,000) x 3,000= 2,000

17. OR

In the books of Atlas Ltd.

Journal

Date	Particulars		L.F.	Dr.	Cr.
1.	Bank A/c(20000x4)	Dr.		80,000	
	To Share Application A/c				80,000
	(Being application money received on 20,000 shares)				(1/2)

2.	Share Application A/c	Dr.	80,000	
	To Share Capital A/c(10,000x4)			40,000
	To Share Allotment A/c			32,000
	To Bank A/c			8,000
	(Being application money transferred to share capital And excess money adjusted)			(1)
3.	Share Allotment A/c	Dr.	60,000	
	To Share Capital A/c			40,000
	To Securities Premium Reserve A/c			20,000
	(Being Allotment money due)			(1)
4.	Bank A/c	Dr.	25,960	
	To Share Allotment A/c			25,960
	(Being allotment money received)			(1)
5.	Share First & Final Call A/c(10,000x2)	Dr.	20,000	
	To Share Capital A/c			20,000
	(Being share first call money due)			(1/2)
6..	Bank A/c	Dr.	19,000	
	To Share First& Final Call A/c			19,000
	(Being share first call money received on 9,500 shares)			(1/2)
7.	Share Capital A/c (100x10)	Dr.	1,000	
	Securities Premium Reserve A/c(100x2)--160	Dr.	40	
	To Share Allotment A/c(100x6)—560			40
	To Share First Call A/c(100x2)			200
	To Share Forfeiture A/c(100x4)+400			800
	(Being 100 shares forfeited)			(1)
8.	Share Capital A/c (400x10)	Dr.	4,000	
	Securities Premium Reserve A/c(400x2)	Dr.	800	
	To Share Allotment A/c(400x6)-400			2,000
	To Share First and Final Call A/c(400x2)			800
	To Share Forfeiture A/c(400x4)+400			2,000
	(Being 400 shares forfeited)			(1)
9.	Bank A/c(150x8)	Dr.	1,200	
	Share Forfeiture A/c (150x2)	Dr.	300	
	To Share Capital A/c(150x10)			1,500
	(Being out of forfeited share150 shares reissued)			(1/2)
10.	Share Forfeiture A/c(600+375+300)	Dr.	675	
	To Capital Reserve A/c			675
	(Being balance of share forfeiture transferred to capital reserve)			(1)

NOTE: Alternatively question can be solved by opening Calls in Arrear A/c

Working Notes :

1. Adjustment Table

Applied share	Allotted share	Excess money received	Excess money adjusted
(A) 12,000	5,000	7000x4=28,000	28,000 (Allotment)
(B) 5,000	4,000	1,000x4= 4,000	4,000 (Allotment)
(C) 1,000	1,000	NIL	--------
(D) 2,000	NIL	2,000x4 =8,000	8,000(Refund)
20,000	10,000		

2. Excess amount paid by Raman on application

(12000/5000) x100=240	100	140x4=560	560 (Allotment)

3. Excess amount paid by Mohan on application

500	(4000/5000) x500=400	100x4=400	400(Allotment)

4. Calculation of amount received on allotment

Allotment due	60,000
Less: Already Received	32,000
Less: Not received	
By Raman (100x6)—560	40
By Mohan (400x6) –400	2,000
Amount received on allotment	25,960

5. Rs. 560 excess money received from Raman is utilized as follows : 400 in allotment and 160 for securities premium.

6. Share forfeiture on Raman shares (75shares) =(800/100)x75=600

Share forfeiture on Mohan shares (75shares) =(2000/400)x75=375

PART—B
(FINANCIAL STATEMENT ANALYSIS)

18. Cash flow statement is prepared on the basis of Statement of Profit and Loss and Balance Sheet it means it only rearranges the information shown in financial statement so it is historical in nature. (1)

19. No Flow of fund.
As there is no change in cash and cash equivalents. (1/2 +1/2=1)

20.

S.No.	Items	Main Heading	Sub-Heading
(i)	Stores and Spares	Current Assets	Inventory
(ii)	Discount on issue of debentures	Non-Current assets	Other Non-current assets (If amortized after 12M)
		Or	
		Current assets	Other Current assets (If amortized within 12M)

(iii)	Calls in Arrear	Shareholder's Fund	Share Capital (Deducted from Subscribed but not fully paid capital
(iv)	Term Loan from bank	Non-Current Liabilities	Long term borrowings (1 x 4=4)

21. (A) Quick Ratio= 1.5 :1
Let quick assets= 1,50,000
Current liabilities= 1,00,000
(i) Goods purchased on credit 10,000
Inventory increased by 10,000
Creditors increased by 10,000 (Current liabilities)
Quick Ratio= 1,50,000/ (1,00,000+10,000)= 1.36:1
Hence ratio decrease (1)
(ii) Debentures of 50,000 converted into equity shares on maturity
Equity shares increased by 50,000
Debentures decreased by 50,000 (current maturity of long term debt in current liabilities)
Quick ratio = 1,50,000/ (1,00,000—50,000)= 3:1
Hence ratio increase (1)

(B) Proprietary Ratio= 0.40:1
Let Proprietor Fund/ Equity= 40,000
Total assets= 1,00,000
(i) Goods costing 20,000 sold at a profit of 20%
Inventory decreased by 20,000 (Total Assets)
Cash increased by 24,000 (Total Assets)
Surplus increased by 4,000 (Equity)
Proprietary Ratio= (40,000 +4,000) / (1,00,000+24,000—20,000)= 0.42:1
Hence ratio increase (1)
(ii) Bonus shares of 10,000 issued to existing shareholder
Share capital increased by 10,000 (Equity)
Reserve and surplus decreased by 10,000. (Equity)
Proprietary Ratio=(40,000+10,000-10,000)/ 1,00,000= 0.40:1
Hence no change in ratio (1)

21 OR
Cost of Revenue form operation= 10,00,000 x 100/ 125= 8,00,000 (1/2)
Inventory Turnover Ratio= cost of RFO/ average inventory 8=8,00,000/Average inventory
Average inventory= 1,00,000 (1/2)
Let opening inventory = x
Closing inventory= 2x +x =3x
Average inventory = 2 x

Opening inventory = 50,000 Closing inventory = 1,50,000 (1)
Quick Ratio = Quick assets/ Current liabilities
Quick Assets= 80000 x 0.75 = 60,000 (1)
Current Assets = Quick Assets+ Closing inventory
= 60,000 + 1,50,000= 2,10,000 (1)

22. . Comparative Statement of Profit and Loss
For the year ended 31-03-2017 and 31-03-2018

Particulars	31-03-2017	31-03-2018	Absolute Changes	% Changes	
I.Revenue From Operation	20,00,000	30,00,000	10,00,000	50%	
II.Other Incomes	2,00,000	1,00,000	(1,00,000)	(50%)	
III.Total Revenue	22,00,000	31,00,000	9,00,000	40.91%	(1)
IV. Expenses					
(A) Purchases of Stock in trade	12,00,000	21,00,000	9,00,000	75%	
(B) Change in inventories	(1,00,000)	1,00,000	2,00,000	200% (1)	
(C) Employee Benefit Expenses	3,00,000	2,00,000	(1,00,000)	33.33%	
(D) Other expenses	4,00,000	5,00,000	1,00,000	25%	
Total Expenses (A+B+C)	18,00,000	29,00,000	11,00,000	61.11%(1)	
V. Profit before tax (III –IV)	4,00,000	2,00,000	(2,00,000)	(50%)	
VI. Income Tax	1,60,000	1,00,000	(60,000)	(37.5%)	
VII. Profit after Tax	2,40,000	1,00,000	(1,40,000)`	(58.33%) (1)	

22 OR

Common Size Balance Sheet
As at -------------------------

Particulars	Note No.	Amount	% of B/S Total	
I. EQUITY AND LIABILITIES				
1.Shareholder Fund				
(1) Share Capital		20,00,000	40	
(2) Reserve and Surplus		8,00,000	16	(1/2)
2. Non Current Liabilities				
(1) Long Term Borrowings		6,00,000	12	
(2) Long Term Provision		2,00,000	4	(1/2)
3.Current liabilities				
(1) Trade Payables		10,00,000	20	
(2) Short Term Provision		4,00,000	8	(1/2)
Total		50,00,000	100	(1/2)

II.ASSETS

1.Non Current Assets			
(1) Fixed Assets			
(A) Tangible Assets	15,00,000	30	
(B) Intangible Assets	4,00,000	8	(1/2)
2.Current Assets			
(1) Current Investment	1,00,000	2	
(2) Inventory	9,00,000	18	(1/2)
(3) Trade Receivables	19,00,000	38	
(4) Cash and Cash equivalent	2,00,000	4	(1/2)
Total	50,00,000	100	(1/2)

23.

Cash Flow Statement
For the year ended 31-03-2016

Particulars			Details	Amount	
(A) CASH FLOW FROM OPERATING ACTIVITIES					
Net profit before tax and extraordinary items:					
(Working Notes 1)			3,80,000		
Adjustment For::					
Add: Non-Operating Expense and Non-Cash Expenses					
Interest paid on Debentures			90,000		
Depreciation on machinery			1,80,000		
Loss on sale of machinery			70,000		

Operating profit before working changes			7,20,000		
Add: Decrease in Current Assets and Increase in Current liabilities					
Increase in trade payable	80,000				
Decrease in Inventories	30,000				
Increase in outstanding Expenses	1,00,000				
Decrease in Trade Receivable	1,20,000	3,30,000			
Less: Increase in Current Assets and Decrease in Current Liabilities					

Cash Flow before tax		10,50,000			
Less: Income tax paid		(1,40,000)			

NET CASH FLOW FROM OPERATING ACTIVITIES				9,10,000	(2)
(B) CASH FLOW FROM INVESTING ACTIVITIES					
Sale of machinery		50,000			
Purchases of machinery		(3,50,000)			
Goodwill purchased		(60,000)			

Purchased of Non-Current investment	(4,00,000)	
Purchase of Furniture	(50,000)	
Long Term Loans and Advances granted	(3,50,000)	

NET CASH USED IN INVESTING ACTIVITIES		(11,60,000) (1.5)

(C) CASH FLOW FROM FINANCING ACTIVITIES

Issue of Equity shares at premium(3,00,000+ 30,000)	3,30,000	
Issue of Debentures	2,00,000	
Interest paid on Debentures	(90,000)	
Raising Bank overdraft	10,000	
Dividend Paid	(60,000)	

NET CASH FLOW FROM FINANCING ACTIVITIES		3,90,000 (1.5)

(D)NET INCREASE IN CASH AND CASH EQUIVALENT DURING THE YEAR 1,40,000
(A+B+C)
(E) CASH AND CASH EQUIVALENT AT THE BEGINNING (90,000+ 3,00,000) 3,90,000
(F) CASH AND CASH EQUIVALENT AT THE END (D+E)(1,30,000+ 4,00,000) 5,30,000
(1)

Working Notes:

1. Calculation of Net profit before tax and extraordinary items:

Net profit during the year (2,40,000—2,70,000)	(30,000)
+ Transfer to General Reserve	2,00,000
+ Provision for taxation made	1,50,000
+ Proposed Dividend	60,000
	3,80,000

2. Provision For Taxation Account

Particulars	Amount	Particulars	Amount
To Bank A/c (Paid)	1,40,000	By Balance b/d	1,90,000
To Balance c/d	2,00,000	By Statement of P/L(made)	1,50,000
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	3,40,000		3,40,000

3 Machinery Account.

Particulars	Amount	Particulars	Amount
To Balance b/d	8,50,000	By Accumulated Depreciation A/c	80,000
		By bank A/c (Sale of machinery)	50,000
		By Loss on sale of Machinery A/c	70,000
To Bank A/c(Purchased)	3,50,000	By Balance c/d	10,00,000
	-------------		-------------
	12,00,000		12,00,000

4. Accumulated Depreciation on Machinery Account.

Particulars	Amount	Particulars	Amount
To Machinery A/c	80,000	By Balance b/d	3,00,000
To Balance c/d	4,00,000	By Statement of P/L	1,80,000
	4,80,000		4,80,000