B. K. BIRLA CENTRE FOR EDUCATION, PUNE
(SENIOR SECONDARY CO-ED DAY CUM RESIDENTIAL SCHOOL, AFFILIATED TO CBSE NEW DELHI)

B K BIRLA CENTRE FOR EDUCATION (Sarala Birla Group of Schools)

INDIAN PUBLIC SCHOOLS' CONFERENCE

ANSWER KEY I PRE BOARD EXAMINATION, 2023-24
SUBJECT: ACCOUNTANCY
CLASS XII – COMMERCE
PART A – ACCOUNTING FOR PARTNERSHIP FIRM

1. (a) Interest on Partner's Loan A/c Dr.
   To partners Loan A/c

Explanation: Interest on partner's loan is a charge against the profit. It should be shown in the debit side of Profit and Loss account and credit side of Partner's Loan account. In a normal situation Interest on partner's loan should not be shown in the partners' capital account or partners' current account.

2. (a) Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

3. (d) Rs. 1,00,000

Explanation: Rs. 1,00,000

OR

(b) Rs. 22500

Explanation:

1. Calculation of Average Profit When loss is given:-
Calculation of total profits earned during 4 years:
27,000 + 39,000 – 16,000 + 40,000 = 90,000
2. Average profit = Total Profit / No of Years Purchase = 90,000/4 = 22,500

4. (d) Credited to calls-in-advance account

Explanation: Credited to calls-in-advance account, when the amount is received in Advance.

OR

(d) Sweat Equity Shares

Explanation: A company cannot its shares at discount as per section 53 of the Companies Act, 2013. But Sweat Equity Shares can be issued at discount legally.

5. (c) Rs.20000

Explanation: No. of Debenture issued 5,000
Applications Rejected 500
Application money received per debenture= 40
Amount received on excess 500 applications = 500 × 40 = 20,000 which is to be returned now.

6. (a) No Entry is required

Explanation: If an asset is taken over by the external liabilities for the full settlement of their due amount, in such a case no need to record any journal entry. Because Assets and Liabilities both are transferred already in Realisation A/c. Now no Entry will be passed.

OR

(d)	Partner's Loan A/c Dr.	10,000	
	To Bank A/c		10,000

Explanation: When Partners loan is Paid then liability will decrease hence it will be debited. The asset will also decrease (bank) so it will be credited.

7. (a) Share Allotment A/c ... Dr.......... 1,00,000
To Equity Share Capital A/c............. 40,000
To Securities premium A/c.............60,000
Explanation: Amount due on allotment will be Rs.1,00,000 i.e. 40,000 + 60,000 (premium).
No adjustment of pro-rata amount is made in the due entry. When the amount is received then the entry is passed adjusting such pro-rata amount.

8. (a) Under Other Current Liabilities

Explanation: When debentures become due for the redemption they are shown under the heading of Current Liabilities and subheading Other Current Liabilities. Debentures are Liability of company.

OR

(a) 750
Explanation: Cost of machinery = Rs. 72000
Issue price = 100 - 4 = Rs.96
No. of debentures to be issued to the vendor = 72000/96 = 750

9. a. **(b)** Option (i)
Explanation: The gaining partner is required to compensate the sacrificing partner.

10. a. **(d)** Gaining partner's capital account
Explanation: Gaining partner's capital account

11. (b) Debentures issued for consideration other than cash
Explanation: When a company purchases some assets and instead of paying cash issue debentures as a payment for the purchase from the vendors it is known as the issue of debentures for consideration other than cash.
Asset A/c ... Dr.
To vendor A/c
Vendor A/c ... Dr.
To debentures A/c

12. (b)

Cash A/c	Dr.	50,000	
To Geeta's Capital A/c			50,000
Geetha's capital A/c	Dr.	9,000	
To Neetha's capital A/c			6,000
To Sumitha's capital A/c			3,000

Explanation: Journal entry for the amount brought by the new partner as his capital:
Cash/Bank A/cDr. 50,000
To Geeta's Capital A/c 50,000
Since Geetha does not bring any amount for goodwill, her capital account is debited with her share of goodwill and old partners are credited with the share in sacrificing ratio. Sacrificing ratio equal to 2:1
Geetha's share of Premium for Goodwill = 36,000 x 1/4 =9,000

13. (b) Super profit divided by the rate of return
Explanation: Super profit divided by the rate of return

14. (a) R= Rs.8,200, S= Rs.10,200 and T= Rs.7,200
Explanation:
Calculation of Distribution of Profits During the year:
First Rs. 10,000 of profit will be distributed in 30%, 50% and 20% i.e. 3,000; 5,000 and 2,000
Next 15,600 (25,600 - 10,000) in equal ratio i.e. 5,200 each (15,600 × 1/3).
R's Share of Profit = 3,000 + 5,200 = Rs. 8,200
S's Share of Profit = 5,000 + 5,200 = Rs. 10,200
T's Share of Profit = 2,000 + 5,200 = Rs. 7,200

15. (d) 5:7
Explanation: The new ratio of A and B will be 5:7.

OR

(b) Rs.8,000 and Rs.4,000
Explanation: On the retirement of B, total goodwill of the firm is Rs.30,000
B's share of goodwill = Rs.30000 × (2/5) = Rs.12,000
Contributions by A and C to compensate B will be in their gaining ratio i.e., 2 : 1
A = Rs.12000 × (2/3) = Rs.8000
B = Rs.12000 × (1/3) = Rs.4000

16. (a) 12:8:5
Explanation: Calculation of the new ratio of partners:
Old Ratio of A and B are = 3:2
C is admitted for 1/5 share
Let Total Share be 1
Remaining share = 1 – 1/5 = 4/5
A's new share = 3/5 x 4/5 = 12/25
B's new share = 2/5 x 4/5 = 8/25
C's Share 1/5 OR 5/25
New Ratio of A, B & C are 12 : 8 : 5

17. **Momita's Capital Account**

Dr.		**Cr.**	
Particulars	₹	**Particulars**	₹
To Drawings A/c	10,000	By Balance b/d	60,000
To Interest on Drawing A/c	300	By Interest on Capital A/c	1,800
To Momita's Executor's A/c	83,000	By Profit and Loss Suspense A/c	4,500
		By Vika's Capital A/c	13,500
		By Gagan's Capital A/c	13,500
	93,300		93,300

W.N.:
i. Calculation of Interest on Momita's Capital
Interest on Capital (6 Months) = 60,000 x 6/100 x 6/12 x = Rs. 1,800
ii. Calculation of Momita's share in Profits
Average Profit $\frac{30,000+50,000+60,000+40,000}{4} = \frac{1,80,000}{4}$ Rs. 45,000
Momita's profit = 45,000 x 1/5 x 6/12 = Rs. 4,500

iii. Adjustment of Goodwill
Average Profit = 45,000
Goodwill = Average Profit x Number of year's purchase
Goodwill = 45,000 x 3 = Rs. 1,35,000
Momta's Goodwill = 1,35,000 x 1/5 = Rs. 27,000
Momta's share of goodwill is to be distributed between Vikas and Gagan in their = 1 : 1
Vikas's = 27,000 x 1/2 = Rs. 13,500
Gagan = 27,000 x 1/2 = Rs. 13,500

18.

Year	Profits before charging Salary(Rs.)	Profits after charging Salary(Rs.)	Weights	Weighted Profits(Rs.)
31st March,2017	1,40,000	1,40,000 - 90,000 = 50,000	1	50,000
31st March,2018	1,01,000	1,01,000 - 90,000 = 11,000	2	22,000
31st March,2019	1,30,000	1,30,000 - 90,000 = 40,000	3	1,20,000
Total			**6**	**1,92,000**

Weighted Average Profits = $\left(\frac{\text{Total of Weighted Profits}}{\text{Total Weights}} \right) = \frac{1,92,000}{6}$ = Rs. 32,000
Goodwill = Weighted Average Profits x No. of years of Purchase
= Rs. (32,000 x 4) = Rs. 1,28,000.
Weighted average method of goodwill is calculated when mention in question.

19. **JOURNAL**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		18,00,000	
	To 12% Debenture Application & Allotment A/c (Application money received on 20,000(i) Debentures of Rs.100 each issued at a discount of 10%)				18,00,000
	12% Debenture Application & Allotment A/c	Dr.		18,00,000	
	Loss on issue of debentures A/c	Dr.		3,00,000(ii)	
	To 12% debentures A/c				20,00,000
	To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at a discount of 10% and redeemable at a premium of 5%)				1,00,000

Working Notes:
i. Net amount received Rs.18,00,000
Debentures have been issued at 5% Discount. Hence, face value of Debentures
$= 18,00,000 \times \frac{100}{95} =$ Rs.20,00,000

Number of Debentures $= \frac{20,00,000}{100} = 20,000$

ii. Loss on issue A/c has been debited by Rs.3,00,000 by grouping together the discount on issue Rs.2,00,000 and Premium on Redemption Rs.1,00,000.

20. Calculation of Net Effect of Accumulated Profits, Losses and Reserves:

Particulars	₹
General Reserve	1,50,000
Contingency Reserve	25,000
Profit and Loss A/c (Cr.)	75,000
	2,50,000
Less: Advertisement Suspense A/c (Dr.)	1,00,000
	1,50,000

Calculation of Sacrificing/Gaining Ratio due to change in Profit-Sharing Ratio

Calculation of Sacrifice (Gain):	**D**	**E**	**F**
(i) Their Old Share	5/10	3/10	2/10
(ii) Their New Share	2/10	3/10	5/10
(iii) Sacrifice/(Gain) (i) - (ii)	3/10 (Sacrifice)	...	-3/10 (Gain)

Calculation of Share of sacrificing and gaining partner in the net accumulated profits, losses and reserve: For D = Rs.1,50,000 × 3/10 = Rs.45,000; For F = Rs.1,50,000 × 3/10 = Rs.45,000

ADJUSTMENT ENTRY

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2019					
April 1	F's Capital A/c	Dr.		45,000	
	To D's Capital A/c				45,000
	(Being the adjustment made for net accumulated profits, losses and reserves)				

IMPORTANT NOTE: When Reserves, accumulated profits and losses are adjusted through Partners' Capital Accounts, Reserves, accumulated profits and losses will appear in the Balance Sheet of the new firm at the old values.

21. **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (100 x Rs. 9) Dr.		900	
	To Forfeited Shares A/c (100*2)			200
	To Calls-in-Arrears A/c (100*7)			700
	(Being the forfeiture of 100 Shares, Rs. 9 called-up, on which allotment money of Rs.3 and first call money of Rs. 4 have not been received)			
	Bank A/c(100 x Rs. 8) Dr.		800	
	Forfeited Shares A/c(100 x Rs. 2) Dr.		200	
	To Share Capital A/c (100 x Rs. 10)			1,000
	(Being the reissue of 100 shares fully paid-up at Rs. 8)			
	(i) Share Capital A/c (100 x Rs. 9) Dr.		900	
	To Forfeited Shares A/c (100 x Rs. 2)			200
	To Calls-in-Arrears A/c (100 x Rs. 7)			700
	(Being the forfeiture of 100 shares, Rs. 9 called-up, on which allotment money of Rs. 3and first call money of Rs. 4 have not been received)			
	(ii) Bank A/c (100 x Rs. 10) Dr.		1,000	
	To Share Capital A/c (100 x Rs. 10)			1,000
	(Being the reissue of 100 forfeited shares, fully paid-up at par)			
	(iii) Forfeited Shares A/c Dr.		200	
	To Capital Reserve A/c			200
	(Being the gain on reissue transferred to Capital Reserve)			

Note: Maximum discount that can be allowed on reissue of forfeited shares is the amount forfeited i.e. amount credited to the forfeited shares. In other words, reissue price cannot be less than the amount unpaid on forfeited shares.

If forfeited shares are issued at par or premium the total amount forfeited on the share is a gain of capital nature and transferred to capital reserve.

22. **Realisation Account**

Particulars		Rs.	Particulars		Rs.
To Sundry Assets			By Sundry Liabilities		
Debtors	15,000		Provision	1,000	30,000
Stock	19,800		Creditors	17,000	
Investments	4,000		B/P	12,000	
Furniture	10,000				
Machinery	33,000	81,800	By Vinod (Investments)		5,000
			Stock	17,500	
			Debtors	14,500	
To Bank A/c-			Furniture	6,800	
Creditors	17,000		Machinery	30,300	69,100
B/P	12,000				
Expenses	2,000	31,000	By Capital A/cs Losses		
			Vinod	4,350	
			Vijay	2,900	
			Venkat	1,450	8,700
		1,12,800			1,12,800

Bank Account

Particulars	₹	Particulars		₹
To Balance b/d	3,500	By Realisation A/c		31,000
To Realisation A/c	69,100	By Vinod's Loan		5,300
		By Capital A/c		
		Vinod	18,650	
		Vijay	10,100	
		Venkat	7,550	36,300
	72,600			72,600

Partner's Capital Accounts

Particulars	Vinod	Vijay	Venkat	Particulars	Vinod	Vijay	Vankat
To Realisation A/c	5,000	-	-	By Balance b/d	25,000	11,000	8,000
To Real. Loss	4,350	2,900	1,450	By Gen. Reserve	3,000	2,000	1,000
To Bank A/c	18,650	10,100	7,550				
	28,000	13,000	9,000		28,000	13,000	9,000

23. Issued to public payable as:

Rs. 30 on application

Rs. 30 on allotment

Rs. 40 first and final call

Rs. 100 Called-up

Books of Better Prospect Ltd.

Journal Entries

Date	**Particulars**	**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Land A/c Dr.		1,00,000	
	To Vendor			1,00,000
	(Land purchased from the vendor)			
	Vendor Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(1,000 equity of Rs. 100 each issued to Vendor)			
	Bank A/c Dr.		1,20,000	
	To Equity Share Application A/c			1,20,000
	(Share Application money received for 4,000 equity shares at Rs. 30 per share)			
	Equity Share Application A/c Dr.		1,20,000	
	To Equity Share Capital			1,20,000
	(Share Application money of 4,000 shares transferred to Equity Share Capital Account)			
	Equity Share Allotment A/c Dr.		1,20,000	
	To Equity Share Capital A/c			1,20,000
	(Share allotment due on 4,000 equity shares of Rs. 30 each)			
	Bank A/c Dr.		1,20,000	
	To Share Allotment A/c			1,20,000
	(Share allotment received for 4,000 shares at Rs. 30 per share)			
	Share First and Final Call A/c Dr.		1,60,000	
	To Equity Share Capital A/c			1,60,000
	(First and final call due on 4,000 equity shares at 40 per share)			

	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (First and final call received from 3,800 shares and 200 share failed to pay it)		1,52,000 8,000	 1,60,000

As per the Schedule III of Companies Act, 2013, the Company's Balance Sheet is presented as follows.

Better Prospect Ltd.

Balance Sheet

Particulars	**Note No.**	**₹**
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	4,92,000
2. Non-Current Liabilities		
3. Current Liabilities		
Total		4,92,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
1. Tangible Assets	2	1,00,000
2. Current Assets		
a. Cash and Cash Equivalents	3	3,92,000
Total		4,92,000

NOTES TO ACCOUNTS:

Note No.	Particulars		Rs.
1	Share Capital		
	Authorised Share Capital		
	…… shares of Rs. 100 each		-
	Issued Share Capital		
	5,000 shares of Rs. 100 each		5,00,000
	Subscribed, Called-up and Paid-up Share Capital		
	1,000 shares of Rs. 100 each (for consideration other than cash)	1,00,000	
	4,000 shares of Rs. 100 each	4,00,000	
	Less: Calls-in-Arrears	(8,000)	4,92,000
2	Tangible Assets		
	Land		1,00,000
3	Cash and Cash Equivalents		
	Cash at Bank		3,92,000

24.

Journal Entries

Date	Particulars		L.F.	Dr.	Cr.
i	Revaluation A/c	Dr.		22,200	
	To Fixed Assets A/c				15,000
	To Provision for doubtful debts A/c				7,200
	(Being assets revalued.)				
ii	Stock A/c	Dr.		50,000	
	Creditors A/c	Dr.		3,700	
	To Revaluation A/c				53,700
	(Being asset and liability revalued.)				
iii	Revaluation A/c	Dr.		31,500	
	To A's Capital A/c				18,000
	To B's Capital A/c				13,500
	(Being revaluation profits adjusted.)				
iv	A's Capital A/c	Dr.		4,000	
	To B's Capital A/c				4,000
	(Being reserves adjusted.)				

Capital Accounts

Particulars	A	B	Particulars	A	B
To B's Capital A/c	4,000	.....	By Balance b/d	2,40,000	1,20,000
To Balance c/d	2,54,000	1,37,500	By A's Capital A/c	.....	4,000
			By Revaluation A/c	18,000	13,500
	2,58,000	1,37,500		2,58,000	1,37,500

Revised Balance Sheet

Liabilities		₹	Assets		₹
Sundry Creditors		24,300	Cash		20,000
Reserve		42,000	Sundry Debtors	1,20,000	
Capital A/cs:			Less : Provision	7,200	1,12,800
A	2,54,000		Stock		1,90,000
B	1,37,500	3,91,500	Fixed Assets		1,35,000
		4,57,800			**4,57,800**

Working Note: A's Gain = 2/3 – 4/7 = 14-12/21 = 2/21 ; B's sacrifice = 3/7 – 1/3 = 9-7/21 = 2/21

25 a.

IN THE BOOKS OF THE FIRM

JOURNAL ENTRIE

Date	**Particulars**	**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2015	Prepaid Insurance A/c Dr.		5,000	
April 1	Provision for Doubtful debts A/c Dr.		1,300	
	To Revaluation A/c			6,300
	(Increase in the value of assets recorded through revaluation account)			
	Revaluation A/c Dr.		12,000	
	To Land and Building A/c			12,000
	(Decrease in the value of assets recorded through revaluation account)			
	X's Capital A/c Dr.		2,850	
	Y's Capital A/c Dr.		1,900	
	Z's Capital A/c Dr.		950	
	To Revaluation A/c			5,700
	(Loss on revaluation transferred to old partners capital account in old profit sharing ratio)			
	X's Capital A/c Dr.		3,000	
	Y's Capital A/c Dr.		6,000	
	To Z's Capital A/c			9,000
	(Goodwill adjusted in the gaining ratio 1:2)			
	Z's Capital A/c Dr.		69,300	
	To Bank A/c			9,300
	To Z's Loan A/c			60,000
	(The balance of Z's Capital A/c transferred to his loan A/c)			
	Bank A/c Dr.		2,100	
	To X's Capital A/c			2,100
	(The amount brought in by X to raise his capital to profit sharing ratio)			
	Y's Capital A/c Dr.		2,100	
	To Bank A/c			2,100
	(The amount withdrawn by Y to bring his capital to profit sharing ratio)			

PARTNER'S CAPITAL ACCOUNT

Dr.							Cr.
Particulars	**X (₹)**	**Y (₹)**	**Z (₹)**	**Particulars**	**X (₹)**	**Y (₹)**	**Z (₹)**
To Z's Capital A/c	3,000	6,000	-	By Balance b/d	78,750	70,000	61,250
To Revaluation A/c	2,850	1,900	950	By X's Capital A/c	-	-	3,000
To Bank A/c			9,300	By Y's Capital A/c	-	-	6,000
To Z's Loan A/c			60,000				
To Balance c/d	72,900	62,100	-				
	78,750	**70,000**	**70,250**		**78,750**	**70,000**	**70,250**
To Bank A/c	-	2,100	-	By Balance b/d	72,900	62,100	-
To Balance c/d	75,000	60,000	-	By Bank A/c	2,100	-	-
	75,000	**62,100**	**-**		**75,000**	**62,100**	**-**

NEW BALANCE SHEET
as at 1st April, 2015

Liabilities		₹	**Assets**	₹
Sundry Creditors		15,000	Cash at Bank (Rs.10,000 + Rs.2,100 - Rs.2,100 - Rs. 9,300)	700
Z's Loan		60,000	Debtors	16,000
Capital account balances:			Stock	20,300
X	75,000		Prepaid Insurance	5,000
Y	60,000	1,35,000	Machinery	60,000
			Land and Buildings	1,08,000
		2,10,000		**2,10,000**

W.N.:
i. Calculation of Gaining Ratio = New Ratio - Old Ratio
Gain to X = 5/9 – 3/6 = 1/18
Gain to Y = 4/9 – 2/6 = 2/18
Hence, Gaining Ratio = 1:2
ii. Adjustment of Capitals of X and Y according to new profit sharing ratio
= Total Capital of X and Y after all the adjustments = Rs. 72,900 + Rs. 62,100 = Rs. 1,35,000
This Capital should be in their profit sharing ratio, i.e., 5 : 4.
Therefore, the Capital of A" in the new firm should be 5/9th of 1,35,000 = 75,000
But the existing Capital of X is = Rs. 72,900
Hence, X will bring in = Rs. 2,100
The Capital of Y in the new firm should be 4/9th of 1,35,000 = Rs. 60,000
But the existing Capital of Y is = Rs. 62,100
Hence, Y will withdraw = Rs. 2,100

b. **Z'S LOAN A/C**

Dr.					Cr.
Date	**Particulars**	₹	**Date**	**Particulars**	₹
2016 Mar. 31	To Bank A/c (Rs.20,000 + Rs. 6,000)	26,000	2015 April 1	By Z's Capital A/c (transfer)	60,000
2016 Mar. 31	To Balance c/d	40,000	2016 Mar. 31	By Interest A/c (on Rs.60,000 at 10%)	6,000
		66,000			**66,000**
2017 Mar. 31	To Bank A/c (Rs.20,000 + Rs. 4,000)	24,000	2016 April 1	By Balance b/d	40,000
2017 Mar. 31	To Balance c/d	20,000	2017 Mar. 31	By Interest A/c (on Rs.40,000 at 10%)	4,000
		44,000			**44,000**
2018 Mar. 31	To Bank A/c (Rs.20,000 + Rs. 2,000)	22,000	2017 April 1	By Balance b/d	20,000
			2018 Mar. 31	By Interest A/c (on Rs.20,000 at 10%)	2,000
		22,000			**22,000**

26 (i)

JOURNAL ENTRIES

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Bank A/c	Dr.		5,00,000	
	To 12% Debenture Application & Allotment A/c (Being Application money received)				5,00,000
	12% Debenture Application & Allotment A/c	Dr.		5,00,000	
	To 12% Debentures A/c				5,00,000
	(Being Debentures allotted, issued at par, redeemable at par)				

Ii

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		7,52,000	
	To 11% Debenture Application & Allotment A/c (Being Application money received)				7,52,000
	11% Debenture Application & Allotment A/c	Dr.		7,52,000	
	Discount on issue of Debentures A/c	Dr.		48,000	
	To 11% Debentures A/c (Being Transfer of application money to Debentures Account, issued at a discount of 6%, redeemable at par)				8,00,000

iii.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		10,50,000	
	To 14% Debenture Application & Allotment A/c (Being Application money received)				10,50,000
	14% Debenture Application & Allotment A/c	Dr.		10,50,000	
	To 14% debentures A/c				10,00,000
	To Securities Premium Reserve A/c (Being Transfer of application money to Debentures Account, issued at a premium of 5%, redeemable at par)				50,000

iv.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		20,00,000	
	To 12% Debenture Application & Allotment A/c (Being Application money received)				20,00,000
	12% Debenture Application & Allotment A/c	Dr.		20,00,000	
	Loss on issue of Debenture a/c			1,00,000	
	To 12% Debentures A/c				20,00,000
	To Premium on Redemption A/c (Being Transfer of application money to Debentures Account, issued at a par, but redeemable at a premium of 5%)				1,00,000

v.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		11,52,000	
	To 13% Debenture Application & Allotment A/c (Being Application money received)				11,52,000
	13% Debenture Application & Allotment A/c	Dr.		11,52,000	
	Loss on issue of Debentures A/c	Dr.		1,20,000	
	To 13% Debentures A/c				12,00,000
	To Premium on Redemption A/c (Being Transfer of application money to Debentures Account, issued at a discount of 4% and redeemable at a premium of 6%)				72,000

Part B :- Analysis of Financial Statements

27. (a) Only D

Explanation: Only D

OR

(b) Less Rs. 32,000 in investing activities

Explanation: Increase in the value of copyrights means the company has purchased copyrights (Non-Current Assets). So Less Rs. 32,000 in investing activities. Increase or decrease in the value of non-current assets is shown under- investing activity.

28. (a) A company‘s Balance Sheet format is fixed under schedule III .Whereas, there is no standard form prescribed under the Indian partnership Act,1932 for a partnership Firm’s balance sheet.

Explanation: Partnership firm's balance sheet is a T format balance sheet where capital and liabilities are shown on left hand side and assets are shown on right hand side. There is no need of sub dividing assets and liabilities into sub heads. A Company's balance sheet has a vertical format under which assets, liabilities and capital has to be sub divided into sub headings like shareholders fund, non-current assets, current assets, current liabilities etc.

29. (b) Bonus shares issued

Explanation: Issue of bonus shares will not affect the preparation of cash flow statement as in this transaction no cash involved. There is no cash inflow or outflow of cash.

OR

(a) Cash credit

Explanation: Internal movement in cash and cash equivalents will not make any effect. Cash credit is not part of cash and cash equivalents. It is part of financing activities.

30. (d) Comparative statements

Explanation: A comparative statement is a document that compares a particular financial statement with prior period statements or with the same financial report generated by another company. Analyst and business managers use the income statement, balance sheet and cash flow statement for comparative purposes.

S.No.	Items	Main Head of Balance Sheet	Sub-head of Balance Sheet 1.
(i)	Mortgage Loan	Non-current Liabilities	Long-term Borrowings
(ii)	Patents	Non-current Assets	Fixed Assets—Intangible Assets
(iii)	Investments	Non-current Assets	Non-current Investments
(iv)	General Reserve	Shareholders' Funds	Reserves and Surplus
(v)	Bills Receivable	Current Assets	Trade Receivables
(vi)	10% Debentures	Non-current Liabilities	Long-term Borrowings

Net Credit Sales = Total Sales - Sales Return - Cash Sales
= Rs.1,00,000 - Rs. 1,500 - Rs.23,500 = Rs.75,000

$$\text{Average Receivable} = \frac{\text{Opening Debtors} + \text{Opening Bills Receivable} + \text{Closing Debtors} + \text{Closing Bills Receivable}}{2}$$

$$\text{Average Receivable} = \frac{28000 + 7000 + 25000 + 15000}{2} = 37500$$

$$\text{Trade Receivable Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Trade Receivable}}$$

$$\text{Trade Receivable Turnover Ratio} = \frac{75000}{37500} = 2 \text{ Times}$$

Trade receivable includes both debtors and bill receivable.

33. Total Revenue from Operations = Cost of Revenue from Operations + Gross Profit
= Rs.2,40,000 + 25% of Rs.2,40,000 = Rs.3,00,000
Calculation of Credit Revenue from Operations: Let
Credit Revenue from Operations = x
Cash Revenue from Operations = x / 3
x + x/3 = 3,00,000
3x + x = Rs.9,00,000
X = 900000 / 4 = Rs.2,25,000 (Credit Revenue from Operations).

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operation}}{\text{Average Trade Receivables}}$$

$$3 = \frac{225000}{\text{Average Trade Receivables}} \qquad \text{Average Trade Receivables} = 225000 / 3 = 75000$$

Calculation of Opening and Closing Trade Receivables:

$$\text{Average Trade Receivables} = \frac{\text{Opening Trade Receivable} + \text{Closing Trade Receivable}}{2}$$

Let Opening Trade Receivables = x, Closing Trade Receivables = x + 3x = 4x

$$\text{Rs.}75{,}000 = \frac{x + 4x}{2}$$

x + 4x = Rs.1,50,000; x = Rs.1,50,000/5 = Rs.30,000 (Opening Trade Receivables)
Closing Trade Receivables = 4x = Rs.30,000 x 4 = Rs.1,20,000.

OR

YEAR 2017 Closing trade receivables of 2017 were Rs.10,000 more in comparison to the opening trade receivables of 2017. Therefore, the opening trade receivables of 2017 = Rs.59,000 - Rs.10,000 = Rs.49,000.

$$\text{Therefore Average Trade} = \frac{\text{Opening Trade Receivable} + \text{Closing Trade Receivable}}{2}$$

= 49000 + 59000 / 2 = 54000

$$\text{Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operation}}{\text{Average Trade Receivables}}$$

= 540000 / 54000 = 10 Times
Inventory Turnover Ratio = Cost of Revenue from Operation / Average Inventory
Cost of Revenue from Operation = s = Rs. 5,40,000 less 20%
= Rs. 5,40,000 - Rs. 1,08,000 = Rs. 4,32,000
Average Inventory = (120000 + 160000) / 2 Rs. 1,40,000
Inventory Turnover Ratio = 432000/ 140000 = 3.09 times.

Year 2018

Closing trade receivables of 2017 will be treated as the opening trade receivables of 2018. Therefore, Average Trade Receivables = 59000+106000/2 = 82500

Trade Receivables Turnover Ratio = $\frac{\text{Credit Revenue from Operation}}{\text{Average Trade Receivables}}$

660000 / 82500= 8 times

Inventory Turnover Ratio = Cost of Revenue from Operation / Average Inventory

Cost of Revenue from Operations = 6,60,000 less 25% = 6,60,000 - 1,65,000 = 495000

Average Inventory = 160000 + 240000 / 2 = 200000

Inventory Turnover Ratio = 495000 / 200000 = 2.475 times

34. **Cash Flow Statement of Solar Power Ltd.**

for the year ended March 31, 2017

Particulars	Rs.	Rs.
A. Cash Flow from Operating Activities		
Net Loss as per Statement of Profit and Loss	(95,000)	
Add: Provision for Tax made (WN 1)	51,000	
Net Loss before Tax and Extraordinary Items	(44,000)	
Add: Depreciation	25,000	
Interest paid on loan (WN 2)	7,500	
Net Loss before Working Capital Changes	(11,500)	
Add: Decrease in Trade Receivables	14,000	
Decrease in other Current Assets	4,000	
Less: Decrease in Trade Payables	(14,000)	
Increase In Inventories	(7,000)	
Net Loss before Tax	(14,500)	
Add: Tax to be paid during the year	(53,000)	
Cash used in Operating Activities		**(67,500)**
B. Cash Flow From Investing Activities		
Purchase of Machinery	(1,69,000)	
Cash Used in Investing Activities		**(1,69,000)**
C. Cash Flow From Financing Activities		
Proceeds from Issue of Shares	2,00,000	
Proceeds from additional loan taken	20,000	
Interest paid on long-term loan	(7,500)	
Cash Flow from Financing Activities		**2,12,500**
Net Decrease in Cash and Cash Equivalents (A+B+C)		**(24,000)**
Add: Opening Balance of Cash and Cash Equivalent		49,000

Cash and Cash Equivalents at the end of the year		25,000

Working Notes:

i. **Provision for Tax A/c**

Dr.					**Cr.**
Date	**Particulars**	Rs.	**Date**	**Particulars**	Rs.
2017			2016		
March 31	To Cash A/c	53,000	April 1	By Balance b/d	70,000
March 31	To Balance c/d	68,000	2017		
			March 31	By Profit & Loss A/c	51,000
		1,21,000			**1,21,000**

Interest on Loan Interest on Loan taken on 1 st July, 2016 = Rs.(20,000) = Rs.1,500

ii. Interest on Loan as on 31 st March, 2016 = Rs.$(60,000 \times \frac{10}{100})$ = Rs.6,000

Total Interest Paid on Loan = (6,000 + 1,500) = Rs.7,500