PRE BOARD III (2025-26)
ACCOUNTANCY (055)
MARKING SCHEME

Q1)	(D) Not allowed **OR** (A) Partner's Capital Account	(1)
Q2)	(D) Only (R) is correct but (A) is not correct	(1)
Q3)	(D) Both statements are incorrect	(1)
Q4)	(C) i),ii) and iv)	(1)
Q5)	(A) Sumit's Capital A/c Dr 10,000 To Amit's Capital A/c 10,000	(1)
Q6)	(C) 18:7:5 **OR** (B) 13:12	(1)
Q7)	(C) The entire goodwill will be given to Era.	(1)
Q8)	(B) 41:39	(1)
Q9)	(D) Only (R) is correct but (A) is not correct **OR** (B) Both (A) and (R) are correct but (R) is not the correct explanation of (A)	(1)
Q10)	(A) Both statements are correct.	(1)
Q11)	(A) Balance Sheet **OR** (A) Credited to Realisation Account	(1)
Q12)	(A) Only i) and ii)	(1)
Q13)	(B) Underwriters	(1)
Q14)	(B) The company can issue 12% Debentures of Rs.8,00,000 as a collateral.	(1)
Q15)	(D) Non-Redeemable Debentures **OR** (C) Interest	(1)
Q16)	(B) Both (A) and (R) are correct but (R) is not the correct explanation of (A) **OR** (C) Statement II is correct but Statement I is incorrect.	(1)

Q17) Profit and Loss Appropriation A/c (3)

Particulars		Amount	Particulars	Amount
To Commission A/c (Adinath)		8,000	By Profit and Loss A/c	91,000
To Share of profit			(Net profit transfer)	
Adinath's capital A/c	49,800		(88,000 – 6,000 + 9,000)	
Shiv's capital A/c	33,200	83,000		
		91,000		91,000

1 mark for corrected profit + .5 mark for commission + 1.5 mark for calculation/ distribution of profit

Q18) (3)

i) (B) Profit on revaluation Rs.5,10,000
ii) (A) Prem will gain by $1/6^{th}$ share
iii)

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
	Payal's Current A/c Dr		1,00,000	
	To Prem's Current A/c			1,00,000
	(Being goodwill adjusted due to change in PSR)			

OR

Rs.4,50,000 total capital so Rs1,50,000 each.

CAPITAL A/C

Particulars	Choubey	Dubey	Pandey	Particulars	Choubey	Dubey	Pandey
To Adv. Sus.	12,000	10,500	7,500	By Balance b/d	2,00,000	1,50,000	1,30,000
To Pandey's Ca		12,000		By Dubey's Cap			12,000
To Bank A/c	**36,000**		**64,500**	By General Res.	48,000	42,000	30,000
To Balance c/d	2,00,000	2,00,000	1,00,000	By Bank A/c		**30,500**	
	2,48,000	2,22,500	1,72,000		2,48,000	2,22,500	1,72,000

JOURNAL

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
	Choubey's Capital A/c Dr		36,000	
	Pandey's Capital A/c Dr		64,500	
	To Bank A/c			1,00,500
	(Being money withdrawn to adjust the capital)			
	Bank A/c Dr		30,500	
	To Dubey's Capital A/c			30,500
	(Being money brought in to adjust the capital)			

Q19) 5/10 share in 2:3 ratio (3)

So Brij will get 5/10 X 2/5 = 10/50 and Carl will get 5/10 X 3/5 = 15/50

New Ratio of Brij = 3/10 + 10/50 = (15 + 10)/50 = 25/50

Carl = 2/10 + 15/50 = (10 + 15)/50 = 25/50 new PSR = 25:25 = 1:1

Goodwill of Adi = 60,000 in 2:3 ratio = 24,000 and 36,000

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
	Brij's Capital A/c Dr		24,000	
	Carl's Capital A/c Dr		36,000	
	To Adi's Capital A/c			60,000
	(Being retiring partners share of goodwill adjusted)			
	Adi's Capital A/c Dr		1,20,000	
	To Adi's Loan A/c			1,20,000
	(Being money transferred as loan)			
	Adi's Capital A/c Dr		90,000	
	To Bank A/c			90,000
	(Being money paid to retiring partner)			

.5 mark of NPSR .5 for Goodwill adjustment 1 mark for journal 1 and .5 for next 2 (.5+.5 + 1+.5+.5)

Q20) (3)

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
	Sundry Assets A/c Dr		18,00,000	
	To Sundry Creditors			2,00,000
	To Eve Ltd			**15,00,000**
	To Capital Reserve A/c			**1,00,000**
	(Being business of Eve Ltd purchased for a			
	consideration of Rs.15,00,000)			
	Eve Ltd Dr		**15,00,000**	
	Discount on issue of debenture A/c Dr		**7,50,000**	
	To 12 % Debenture A/c			**22,50,000**
	(Being purchase consideration met by issue of			
	15,000,12% Debenture of Rs.150 each at Rs.100)			

OR

Neptune Ltd.

Date	Particulars	LF	Amount (Rs)	Amount(Rs)
	Plant and Machinery A/c Dr		15,50,000	
	Furniture and Fixture A/c Dr		5,85,000	
	Other assests A/c Dr		4,25,000	
	Goodwill A/c Dr		90,000	
	To Sundry Liabilities			4,00,000
	To Jupiter Ltd A/c			22,50,000
	(Being assets and liabilities transferred			
	goodwill asscertained and consideration due)			
	Blue Monkey A/c Dr.		22,50,000	
	Discount on isssue of debenture A/c Dr.		2,50,000	
	To 12% Debenture A/c			25,00,000
	(Being 25,000 debentures issued at 10% dis.)			

2 mark for first journal and 1 for next journal.

Q21) Adjustment Table (4)

Particulars	31st March 21	31st March 22	31st March 23	31st March 24
Profit of the year	60,000	(18,000)	38,000	80,000
Less: Managerial remun.	(30,000)	(30,000)	(30,000)	(30,000)
Add: Machinery purchased		2,00,000		
Less: Depreciation		(10,000)	(20,000)	(20,000)
Adjusted Profit	30,000	1,42,000	(2,000)	30,000

Adjusted Average Profit = 30,000 + 1,42,000 + (2,000) + 30,000 = (2,00,000/4) X 3 = 1,50,000
Super Profit = Average Profit – Normal profit
Normal Profit = Capital employed X NRR = 3,00,000 X 12% = 36,000
Super Profit = 50,000 – 36,000 = 14,000
Goodwill = 14,000 X 10 = 1,40,000
Goodwill will reduce by 10,000

OR

i) Capital employed = Assets – External Liabilities = 8,60,000 – 80,000 = 7,80,000
Normal Profit = 7,80,000 X 10/100 = 78,000
Super Profit = Average Profit – Normal profit = 1,00,000 – 78,000 = 22,000
Goodwill by capitalisation = 22,000 X 100/10 = 2,20,000

ii) By Super profit at 5 years purchase = 22,000 X 5 = 1,10,000
3 marks for i) and 1 mark for ii) (3+1)

Q22) (4)

Max Ltd
Balance Sheet as at (Extract)

Particulars	Note.No.	Amount (Rs.)
EQUITY AND LIABILITIES		
Shareholder's Funds		
Share Capital	1	**1,66,20,000**

Notes to Account

Particulars	Amount (Rs.)	Amount (Rs.)
Share Capital		
Authorised Capital		
15,00,000 Equity shares of Rs.10 each	1,50,00,000	
1,00,000 Preference shares of Rs.100 each	1,00,00,000	2,50,00,000
Issued Capital		
12,00,000 Equity shares of Rs.10 each	1,20,00,000	
80,000 Preference shares of Rs.100 each	80,00,000	2,00,00,000
Subscribed Capital		
Subscribed and fully paid		
9,00,000 Equity shares of Rs.10 each	90,00,000	
72,000 Preference shares of Rs.100 each	72,00,000	1,62,00,000
Subscribed but not fully paid		
60,000 Equity shares of Rs.10 each	6,00,000	
Less: Calls in arrears (60,000 X 3)	1,80,000	4,20,000
		1,66,20,000

8 + 2 (format) X .4
Rs. 2,50,00,000 in 3:2
1,50,00,000 Equity Share of Rs.10 each so 15,00,000 equity share and
1,00,00,000 Preference Share of Rs.100 each so 1,00,000 preference shares
Offered 80% shares so 12,00,000 equity shares and 80,000 preference shares
Public subscribed for 80% equity and 90% preference shares
So 9,60,000 equity shares and 72,000 preference shares.

Q23) Solution

i) New PSR	ii) Sacrificing Ratio
A = 4/5 – 1/8 = (32 – 5)/40 = 27/40	A = 4/5 – 27/40 = (32 – 27)/40 = 5/40
B= 1/5 – 1/10 = (2- 1)/10 = 4/40	B= 1/5 – 4/40 = (8 – 4)/40 = 4/40
A:B:C = 27: 4: 9	**A: B = 5:4**

Treatment of Goodwill = 45,000 in 5:4
So A = 25,000 and B = 20,000

Capital of C = 1,80,000 so full capital of the firm = 1,80,000 X 40/9 = 8,00,000
8,00,000 in new PSR (27: 4: 9) = 5,40,000 : 80,000 and 1,80,000

MV of investment has gone up so its will be treated through Revaluation A/c (Profit on Revaluation) 20,000

Capital A/c

Particulars	A	B	C	Particulars	A	B	C
				By Bala b/d	3,00,000	2,00,000	
				By WCF	48,000	12,000	
To Bala c/d	5,40,000	80,000	1,80,000	By IFF	32,000	8,000	
				By P for G	25,000	20,000	
				By Reval.	16,000	4,000	
To Current		1,64,000		By Bank ac			1,80,000
				By Current	1,19,000		
	5,40,000	2,44,000	1,80,000		5,40,000	2,44,000	1,80,000

Journal

Date	Particulars	LF	Amount (Dr)	Amount(Cr)
	Bank A/c Dr.		2,25,000	
	To C's Capital A/c			1,80,000
	To Premium for Goodwill A/c			45,000
	(Being capital and premium for goodwill brought)			
	Premium for Goodwill A/c Dr.		45,000	
	To A's Capital A/c			25,000
	To B's Capital A/c			20,000
	(Being premium distributed among sacrificing			
	partner)			
	B's Capital A/c Dr.		1,64,000	
	To B's Current A/c			1,64,000
	(Being capital adjusted by opening current a/c)			
	A's Current A/c Dr		1,19,000	
	To A's Capital A/c			1,19,000
	(Being capital adjusted by opening current a/c)			

OR

X and Y 4:1

Z takes 1/5 of X's share and $1/20^{th}$ of Y's share.

X = 4/5 X 1/5 = 4/25 = 4/5 – 4/25 = (20 – 4)/25 = 16/25

Y = 1/5 X 1/20 = 1/100 = (20 – 5)/100 = 15/100

New PSR = **64:15:21**

SR = X = 4/5 – 64/100 = (80 – 64)/100 = 16/100

Y = 1/5 – 15/100 = (20 – 15)/100 = 5/100

Sacrificing Ratio = **16:5** (Premium for Goodwill 42,000 in 16:5) = 32,000 : 10,000

Revaluation A/c

To Building	5,000	By Land	25,000
To Claim for Workmen Com.	5,000	By Investment	20,000
To Profit on revaluation			
X 28,000			

Y	7,000	35,000		
		45,000		45,000

Capital A/c

Particulars	X	Y	Z	Particulars	X	Y	Z
				By Bal bd	1,25,000	1,00,000	
				By Rev.	28,000	7,000	
				By P.Gill	32,000	10,000	
				By Cash			20,000
To Bal cd.	1,85,000	1,17,000	1,50,000	By Furni.			40,000
				By Mach.			90,000
	1,85,000	1,17,000	1,50,000		1,85,000	1,17,000	1,50,000

Balance Sheet of X,Y and Z

Liabilities			Assets		
Capital A/c			Land	75,000	
A	1,85,000		Add: Appreciation	25,000	1,00,000
B	1,17,000		Building	55,000	
C	1,50,000	4,52,000	Less: Depreciation	5,000	50,000
			Machinery		90,000
			Furniture		40,000
Claim for Workmen's comp		30,000	Investment	60,000	
			Add: Increase	20,000	80,000
			Inventory		35,000
			Cash at bank	25,000	
			Add: Capital + G'll	62,000	87,000
		4,82,000			4,82,000

.5 each for NPSR and SR 1 mark of Revaluation 2 capital 2 BS (.5+.5+1+2+2)

Q24) Realisation A/c (6)

Dr. Particulars		Amount	Cr. Particulars		Amount
To Sundry Assets			By Sundry Liabilities		
Goodwill		60,000	Bank Loan		2,00,000
Building		4,25,000	Neelesh's wife's loan		1,00,000
Plant and Machinery		1,00,000	Creditors		50,000
Investment (5,000 shares)		2,00,000			
Inventory		60,000	By Bank A/c		
Debtors		30,000	Goodwill	60,000	
			Building	3,18,750	
To Bank A/c			Machinery	83,250	
Bank Loan	2,10,000		Debtors	26,000	4,88,000
Creditors	46,000	2,56,000	By Mithlesh's Capital		
To Neelesh's Capital (wife's)		1,00,000	Inventory	48,000	
			Investment	1,35,000	1,83,000
			By Neelesh's Capital (invest)		90,000
			By Loss on realisation		
			Mithlesh's Capital	64,000	
			Neelesh's Capital	56,000	1,20,000

	12,31,000		12,31,000

Capital A/c

Particulars	Mithlesh	Neelesh	Particulars	Mithlesh	Neelesh
To Realisation (asset	1,83,000	90,000	By Balance b/d	3,00,000	2,50,000
To Realisation (loss)	64,000	56,000	By Wife's Loan		1,00,000
To Bank A/c	**53,000**	**2,04,000**			
	3,00,000	3,50,000		3,00,000	3,50,000

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	25,000	By Realisation (Liabilities)	2,56,000
To Realisation (Assets)	4,88,000	By Mithlesh's Capital	**53,000**
		By Neelesh's Capital	**2,04,000**
	5,13,000		**5,13,000**

4 realisation 1 capital and 1 Bank

Q25)	Journal	(6)

Date	Particulars	LF	Amount(Dr)	Amount(Cr)
	Bank A/c Dr.		1,60,000	
	To Share Application A/c (20,000 X 8)			1,60,000
	(Being application money received along)			
	Share Application A/c Dr.		1,60,000	
	To Share Capital A/c			80,000
	To Securities Premium A/c			80,000
	(Being application money transferred)			
	Share Allotment A/c Dr. (20,000 X 10)		2,00,000	
	To Share Capital A/c (20,000 X 4)			80,000
	To Securities Premium A/c (20,000 X 6)			1,20,000
	(Being allotment money due including premium)			
	Bank A/c Dr.		1,70,000	
	Calls in arrears A/c Dr. (3,000 X 10)		30,000	
	To Share Allotment A/c			2,00,000
	(Being allotment money received on all but 3,000			
	Share First and Final Call A/c Dr (20,000 X 2)		40,000	
	To Share Capital A/c			40,000
	(Being call money due including premium)			
	Bank A/c Dr.		30,000	
	Calls in arrears A/c Dr. (5,000 X 2)		10,000	
	To Share First and Final Call A/c			40,000
	(Being call money received on all but 2000 shares			
	including premium of Rs.4 and advance adjusted			
	Share Capital A/c Dr (5,000 X 10)		50,000	
	Securities Premium A/c Dr (3,000 X 6)		18,000	
	To Calls in arrears A/c			40,000
	To Share forfeiture A/c			28,000
	(Being shares forfeited for nonpayment of			
	allotment and call money)			

OR

Balance Sheet Liability Side (Extract)

EQUITIES AND LIABILITIES		
Shareholders Fund		
Share Capital		
Reserves and Surplus		
Non-Current Liabilities		
Long term borrowing		
Other Long term liabilities		
Long term provision		

Current Liabilities		
Short term Borrowings		
Trade Payables		
Other current liabilities		
Short term provision		
TOTAL		

Rose and Tulip Ltd
Journal

	Share Capital A/c Dr (10,000 X 10)		1,00,000	
	Securities Premium A/c Dr (4,000 X 3)		12,000	
	To Calls in arrears A/c			48,000
	To Share forfeiture A/c			64,000
	(Being 10,000 shares forfeited for non payment of			
	allotment including premium & first and final call			
	Bank A/c Dr		49,000	
	Share Forfeiture A/c Dr		21,000	
	To Share Capital A/c			70,000
	(Being 7,000 shares reissued at Rs.7 each)			
	Share Forfeiture A/c Dr		19,000	
	To Capital Reserve A/c			19,000
	(Being profit on reissue of 7,000 out of 10,000			
	forfeited shares transferred)			

Working
Sunil 6,000 shares out of which only 3,000 reissued his share forfeiture is 48,000 so only 24,000 is used
Total Share forfeiture = 16,000 + 24,000
On reissue used Rs. 21,000 so capital reserve = 40,000 – 21,000 = 19,000

Q26) **b.**

Akash Infotech Ltd
Journal

Date	Particulars	LF	Amount(Dr)	Amount(Cr)
(i)	Bank A/c Dr		12,00,000	
	To ICICI Bank Loan A/c			12,00,000
	(Being bank loan taken against collateral)			
	Debenture Suspense A/c Dr		12,50,000	
	To 12% Debenture A/c)			12,50,000
	(Being 12,500 ,12% debenture of Rs.100 each			
	Issued as a collateral against bank loan)			

Balance Sheet

EQUITIES and LIABILITIES	Note No	
Non –Current Liabilities		
Long term borrowings	1	12,00,000

Notes to Account

1. Long term Borrowings		
Loan from ICICI Bank		12,00,000
12,500, 12 % Debenture of 100 each issued as collateral	12,50,000	
Less: Debenture Suspense A/c	12,50,000	--------

b) **JOURNAL**

Date	Particulars	LF	Amount(Dr)	Amount(Cr)
30/9/24	Debenture Interest A/c Dr		42,500	
	To Debenture holders' A/c			42,500
	(Being interest due on debenture holders)			
31/3/25	Debenture Interest A/c Dr		42,500	
	To Debenture holders' A/c			42,500
	(Being interest due on debenture holders)			
31/3/25	Debenture holders' A/c Dr		85,000	
	To Bank A/c			85,000
	(Being debenture interest paid)			
	Statement of Profit and Loss Dr		85,000	
	To Debenture Interest A/c			85,000
	(Being amount of debentures interest			
	transferred to Statement of Profit and Loss)			

Marks

	SECTION B (20 marks)	
Q27)	(B) Schedule III Part II **OR** (D) Forfeited Share	(1)
Q28)	(D) Only (R) is correct but (A) is not correct	(1)
Q29)	(C) Trade Receivable Turnover Ratio	(1)
Q30)	(A) Only i) and ii)	(1)
Q31)		(3)

Particulars	N.No	31st March 2025	% of Total
ASSETS			
Non-Current Assets			
Property, Plant and Equipment and Intangibles			
Property, Plant and Equipment		8,65,000	**43.25**
Intangibles		3,75,000	**18.75**
Non-current Investment		2,15,000	**10.75**
Current Assets			
Inventories		1,75,000	**8.75**

		Trade Receivables		2,05,000	**10.25**
		Other current assets		99,000	**4.95**
		Cash and Cash equivalents		66,000	**3.30**
		TOTAL		20,00,000	**100.00**

10 X .3 = 3

OR

Comparative Revenue Statement

Particulars	N.No	31st March 25	31st March 24	Absolute	Percentage
Revenue from Operation		20,00,000	17,50,000	**2,50,000**	**14.29**
Other income		60,000	80,000	**(20,000)**	**(25.00)**
TOTAL Revenue		20,60,000	18,30,000		
Cost of materials consumed		7,80,000	6,60,000	**1,20,000**	**18.18**
Purchase of stock in trade		3,25,000	4,00,000	**(75,000)**	**(18.75)**
Employee benefit expenses		6,75,000	5,00,000	**1,75,000**	**35.00**
Finance Cost		1,00,000	65,000	**35,000**	**53.85**
Depreciation and Amortization		75,000	55,000	**20,000**	**36.36**
TOTAL Expenses		**19,55,000**	**16,80,000**		
Profit Before Tax		**1,05,000**	**1,50,000**	**(45,000)**	**(30.00)**

20 X .15 = 3

Q32) In total there are **six activity ratios** (3)

i) Inventory Turnover Ratio = Cost of Revenue from Operations/ Average Inventory
ii) Trade Receivable Turnover Ratio = Net Credit Revenue from Operations/ Average Trade R.
iii) Trade Payable Turnover Ratio = Net Credit Purchase / Average Trade Payable
iv) Working Capital Turnover Ratio = Net Revenue from Operations/ Working Capital
v) Fixed Assets Turnover Ratio = Net Revenue from Operations/ Net Fixed Assets
v) Net Asset Turnover Ratio = Revenue from Operations/ Capital Employed

OR

i) Current Ratio = Current Assets/ Current Liabilities
Quick Ratio = Current Asset – Inventory / Current Liability
Now using the first formula Current Assets = 3X Current Liability = 3X 80,000= 2,40,000
Quick Ratio = Current Asset – Inventory / Current Liability
2,40,000 – Inventory / 80,000 = 1.8/1
2,40,000 – Inventory = 80,000 X 1.8
2,40,000 – Inventory = 1,44,000
So Inventory is 2,40,000 – 1,44,000 = **96,000** **(1)**

ii) Debt = 12% Debenture + 10% Mortgage Loan = (2,00,000 + 80,000) = 2,80,000
Interest on Debt = 24,000 + 8,000 = 32,000
Profit after Tax = 90,000 ;
Rate of Tax = 40% So 60% = 90,000
Profit before tax = 100% = 90,000 X (100/60) = 1,50,000
Profit before Tax + Fixed Interest = 1,50,000 + 32,000 = 1,82,000

$$\text{Interest Coverage Ratio} = \frac{\text{Earnings before interest and Taxes}}{\text{Fixed Interest Charges}} = 1{,}82{,}000/\ 32{,}000 = \mathbf{5.70\ times}$$

Q33) i) Debt to Total Assets = Long Term borrowing/ Total Assets (2) (4)

	Long term debt = Total Debt – (Trade payable + other current liabilities) 24,00,000 – (5,60,000 + 40,000) = 18,00,000 Total Assets = Shareholder Fund + Total Debt 36,00,000 + 24,00,000 = 60,00,000 Debt to Total Assets = Long Term borrowing/ Total Assets = 18,00,000/60,00,000 = **.3:1** **ii)** Working Capital Turnover Ratio = Revenue from Operation / Working Capital Cost of Revenue from operation = 30,40,000 Gross Profit = 24% of Revenue from operations Let Revenue from operation be 100 So Gross Profit = 24 Cost of Revenue from operations = 100 – 24 = 76 If 76% = 30,40,000 So 100% = 30,40,000/.76 = 40,00,000 Working Capital = Current Assets – Current Liabilities = 4,60,000 – 60,000 = 4,00,000 40,00,000/4,00,000 = **10 times**	
Q34)	**Cash Flow**	(6)

Cash Flow from operating activities		
Net profit before tax (Note 1)	60,000	
Adjustment for non cash/non operating items		
Add: Depreciation	1,20,000	
Loss on sale Equipment	50,000	
Less: Profit on Sale of Land	(75,000)	
Profit on sale of Vehicle	(20,000)	
Interest received on investment	(50,000)	
Operating profit before working capital changes	**85,000**	
Adjustment for working capital changes	**---**	
Cash flow from operations	**85,000**	
Less: Income Tax	25,000	
Net cash from operating activities		**60,000**
Cash flow from investing activities		
Purchase of Plant and Machinery	(5,00,000)	
Purchase of Investment	(3,00,000)	
Sale of Equipment	1,50,000	
Sale of Land & Building	4,25,000	
Sale of Vehicle	1,00,000	
Net cash used in investing activities		(1,25,000)

ii) The loss on sale of equipment is a non-cash item and is already adjusted in the Net Profit under Operating Activities. In Investing Activities, only the actual cash inflow from the sale (Rs1,50,000) is considered, not the book value or the loss.

iii) Depreciation is a non-cash expense and is added back under **Operating Activities** while calculating cash flow using the indirect method. It is not shown under Investing Activities because it does not involve any actual cash outflow.

OR

CASH FLOW STATEMENT

A. Cash Flow from operating activities		
Net profit before tax (2,00,000 – 1,10,000)	90,000	
Adjustment for non cash/non operating items		
Add: Depreciation of on tangible assests	2,00,000	
Loss on sale of furniture	15,000	
Operating profit before working capital changes	3,05,000	
Add: Increasing in current liabilities/ Decrease in current assets		
Trade Receivable	8,000	
Trade Payable	5,000	
Less: Increase in current assets/Decrease in current liabilities		
Inventory	(10,000)	
Net cash from operation activities		**3,08,000**
B. Cash flow from investing activities		
Purchase of Property, Plant and Equipment	(5,80,000)	
Sale of furniture	65,000	
Net cash used in investing activities		**(5,15,000)**
C. Cash flow from financing activities		
Proceeds from issue of shares	1,00,000	
Proceeds from long term borrowing	1,00,000	**2,00,000**
Net increase (decrease) in cash and cash equivalents (A +B + C)		**(7,000)**
Cash and cash equivalent at the beginning of the year		**35,000**
Cash and cash equivalent at the end of the year		**28,000**

Purchase of Property = (Closing balance + Depreciation+ Sale + Loss on sale – Opening balance)

(11,00,000 + 2,00,000 + 65,000 +15,000 - 8,00,000) = 5,80,000