MOCK – 2

Time Allowed :- 3 Hrs. **Maximum Marks : 80**

General Instructions:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Part – A & Part – B is compulsory for all candidates.
4. Question 1 to 16 and 27 to 30 carries 1 mark each.
5. Questions 17 to 20, 31and 32 carries 3 marks each.
6. Questions from 21, 22 and 33 carries 4 marks each
7. Questions from 23 to 26 and 34 carries 6 marks each
8. There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

PART – A
(Accounting for Partnership Firms and Companies)

Q.1 **X and Y share profits and losses in the ratio of 4 : 3. They admit Z in the firm with 3/7 share which he gets 2/7 from X and 1/7 form Y. the new profit sharing ratio will be:**

(a) 7 : 3 : 3 **(b) 2 : 2 : 3**

(c) 5 : 2 : 3 **(d) 2 : 3 : 3**

Ans. (b) 2 : 2 : 3

Note: In the given question (Q. 2), a statement of Assertion (A) followed by a statement of Reason (R) is given. Choose the correct answer out of the following choices.

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

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

(c) (A) is true but (R) is false.

(d) (A) is false but (R) is false.

Q.2 **Assertion (A) : The partners are the agents as well as principal of the firm.**

Reason (R) : partnership is a business relationship among two or more persons to share profits and losses of the business, carried on by all or nay of them acting for all.

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

Q.3 **As per the companies Act, 2013, companies cannot issue ___________.**

(a) Bonus Shares **(b) Irredeemable Preference Shares**

(c) Preference Shares **(d) Equity Shares**

Ans. (b) Irredeemable Preference Shares

OR

Which is an agreement between the company and the trustees to look after the interest of debentures holders?

(a) Debentures trust deed **(b) Partnership deed**

(c) Both of these **(d) None of these**

Ans. (a) Debentures trust deed

Q.4 **P, Q and R sharing profits in the ratio 5:4:1. They decided to share future profits equally. Goodwill is valued at ₹60,000, which will be adjusted through the entry:**

(a) Dr. P's Capital A/c ₹10,000, Dr. Q's Capital A/c 4,000, Cr. Goodwill A/c ₹14,000

(b) Dr. Goodwill A/c ₹60,000; Cr. P's Capital A/c ₹20,000, Cr. Q's Capital Ac ₹20,000; Cr. R's Capital A/c ₹20,000

(c) Dr. R's Capital A/c ₹14,000; Cr. P's Capital A/c ₹10,000; Cr. Q's Capital A/c ₹4,000

(d) Dr. R's Capital A/c ₹20,000; Cr. P's Capital A/c ₹10,000; Cr. O's Capital A/c ₹10,000

Ans. (c) Dr. R's Capital A/c ₹14,000; Cr. P's Capital A/c ₹10,000; Cr. Q's Capital A/c ₹4,000

OR

A and B are partners A's capital is ₹10,000 and B's Capital is ₹6,000. Interest is payable @ 6% p.a.. B is entitled to a salary of ₹300 per month. Profit for the year before interest and salary to B is ₹8,000. Profits between A and B will be divided:

(a) ₹1,440 to A and ₹2,000 to B **(b) ₹2,000 to A and ₹1,440 to B**

(c) ₹1,720 to A and ₹1,720 to B **(d) None**

Ans. (c) ₹1,720 to A and ₹1,720 to B

Q.5 **Aryan and Gauri were partner in a firm sharing profits and losses in the ratio of 2:1. Their capital was ₹90,000 and ₹60,000 respectively. They were entitled for interest on capital @ 12% p.a. The firm earned a profit of ₹84,000 after allowing interest on capitals. Profits will be distributed among them will be:**

(a) ₹44,000; ₹22,000 **(b) ₹56,000; ₹28,000**

(c) ₹50,400; ₹33,600 **(d) ₹39,600; ₹26,400**

Ans. (b) ₹56,000; ₹28,000

Q.6 **ABC Ltd. issues 3,000 11% debentures of ₹500 each at a par payable at a premium of 10%, the loss on issue of debentures account will be debited by:**

(a) ₹1,00,000 **(b) ₹1,20,000** **(c) 1,50,000** **(d) ₹1,05,000**

Ans. (c) 1,50,000

OR

XYZ Ltd. issues 2,000 12% debentures of ₹200 each at a discount of 5% repayable at a premium of 10%, the loss on issue of debentures account will be debited by:

(a) ₹1,00,000 **(b) ₹50,000** **(c) 60,000** **(d) ₹45,000**

Ans. (c) 60,000

Q.7 **H Ltd. had allotted 20,000 shares to the applicants of 28,000 shares on pro-rata basis. The amount payable on application was ₹2 per share. S applied for 840 shares. The number of shares allotted and the amount carried forward for adjustment against allotment money due from S will be:**

(a) 120 share; ₹240 **(b) 680 share; ₹320**

(c) 640 share; ₹400 **(d) 600 share; ₹480**

Ans. (d) 600 share; ₹480

Q.8 **A, B and C were partners in a firm sharing profits and losses in the ratio of 2:2:1. The capital balances of A, B and C are ₹ 1,00,000, ₹50,000 and ₹25,000 respectively. B declared to retire from the firm on 1st April, 2022. Balance in reserve on the date was ₹15,000. If goodwill of the firm was valued as ₹30,000 and profit on revaluation was ₹7,050, then what amount will be transferred to the loan account of B.**

(a) ₹70,820 **(b) ₹50,820** **(c) ₹25,820** **(d) ₹20,820**

Ans. (a) ₹70,820

OR

A, B, and C are partners in a partnership firm. They want to expand their business for which additional capital and more managerial experts are required. For this they want to admit more members in their firm. What is the maximum number of additional member that can be admitted by them in the firm?

(a) 47 **(b) 50** **(c) 45** **(d) 65**

Ans. (a) 47

(Use below information for Question 9 & 10)

X and Y are partners in a firm, sharing profits in the ratio of 2 : 1. Their capitals were ₹3,00,000 and ₹2,00,000 respectively. As per partnership deed, interest on capitals was entitled @6% p.a.

(i) First year profit was ₹20,000

(ii) Second year loss was ₹10,000

Q.9 **In first year interest on capital is given to partner Y is:**

(a) ₹10,000 **(b) ₹12,000** **(c) ₹8,000** **(d) ₹9,500**

Ans. (c) ₹8,000

Q.10 **In second year interest on capital was given to partner X is:**

(a) ₹18,000 **(b) ₹12,000** **(c) ₹10,000** **(d) NIL**

Ans. (d) NIL

Hint:

No interest on capital is to be provided in case of loss.

Q.11 **Choose the correct sequence of the following transactions in context of Making of accounts.**

(i) Balance Sheet

(ii) Profit & Loss Account

(iii) Profit & Loss Appropriation Account.

(iv) Partners Capital Account

(a) (i); (iii) ; (iv) ; (ii) **(b) (iii); (i) ; (ii) ; (iv)**

(c) (iii) ; (ii) ; (i); (iv) **(d) (ii); (iii); (iv); (i)**

Ans. (d) (ii); (iii); (iv); (i)

Q.12 **If 50 shares ₹10 each, ₹9 called (including a premium of ₹2) is forfeited due to non-payment of first call of ₹2 per share, then share capital will be debited by:**

(a) ₹250 **(b) ₹350** **(c) ₹500** **(d) ₹450**

Ans. (b) ₹350

Q.13 **The liability of shareholders of a public limited company is limited to:**

(a) Unpaid value of shares **(b) Nominal value of shares**

(c) Extent of private assets **(d) Called up share capital**

Ans. (a) Unpaid value of shares

Q.14 **P, Q and R are partners sharing profits in the ratio 3 : 2 : 1. Interest on capital of P, Q and R ₹1,800, ₹2,100 and ₹1,500 respectively is omitted to be provided. The adjustment entry will be:**

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Date	Particulars	L.F.	Amount (₹)

			Dr.	Cr.
(a)	P's Capital A/c Dr.		600	
	Q's Capital A/c Dr.		300	
	To R's Capital A/c			900
(b)	P's Capital A/c Dr.		900	
	To Q's Capital A/c			300
	To R's Capital A/c			600
(c)	R's Capital A/c Dr.		900	
	To P's Capital A/c			300
	To Q's Capital A/c			600
(d)	Q's Capital A/c Dr.		300	
	R's Capital A/c Dr.		600	
	To P's Capital A/c			900

Ans.

JOURNAL

Date	Particulars	L.F.	Amount (₹)	
			Dr.	Cr.
(b)	P's Capital A/c Dr.		900	
	To Q's Capital A/c			300
	To R's Capital A/c			600

Q.15 **X, Y and Z are partners in a firm. At the time of division of profit for the year there were dispute between the partners. Profits before interest on partners loan was ₹6000. Y determined interest @ 24% p.a. on his loan of ₹80,000. There was no agreement on this point. Calculate the amount payable to X, Y and Z respectively.**

(a) ₹2,000 to each partners

(b) Loss of ₹4,400 for X, Z and Y will take home ₹14,800

(c) ₹400 for X, ₹5,200 for Y and ₹400 to Z

(d) ₹2,400 for each partner

Ans. (c) ₹400 for X, ₹5,200 for Y and ₹400 to Z

OR

Arun and Nipun are partners with the capital of ₹25,000 and ₹15,000 respectively.

Interest payable on capital is 10% p.a. Find the interest on capital for both the partners when the profits earned by the firms is ₹2,400.

(a) ₹2,500 and ₹1,500 **(b) ₹1,500 and ₹900**

(c) ₹1,200 and ₹1,200 **(d) None of these**

Ans. (b) ₹1,500 and ₹900

Q.16 On dissolution of a firm, its Balance Sheet revealed total Creditors ₹65,000; Total Capital ₹50,000; Cash balance ₹8,000. Its assets were realised at 12% less. Loss on realisation will be:

(a) ₹11,000 **(b) ₹12,840** **(c) ₹11,400** **(d) ₹3,600**

Ans. (b) ₹12,840

Q.17 X, Y and Z are partners in a firm sharing profits in the ratio of 5:3:2. Z died on 30th September 2022 and his share of profit till the date of death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2022 amounted to ₹1,50,000 and that from 1st April to 30th September, 2022 amounted to ₹90,000. The profit for the year ended 31st March, 2022 was ₹50,000. Calculate Z's share of profit upto the date of death and pass necessary Journal entry if:

Case 1: X and Y decided not to change their future profit sharing ratio.

Case 2: X and Y decided to share future profits in the ratio of 7:3.

Ans. Z's share of profit $= \dfrac{50,000}{1,50,000} \times 90,000 \times \dfrac{2}{10}$ = ₹6,000.

Case – I

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Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Profit and Loss Suspense A/c Dr.		6,000	
	To Z's Capital A/c			6,000
	(For Z's share of profit transferred to profit and loss suspense A/c)			

Case – II

JOURNAL

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	X's Capital A/c Dr. To Z's Capital A/c (For Z's share of profit adjusted through gaining partners' capital A/cs)		6,000	6,000

$$\text{X Gain} = \frac{7}{10} - \frac{5}{10} = \frac{2}{10}$$

$$\text{Y Gain} = \frac{3}{10} - \frac{3}{10} = 0$$

Q.18 Rehman, Suleman and Hanuman were partners in a firm sharing profits in the ratio of 7 : 2 : 1. respectively. Their fixed capitals were: Rehman ₹3,00,000; Suleman ₹2,00,000 and Hanuman ₹1,00,000. The partnership deed provided for the following for the division of profit.

(i) 10% of the trading profits will be transferred to reserve account.

(ii) Hanuman was guaranteed a profit of ₹50,000, Any loss because of guarantee to Hanuman will be shared by Rehman and Suleman equally.

The trading profit of the firm for the year ended 31st March, 2022 was ₹2,00,000, Prepare the profit and loss appropriation account for the year ended 31st March, 2022,

Ans.

Profit and Loss Appropriation Account

Particulars		Amount (₹)	Particulars	Amount (₹)
To Reserve A/c		20,000	By Net Profit as per Profit and Loss A/c	2,00,000
To Profit Transferred to :				
Rehman's Current A/c				
(7/10 × 1,80,000)	1,26,000			
Less: Deficiency Borne				
(1/2 × ₹32,000)	(16,000)	1,10,000		
Suleman's Current A/c				
(2/10 × ₹1,80,000)	36,000			
Less: Deficiency Borne				
(1/2 × ₹32,000)	(16,000)	20,000		

Hanuman's Current A/c (1/10 × ₹1,80,000) 18,000 Add: Deficiency Recovered from Rehman 16,000 Suleman 16,000	50,000		
	2,00,000		2,00,000

Working Notes:

Hanuman actual share of profit = 1/10 of ₹1,80,000 = ₹18,000

Deficiency = Guaranteed amount – Actual share of profit = ₹50,000 – ₹18,000 = ₹32,000

Deficiency is to be borne by Rehman and Suleman in the ratio of 1:1 as follows:

Deficiency to be borne by Rehman = 1/2 × ₹32,000 = ₹16,000

Deficiency to be borne by Suleman = 1/2 × ₹32,000 = ₹16,000

OR

Prem, Param and Priya were partners in a firm. Their fixed capitals were: Prem ₹2,00,000, Param ₹3,00,000 and Priya ₹5,00,000, They were sharing profits in the ratio of their capitals. The firm was engaged in the sale of ready-to-eat food packets at three different locations in the city, each being managed by Prem, Param and Priya. The outlet managed by Prem was doing more business than the outlets managed by Param and Priya. Prem requested Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. It was decided that the new profit sharing ratio will be 2:1:2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹2,00,000; ₹3,50,000; ₹4,75,000 and ₹5,25,000 respectively.

Showing your calculations clearly, pass a necessary adjustment entry to give effect to the new agreement between Prem, Param and Priya.

Ans.

Adjustment Table

Particulars	**Amount in (₹)**		
	Prem	**Param**	**Priya**
I. Amount to be Debited (Profit of past 4 years) (2,00,000 + 3,50,000 + 4,75,000 + 5,25,000) in 2 : 3 : 5	3,10,000	4,65,000	7,75,000
II. Amount to be Credited			

(2,00,000 + 3,50,000 + 4,75,000 + 5,25,000) in 2 : 1 : 2	6,20,000	3,10,000	6,20,000
Difference (I – II	3,10,000 (Cr)	1,55,000 (Dr)	1,55,000 (Dr)

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Date	Particulars		L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Param's Current A/c	Dr.		1,55,000	
	Priya's Current A/c	Dr.		1,55,000	
	To Prem's Current A/c				3,10,000
	(Being adjustment of past 4 years profits made due to change in profit sharing ratio, now adjusted)				

Q.19 **Blue Prints Ltd. purchased building worth ₹1,50,000, machinery worth ₹1,40,000 and furniture worth ₹10,000 from XYZ Co. and took over its liabilities of ₹20,000 for a purchase consideration other than cash of ₹3,15,000. Blue Prints Ltd. paid the purchase consideration by issuing 12% debentures of ₹100 each at a premium of 5%. Record necessary journal entries in the books of Blue Print Lid.**

Ans.

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Date	Particulars		L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Building A/c	Dr.		1,50,000	
	Plant and Machinery A/c	Dr.		1,40,000	
	Furniture A/c	Dr.		10,000	
	Goodwill A/c	Dr.		35,000	
	To Liabilities A/c				20,000
	To XYZ Co.				3,15,000
	(Being purchase of assets and liabilities taken over of XYZ Co.)				
	XYZ Co. A/c	Dr.		3,15,000	
	To 12% Debentures A/c				3,00,000
	To Securities Premium Reserve A/c				15,000
	(Being 3,000 debentures issued at a premium of 5%)				

Note:

$$\text{Number of debentures issued} = \frac{\text{Purchase consideration}}{\text{Issue price of debentures}}$$

$$= \frac{3{,}15{,}000}{105} = 3{,}000 \text{ Debentures}$$

OR

Ashish Ltd. purchased a machine from Hira Trader valuing ₹4,00,000 at 10% trade discount. On consideration, it issued equity share of ₹10 each. Pass necessary journal entries in the books of the company.

Ans.

JOURNAL OF ASHISH LTD.

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Machine A/c Dr. To Hira Traders (For purchase of machine on credit at 10% trade discount)		3,60,000	3,60,000
	Hira Traders Dr. To Equity Share Capital A/c (for issue of 36,000 (₹3,60,000 ÷ ₹10) shares at ₹10 each)		3,60,000	3,60,000

Q.20 **A and B are partners in firm sharing profit and losses in the ratio of 2:1. They decide to admit C as a new partner for 1/3 share on 01.04.2022. for this purpose goodwill of the firm is to be valued on the basis of two year purchases of the average profits for the last 3 years. The profits of the firm for the last three years were:**

Year ending	Profit/(Loss) (₹)
31st March 2020	**3,00,000**
31st March 2021	**(1,00,000)**
31st Mar5ch 2022	**2,50,000**

Additional information:

(a) There was an abnormal loss of ₹30,000 in the year 31st March, 2020.

(b) Closing Stock as on 31st March, 2022 was overvalued by ₹30,000.

Ans.

Particulars	Amount in (₹)	
Calculation of Actual average profits:		
Profit for 2019-20	3,00,000	
Add : Abnormal Loss	30,000	3,30,000
Loss for 2020-21		(1,00,000)
Profit for 2021-22	2,50,000	
Less: Overvaluation of closing stock	30,000	2,20,000
Total Profit		4,50,000

(i) **Actual Average Profits** $= \dfrac{\textbf{Total Profit}}{\textbf{No. of Years}}$

$$= \frac{4,50,000}{3} = 1,50,000$$

(ii) **Value of Goodwill = Actual Average Profit × No. of years' purchase**

$$= 1,50,000 \times 2 = 3,00,000$$

Q.21 **Janta Ltd., had an authorized capital of 2,00,000 equity shares of ₹10 each. The company offered to the public for subscription 1,00,000 shares. Applications were received for 97,000 shares. The amount payable on application was ₹2 per share, ₹4 was payable each on allotment and first and final call. A shareholder holding 600 shares failed to pay the allotment money. His shares were forfeited. The company did not make first and final call. Present the share capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013. Also prepare Notes to Accounts.**

Ans.

Balance Sheet of Janta Ltd. (an extract)
as at ________________

Particulars	Note No.	Amount in (₹) Current Year	Amount in (₹) Previous Year
I. Equity and Liabilities			
(i) Shareholders' Fund			
(a) Share Capital	1	5,79,600	—

Notes to Accounts:

Particulars	Amount in (₹)	
1. Share Capital:		
Authorized Capital:		20,00,000
2,00,000 Equity Shares of ₹10 each		
Issued Capital:		
1,00,000 equity Shares of ₹10 each		10,00,000
Subscribed Capital		
Subscribed but not fully paid:		
96,400 Shares of ₹10 each, ₹6 called-up	5,78,400	
Add: Share Forfeited A/c	1,200	5,79,600

Q.22 Give the necessary journal entries for the following transactions on dissolution of the firm of Sonu and Monu on 31st March, 2022, after transfer of various assets (other than cash and bank balance) and the third party liabilities to Realisation Account. They shared profits and losses in the ratio of 2:1

(i) Sonu agreed to take over the firm's goodwill (not recorded in the books of the firm) at a valuation of ₹40,000.

(ii) Bills payable of ₹30,000 falling due on 30th April, 2022 were discharged at ₹29,550.

(iii) Stock worth ₹8,00,000 was taken over by partner, Sonu at 10% discount.

(iv) Creditors of ₹2,00,000; accepted machinery valued at ₹2,20,000 in full settlement of their claim.

(v) Expenses of realisation ₹10,000 were paid by partner, Sonu.

Ans.

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Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
2022	Sonu's Capital A/c Dr.		40,000	
March 31	To Realisation A/c			40,000
	(Being goodwill taken by the partner Sonu)			
March 31	Realisation A/c Dr.		29,550	
	To Bank A/c			29,550
	(Being bills payable discharged)			
March 31	Sonu's Capital A/c Dr.		7,20,000	

	To Realisation A/c (Being goods taken by Sonu at 10% discount)			7,20,000
March 31	No Entry			
March 31	Realisation A/c Dr. To Sonu's Capital A/c (Being realisation expenses paid by Sonu)		10,000	10,000

Q.23 Sanrise Company Limited offered for public subscription 10,000 shares of ₹10 each at ₹11 per share. Money was payable as follows:

₹3 on application

₹4 on allotment (including premium)

₹4 on first and final call.

Applications were received for 12,000 shares and the directors made prorata allotment.

Mr. Ahmad, an applicant for 120 shares, could not pay the allotment and call money, and Mr. Basu, a holder of 200 shares, failed to pay the call. All these shares were forfeited.

Out of the forfeited shares, 150 shares (the whole of Mr. Ahmad's shares being included) were issued at ₹8 per share. Record journal entries for the above transactions and prepare the share forfeited account.

Ans.

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Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Bank A/c Dr. To Share Application A/c (Application money received on 12,000 shares @ 3 per share)		36,000	36,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Transfer of application money to share capital account on 10,000 share and the balance to allotment account)		36,000	30,000 6,000
	Share Allotment A/c Dr.		40,000	

	To Share Capital A/c To Securities Premium Reserve A/c (Money due on allotment @ ₹4 per share on 10,000 shares including ₹1 on account of premium)			30,000 10,000
	Bank A/c Dr. To Share Allotment A/c (Money received on share allotment: See note 1)		33,660	33,660
	Share First and Final Call A/c Dr. To Share Capital A/c (Money due on call on 10,000 share @ 4 per share)		40,000	40,000
	Bank A/c Dr. To Share First and Final Call A/c (Call money received on 9,700 shares)		38,800	38,800
	Share Capital A/c Dr. Securities Premium Reserve A/c To Share Allotment A/c To Share First and Final Call A/c To Share Forfeited A/c (Forfeiture of 300 shares)		3,000 100	340 1,200 1,560
	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Reissue of 150 forfeited shares)		1,200 300	1,500
	Share Forfeited A/c Dr. To Capital Reserve A/c (Profit on reissue of 150 forfeited shares transferred)		360	360

Share Forfeited A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Share Capital A/c To Capital Reserve A/c To Balance c/d	300 360 900	By Sundries	1,560
	1,560		1,560

Working Notes:

1. Share allotted to Ahmad = $120 \times \frac{10,000}{12,000}$ = 100 shares

Amount due from Ahmad (100 × ₹4)

Details	**Amount (₹)**
Application money paid (120 × ₹3) Amount adjusted on application (100 × ₹)	360 300
Amount adjusted on allotment	60

Amount unpaid on allotment from Ahmad (₹400 – ₹60) = 340

2. **Amount received on allotment has been calculated as follows:**

Details	**Amount (₹)**
Total money due on 10,000 shares @ ₹4 per shares Less: Application money received on 2,000 shares adjusted against allotment money	40,000 (6,000)
Net Amount due on allotment Less: Amount due but not paid by Ahmad	34,000 (340)
Amount received on allotment	33,660

3. Securities Premium Account has been debited only with ₹100 relating to 100 shares allotted Mr. Ahmad from whom the allotment money (including premium) has not been received.

4. Share Forfeited account represents the money received on forfeited shares excluding securities premium.

This has been worked out as follows

Details	**Amount (₹)**
Application money received from Ahmad Application and allotment money excluding premium received from Mt. Basu (200 × ₹6)	360 1,200
Total amount received on forfeited shares	1,560

5.

Details	**Amount (₹)**
Amount received from Mr. Ahmad on 100 shares forfeited which have been reissued	360
Amount received from Mr. Basu on 50 shares forfeited which have been reissued $\left(\frac{50}{200} \times 1{,}200\right)$	300
Total amount received on 150 shares which have been forfeited and later reissued	660
Less: Discount on reissue of forfeited shares (150 × ₹2)	(300)
Amount of capital profit transferred to capital reserve	360

OR

(a) A company forfeited 200 shares of ₹20 each, ₹15 per share called-up on which ₹10 per share had been paid. Directors reissued all the forfeited shares to B as ₹15 per share paid up for a payment of ₹10 each.

Give Journal entries in the books of the company for forfeiture and reissue of shares.

(b) JCV Ltd. forfeited 200 shares of ₹10 each issued at a premium of ₹2 per share for the non-payment of allotment of ₹3 per share (including premium). The first and final call of ₹4 per share has not been made yet. 50% of forfeited shares were reissued at ₹8 per share fully paid-up. Pass necessary journal entries for the forfeiture and reissue of shares.

Ans. (a)

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Date	Particulars		L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Share Capital A/c (200 × ₹15)	Dr.		3,000	
	To Share Forfeited A/c				2,000
	To Calls-in-Arrears A/c				1,000
	(Being 200 share forfeited due to non-payment of call money)				
	Bank A/c (200 × ₹10)	Dr.		2,000	
	Share Forfeited A/c (200 × ₹5)	Dr.		1,000	
	To Share Capital A/c (200 × 15)				3,000

	(Being reissue of forfeited shares as ₹15 per share paid up for payment of ₹10 each)			
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain (profit) on reissue of shares transferred to Capital Reserve)		1,000	 1,000

(b)

JOURNAL

Date	Particulars	L.F.	Amount (₹)	
			Dr.	Cr.
	Share Capital A/c (200 × 6) Dr. Security Premium Reserve A/c (200 × 2) Dr. To Share Forfeited A/c (200 × 5) To Share Allotment A/c (200 × 3) (Being 200 shares forfeited for the non-payment of allotment)		1,200 400	 1,000 600
	Bank A/c (100 × 8) Dr. Share Forfeited A/c (100 × 2) Dr. To Share Capital A/c (100 × 10) (Being reissue of 100 forfeited shares)		800 200	 1,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred on Capital reserve A/c)		300	 300

Q.24 S and T were Partners in a firm sharing profits in the ratio of 7 : 3. Their Balance Sheet on 31st March, 2022 was as follows

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		**40,000**	**Bank**		**36,000**
Bank Overdraft		**20,000**	**Debtors**	**46,000**	
General Reserve		**10,000**	**Less: Provision**	**2,000**	**44,000**
Capital Accounts			**Stock**		**50,000**
S	**50,000**		**Machinery**		**30,000**
T	**40,000**	**90,000**			
		1,60,000			**1,60,000**

On 1st April 2022, they admitted R as a new partner for 1/4th share in profits on the following terms:

(i) R will bring ₹30,000 for his capital and ₹10,000 for goodwill premium.

(ii) 20% of General Reserve will be transferred to provision for doubtful debts.

(iii) Stock and Machinery will be depreciated by 40%

(iv) Capital accounts of S and T will be adjusted on the basis of R's Capital, for this purpose actual cash will be brought in or paid off to S and T as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts And Balance Sheet of the firm.

Ans.

Revaluation Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To Depreciation on Stock	20,000	By Loss Transfer to:		
To Depreciation on Machinery	12,000	S' Capital A/c	22,400	
		T's Capital A/c	9,600	32,000
	32,000			32,000

Partners' Capital Accounts

Particulars	Amount in (₹)			Particulars	Amount in (₹)		
	S	T	R		S	T	R
To Revaluation A/c	22,400	9,600	—	By Balance b/d	50,000	40,000	—
To Bank A/c (b/f)	—	8,800	—	By General Reserve A/c	5,600	2,400	—
To Balance c/d	63,000	27,000	30,000	By Premium A/c	7,000	3,000	—
				By Bank A/c	—	—	30,000
				By Bank A/c (b/f)	22,800	—	—
	85,400	45,400	30,000		85,400	45,400	30,000

Balance Sheet
as at 1st April, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	40,000	Bank	90,000

Bank Overdraft		20,000	Debtors	46,000	
Capital Accounts			Less: P.B.D	4,000	42,000
S	63,000		Stock	50,000	
T	27,000		Less: Depreciation	20,000	30,000
R	30,000	1,20,000	Machinery	30,000	
			Less: Depreciation	12,000	18,000
		1,80,000			1,80,000

Working Notes:

(i) Calculation of New Profit-sharing Ratio

Let total share = 1; R's share = $\frac{1}{4}$

Remaining share = $1 - \frac{1}{4} = \frac{3}{4}$

S's New share = $\frac{3}{4} \times \frac{7}{10} = \frac{21}{40}$; T's New share = $\frac{3}{4} \times \frac{3}{10} = \frac{9}{40}$

New Ratio of S, T and R = $\frac{21}{40} : \frac{9}{40} : \frac{1}{4} = 21 : 9 : 10$

(ii) Adjustment of capital:

R's capital for $1/4^{th}$ share = ₹30,000

Total Capital of the firm = ₹30,000 × 4/1 = ₹1,20,000

S's Capital = ₹1,20,000 × 21/40 = ₹63,000

T's Capital = ₹1,20,000 × 9/40 = ₹27,000

(iii)

Bank Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	36,000	By T's Capital A/c	8,800
To R's Capital A/c	30,000	By Balance c/d	90,000
To Premium for Goodwill A/c	10,000		
To S's Castalia A/c	22,800		
	98,800		98,800

OR

Following is the balance sheet of P, Q and R as at 31st March, 2022, who have agreed to share profits and losses in proportion of their capitals.

Balance Sheet
as at 31st March 2022

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Accounts			Land & Building		2,00,000
P	2,00,000		Machinery		3,00,000
Q	3,00,000		Closing Stock		1,00,000
R	2,00,000	7,00,000	Sundry Debtors	1,10,000	
General Reserve		35,000	Less: P.B.D	10,000	1,00,000
Workmen's Compensation Fund		15,000	Cash at Bank		1,00,000
Sundry Creditors		50,000			
		8,00,000			8,00,000

On 31st March, 2022; P desired to retire from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and reassess the liabilities on the following basis,

(i) Land and building to be appreciated by 30%.

(ii) Machinery be depreciated by 20%.

(iii) There were bad debts of ₹17,000.

(iv) The claim on account of workmen's compensation was estimated at ₹8,000.

(v) Goodwill of the firm was valued at ₹1,40,000 and P's share of goodwill be adjusted against the capital accounts of the continuing partners Q and R who have decided to share future profits in the ratio of 4:3 respectively.

(vi) Capital of the new firm in total will be the same as before the retirement of P and will be in the new profit sharing ratio of the continuing partners.

(vii) Amount due to P be settled by paying ₹50,000 in cash and the balance by transferring to her loan account which will be paid later on.

Prepare revaluation account, capital accounts of partners and balance sheet of the firm after P's retirement.

Ans.

Revaluation Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To Machinery A/c	60,000	By Land and Building A/c		60,000
To Bad Debts A/c	7,000	By Loss transferred to		
		P's Capital A/c	2,000	
		Q's Capital A/c	3,000	
		R's Capital A/c	2,000	7,000
	67,000			67,000

Partner's Capital Account

Particulars	Amount in (₹)			Particulars	Amount in (₹)		
	P	Q	R		P	Q	R
To Revaluation A/c (Loss)	2,000	3,000	2,000	By Balance b/d	2,00,000	3,00,000	2,00,000
To P's Capital a/c (Goodwill)	—	20,000	20,000	By General Reserve A/c	10,000	15,000	10,000
				By Workmen's Comp. Fund A/c	2,000	3,000	2,000
To Bank A/c	50,000	—	—				
To P's Loan A/c	2,00,000	—	—	By Q's Capital A/c	20,000	—	—
To Balance c/d	—	4,00,000	3,00,000	By R's Capital A/c	20,000	—	—
				By Bank A/c (b/f)	—	1,05,000	1,10,000
	2,52,000	4,23,000	3,22,000		2,52,000	4,23,000	3,22,000

Balance Sheet
as at 31st March 2022

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts			Land & Building	2,60,000
Q	4,00,000		Machinery	2,40,000
R	3,00,000	7,00,000	Closing Stock	1,00,000
P's Loan		2,00,000	Sundry Debtors	93,000
Workmen's Compensation Fund		8,000	Cash at Bank	2,65,000
Sundry Creditors		50,000		
		9,58,000		9,58,000

Working Note:

(i) Accounting Entries for Bad Debts

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Date	Particulars		L.F.	Amount (₹) Dr.	Amount (₹) Cr.
2022 March 31	Bad Debts A/c	Dr.		17,000	
	To Sundry Debtors A/c				17,000
	Provision for Doubtful Debts A/c	Dr.		10,000	
	Revaluation A/c	Dr.		7,000	
	To Bad Debts A/c				17,000

(ii) Balance of Workmen's compensation Fund ₹7,000 (i.e. ₹15,000 – ₹8,000 claim) is credited partners' capital accounts in their old profit sharing ratio, i.e. 2:3:2.

(iii) P's share of goodwill = ₹ $1,40,000 \times \frac{2}{7}$ = ₹40,000, which is contributed by Q and R is gaining Ratio.

It is calculated as follows:

Gaining Ratio = New Share – Old Share

$$Q = \frac{4}{7} - \frac{3}{7} = \frac{1}{7};\ R = \frac{3}{7} - \frac{2}{7} = \frac{1}{7}$$

Gaining Ratio of Q and R = $\frac{1}{7} : \frac{1}{7}$ or 1 : 1

Q's contribution= ₹ 40,000 × $\frac{1}{2}$ = ₹20,000

R's contribution= ₹ 40,000 × $\frac{1}{2}$ = ₹20,000

(iv)

Bank Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	1,00,000	By P's Capital A/c	50,000
To Q's Capital A/c	1,05,000	By Balance c/d	2,65,000
To R's Capital A/c	1,10,000		
	3,15,000		3,15,000

(v) Total Capital of the firm before P's retirement = ₹7,00,000

Q's Capital in the new firm = ₹ 7,00,000 × $\frac{4}{7}$ = ₹4,00,000

R's capital in the new firm = ₹ 7,00,000 × $\frac{3}{7}$ = ₹3,00,000

Q.25 Meera, Sarthak and Rohit were partners sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2022 their Balance Sheet was as follows:

Balance Sheet of Meer, Sarthak and Rohit
as at 31st March, 2022

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		3,00,000	Fixed Assets	7,00,000
Contingency Reserve		1,00,000	Stock	2,00,000
Capital Accounts			Debtors	1,50,000
Meera	4,00,000		Cash at Bank	3,50,000
Sarthak	3,50,000			
Rohit	2,50,000	10,00,000		
		14,00,000		14,00,000

Sarthak died on 15th June 2022. According to the partnership deed, his executors were entitled to:

(i) Balance in his Capital Account.

(ii) His share of goodwill will be calculated on the basis of thrice the average of the past 4 years' profits.

(iii) His share in profits upto the date of death on the basis of average profits of the last two years. The time period for which he survived in the year of death will be calculated in months.

(iv) Interest on capital @ 12% p.a. upto the date of his death.

The firm's profits for the last four years were:

2014 – 15 ₹1,20,000, 2015 – 16 ₹2,00,000, 2016 – 17 ₹2,60,000 and 2017 – 18 ₹2,20,000.

Sarthak's executors were paid the amount due immediately. Prepare Sarthak's Capital Accounts to be presented to his executors.

Ans.

Sarthak Capital Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sarthak's Executors A/c (Balancing Figure)	6,58,750	By balance b/d	3,50,000
		By Meera's Capital A/c	1,60,000
		By Rohit's Capital A/c	80,000
		By P & L Suspense A/c	20,000
		By Interest on Capital A/c	8,750
		By Contingency Reserve A/c	40,000
	6,58,750		6,58,750

Working Note:

(i) Goodwill:

Average profit for 4 years:

$$\frac{1,20,000 + 2,00,000 + 2,60,000 + 2,20,000}{4} = \frac{8,00,000}{4} = 2,00,000$$

$$\text{Goodwill} = 2,00,000 \times 3 = 6,00,000$$

$$\text{Sarthak's share of Goodwill} = 6,00,000 \times \frac{2}{5} = 2,40,000$$

(ii) $$\text{Sarthak's share of Profit} = \frac{4,80,000}{2}$$

$$= 2,40,000 \times \frac{2.5}{12} \times \frac{2}{5} = 20,000$$

Q.26 Kajal Ltd. took over assets of ₹23,00,000 and liabilities of ₹8,00,000 of Vaanya Ltd. Kajal Ltd. paid the purchase consideration by issuing 15,000 9% debentures of ₹100 each at a premium of 10% and accepting a bills payable of ₹3,50,000 payable after 4 months. Such debentures are repayable after 5 year at 5% premium. Compute purchase consideration and pass necessary journal entries in the books of Kajal ltd.

Ans. Computation of purchase consideration:

Details	Amount (₹)
Nominal value of debentures issued by Kajal Ltd.	15,00,000

(15,000 debentures @ ₹100 each)	
Securities Premium Reserve	1,50,000
(15,000 debentures @ ₹10 each)	
Bills Payable	3,50,000
Purchase consideration	20,00,000

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Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Sundry Assets A/c Dr.		23,00,000	
	Goodwill A/c (Balancing figure) Dr.		5,00,000	
	To Sundry Liability			8,00,000
	To Vaanya Ltd.			20,00,000
	Vaanya Ltd. Dr.		20,00,000	
	Loss on Issue of Debentures A/c Dr.		75,000	
	To 9% Debentures A/c (15,000 × ₹100)			15,00,000
	To Securities Premium Reserve A/c			1,50,000
	To Bills Payable A/c			3,50,000
	To Premium on Redemption of Debentures			75,000

PART – B
(Analysis of Financial Statements)

Q.27 Analysis of financial statements of two or more enterprises is knows as:

(a) Cross-sectional Analysis **(b) Time Series Analysis**

(c) Horizontal Analysis **(d) Internal Analysis**

Ans. (a) Cross-sectional Analysis

OR

The ratios that analyse profits in relation to revenue from operations or fund employed in the business are called:

(a) Profitability Ratios **(b) Turnover Ratio**

(b) Solvency Ratio **(c) Liquidity Ratio**

Ans. (a) Profitability Ratios

Q.28 If Share Capital ₹4,00,000, Reserves and Surplus ₹1,50,000, Non-current Assets ₹18,00,000, Current Assets ₹4,00,000, then proprietary ratio will be:

(a) 12% **(b) 25%** **(c) 8.33%** **(d) None of these**

Ans. (b) 25%

Q.29 Which one of following is not a non-cash item?

(a) Cash sales **(b) Goodwill written off**

(c) Depreciation **(d) Provision of Bad Debts**

Ans. (a) Cash sales

OR

While calculating operating profit before working capital changes, which of the following will be added to net profit?

(a) Discount on issue of debentures written off **(b) Depreciation**

(c) Loss on sale of asset **(d) All of the above**

Ans. (d) All of the above

Q.30 ABC Ltd. had investment of ₹68,000 as on 31.03.2021 and investment of ₹56,000 as on 31.03.2022. During the year, ABC Ltd. sold 40% of its investments being held in the beginning of period at a profit of ₹16,800. Determine cash flow from investing activities.

(a) ₹59,200 **(b) ₹28,800** **(c) ₹72,800** **(d) None of these**

Ans. (b) ₹28,800

Q.31 **Give the major headings under which the following items will be shown in a company's balance Sheet as per Schedule III Part-I of Companies Act, 2013:**

(i) Sundry Creditors, (ii) Provision for Tax; (iii) Preliminary Expenses; (iv) Loose Tools; (v) Interest accrued on Investments and (vi) Goodwill

Ans.

Items	Minor Heading	Line Items (Headings)	Sublime Items (Sub heading)
Sundry Creditors	Equity & Liabilities	Current Liabilities	Trade Payables
Profusion for Tax	Equity & Liabilities	Current Liabilities	Trade Payables
Preliminary Expenses	Equity & Liabilities	Shareholder's Fund	To be subtracted from Reserve
Loose Tools	Assets	Current Assets	Inventories
Interest Accrued on Investment	Assets	Current Assets	Current
Goodwill	Assets	Non-Current Assets	Intangible Assets

Q.32 **What do you understand by Ratio Analysis?**

Ans. It is the study of relationship between various factors of business that can be expressed in financial terms.

It provides in depth analysis regard liquidity, solvency, profitability, etc. of the business.

It helps to compare the financial results of one period with that of another period whether past of future.

It provides information which can be useful for making estimates and preparing plants for future.

Q.33 **Compute debtors turnover ratio from the following information.**

Revenue from operations ₹5,20,000, cash revenue from operations 60% of the credit revenue from operations, closing debtors ₹80,000, opening debtors are 3/4th of closing debtors.

Ans. **Debtors turnover ratio =** $\dfrac{\textbf{Credit revenue from operations}}{\textbf{Average debtors}}$

$$= \frac{3,25,000}{70,000} = 4.64 \text{ times}$$

Let credit revenue from operations be y.

Cash revenue from operations = 60% of credit revenue from operations = 60% of y

Revenue from operations = Cash revenue from operations + Credit revenue from operations

5,20,000 = 60% of y + y

5,20,000 = 0.6 y + y

$$\frac{5,20,000}{1.6} = y$$

$$y = 3,25,000$$

Opening debtors = $\frac{3}{4}$ of closing debtors = $\frac{3}{4} \times 80,000 = 60,000$

Average debtors = $\frac{\textbf{Opening debtors + Closing debtors}}{\textbf{2}}$

$$= \frac{60,000 + 80,000}{2} = 70,000$$

Q.34 From the following Balance Sheet of DCX ltd. and the additional information as at 31st March, 2022 prepare a Cash Flow Statement.

Particulars	Note No.	Amount in (₹) 31.03.2022	31.03.2021
I. EQUITY AND LIABILITIES			
1. Shareholders' Fund:			
(a) Share Capital		**30,00,000**	**21,00,000**
(b) Reserve and Surplus	**1**	**4,00,000**	**5,00,000**
2. Non-Current Liabilities:			
Long-term Borrowings:	**2**	**8,00,000**	**5,00,000**
3. Current Liabilities:			
(a) Trade Payables		**1,50,000**	**1,00,000**
(b) Short term Provision	**3**	**76,000**	**56,000**
Total		**44,26,000**	**32,56,000**
II. ASSETS:			
1. Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets	**4**	**27,00,000**	**20,00,000**
(ii) Intangible Assets		**8,00,000**	**7,00,000**
(b) Non-current Investments			

2. **Current Assets:**			
(a) Current Investments		89,000	78,000
(b) Inventory		8,00,000	4,00,000
(c) Cash and Cash Equivalents		37,000	78,000
Total		**42,26,000**	**32,56,000**

Notes to Accounts

Notes Number	Particulars	Amount in (₹)	
		31.03.2022	31.03.2021
1	**Reserves and Surplus:**		
	(Surplus i.e. Balance in the Statement of Profit & Loss)	4,00,000	5,00,000
		4,00,000	5,00,000
2	**Long-term Borrowings:**		
	8% Debentures	8,00,000	5,00,000
		8,00,000	5,00,000
3	**Short-term Provision:**		
	Provision for Tax	76,000	56,000
		76,000	56,000
4	**Tangible Asset:**		
	Machinery	33,00,000	25,00,000
	Less: Accumulated Depreciation	(6,00,000)	(5,00,000)
		27,00,000	20,00,000

Additional Information:

(i) During the year a machinery costing ₹8,00,000 on which accumulated depreciation was ₹3,20,000 was sold for ₹6,40,000

(ii) Debentures were issued on 1st April, 2021

Ans.

Dreams Converge Ltd.
Cash flow Statement as Per AS 3 (Revised)
for the year ending 31st March, 2022

Particulars	Amount in (₹)	
A. Cash from Operating activities		
Net Profit Before Tax	(24,000)	
Add: Depreciation to Machine	4,20,000	

Add: Interest on Debentures	64,000	
Less: Gain on sale of machinery	(1,60,000)	
Operating Profit before working Capital	3,00,000	
Add: Increase in Trade Payable	50,000	
Less: Increase in Inventories	(4,00,000)	
Cash generated from Operations before tax	(50,000)	
Less: Tax Paid	(56,000)	
Net Cash used in Operating Activities		(1,06,000)
B. Cash flows from Investing Activities		
Purchased Machinery	(16,00,000)	
Purchase of Intangible Assets	(1,00,000)	
Sale of Machinery	6,40,000	
Net Cash used in Investing Activities		(10,60,000)
C. Cash flow from Financing Activities		
Issue of Shares	9,00,000	
Issue of Debentures	3,00,000	
Interest paid on debentures	(64,000)	
Cash Inflows from Financing Activities		11,36,000
Net Decrease in Cash and Cash Equivalents		(30,000)
Add: Opening Balance of Cash and Cash Equivalents		
Current Investment	78,000	
Cash & Cash Equivalents	78,000	1,56,000
Closing Balance of Cash and Cash Equivalents		
Current Investment	89,000	
Cash & Cash equivalents	37,000	1,26,000

Working Notes:

Calculation of Profit before Tax:

Details	Amount (₹)
Net Profit for the year	(1,00,000)
Add: Provision for Tax	76,000
Net profit before tax	(24,000)

Machinery Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	25,00,000	By Accumulated Depreciation A/c	3,20,000
To Gain on Sale A/c	1,60,000	By Bank A/c	6,40,000
To Bank A/c (b.f.)	16,00,000	By Balance c/d	33,00,000
	42,60,000		42,60,000

Accumulated Depreciation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	3,20,000	By Balance b/d	5,00,000
To Balance c/d	6,00,000	By Statement of Profit and Loss (b/f)	4,20,000
	9,20,000		9,20,000