MOCK – 3

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.

Nemani Classes

PART – A
(Accounting for Partnership Firms and Companies)

Q.1 **A and B are partners sharing profits in the ratio of 5 : 3. They admit C with 1/5 share in profits, which he acquires equally from both 1/10 from A and 1/10 from B. New Profit sharing ratio will be:**

(a) 21 : 11 : 8 **(b) 20 : 10 : 4**

(c) 15 : 10 : 5 **(d) None**

Ans. (a) 21 : 11 : 8

Q.2 **Given below are two statements one labelled as Assertion (A) and the other labelled as Reason (R)**

Assertion (A): Partnership Deed is a legal document signed by all the partners.

Reason (R): Any type of charitable institution running as a not-for-profit organization will not be considered as a business.

In the context of the above two statements which of the following is correct?

(a) Both (A) and (R) are correct and (R) is correct reason for (A)

(b) Both (A) and (R) are incorrect.

(c) (A) is correct but (R) is incorrect.

(d) Both (A) and (R) are correct but (R) is not the correct reason for (A).

Ans. (d) Both (A) and (R) are correct but (R) is not the correct reason for (A).

Q.3 **Called-up capital minus calls-in-arrears gives:**

(a) Unsubscribed Capital **(b) Uncalled Capital**

(c) Subscribed Capital **(d) Paid-up Capital**

Ans. (d) Paid-up Capital

OR

The principle amount of debentures will be repaid by the company either at the end of a specified period or by instalments during the lifetime of the company such type of debentures are called:

(a) Redeemable debentures **(b) Irredeemable debentures**

(c) Convertible debentures **(d) Bearer debentures**

Ans. (a) Redeemable debentures

Q.4 **Anand and Parag are partners sharing profits in the ratio 3:2. They decided to share future profits equally. The Balance Sheet show General Reserve of ₹32,000 and Profit and Loss (Dr. Balance) of ₹12,000. The adjustment entry to give above effect without disturbing General Reserve and Profit and Loss A/c is**

(a) Dr. Anand's Capital A/c and Cr. Parag's Capital A/c by ₹12,000

(b) Dr. Parag's Capital A/c and Cr. Anand's Capital A/c by ₹4,400

(c) Dr. Anand's Capital A/c and Cr. Parag's Capital A/c by ₹5,200

(d) Dr. Parag's Capital A/c and Cr. Anand's Capital A/c by ₹2,000

Ans. (d) Dr. Parag's Capital A/c and Cr. Anand's Capital A/c by ₹2,000

OR

Net profit of the firm is ₹5,000. Interest on capital and interest on drawings still not charged are ₹5,000 and 2,500 respectively. Net profit available for the distribution among the partners after charging the above will be:

(a) ₹7,500 **(b) ₹5,000** **(c) ₹2,500** **(d) Nil**

Ans. (c) ₹2,500

Q.5 **Shukh and Shanti are partners with the capital of ₹50,000 and ₹30,000 respectively. The profit earned by the firm is ₹6,000. Interest payable on capital is 10% p.a. subject to the provisions of Partnership Act. Find the interest on capital for both the partners.**

(a) ₹5,000 and ₹3,000 **(b) ₹3,000 and ₹3,000**

(c) ₹3,750 and ₹2,250 **(d) ₹3,000 and ₹1,800**

Ans. (c) ₹3,750 and ₹2,250

Q.6 **Reliance 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

X Co. Ltd. purchased assets worth ₹28,80,000. It issued debentures of ₹100 each at a discount of 4 per cent in full satisfaction of the purchase consideration. The number of debentures issued to vendor is:

(a) 30,000 **(b) 28,800** **(c) 32,000** **(d) 35,000**

Ans. (a) 30,000

Q.7 **250 shares of ₹20 each on which first and final call of ₹6 per share is not paid is forfeited. Out of these, 200 shares are reissued for ₹14 per share fully paid up. The amount transferred to capital reserve will be:**

(a) ₹1,800 **(b) ₹1,200** **(c) ₹2,800** **(d) ₹1,600**

Ans. (d) ₹1,600

Q.8 **P, Q and R were partners sharing profit and losses in the ratio of 2:2:1 respectively, with the balance of capital ₹75,000, ₹50,000 and ₹25,000 respectively on 1st April 2021. Q decided to retire from the firm on 31st March 2022. On that day the balance in the reserve account was ₹12,000. If the goodwill of the firm was valued as ₹30,000 and profit on revaluation was ₹10,000, then what amount would be transferred to the loan account of Q?**

(a) ₹70,800 **(b) 95,800** **(c) ₹60,400** **(d) ₹35,400**

Ans. (a) ₹70,800

OR

Interest on capital will be paid to the partner if provided for in the agreement but only from______ .

(a) Profits **(b) Reserves** **(c) Accumulated Profits** **(d) Goodwill.**

Ans. (a) Profits

Nemani Classes

Read the hypothetical text and answer the following questions 9 and 10.

S and M are partners sharing profits and losses in the ratio of 2:1. Their capital Accounts as at 1st April, 2021 were ₹ 10,00,000 and ₹ 8,00,000 respectively. The partners are allowed interest on capital @ 5% p.a. Drawings of the partners during the year ended 31st March, 2022 were ₹ 1,44,000 and ₹ 1,00,000 respectively. M is entitled to get a salary of ₹ 10,000 p.m.

Profit for the year before allowing interest on capital and salary was ₹16,00,000. 10% of the net profit is to be transferred to General Reserve.

Q.9 **What is the distributable amount of profit which is to be credited to Partners' Capital Accounts?**

(a) ₹ 16,00,000 **(b) ₹ 14,40,000** **(c) ₹ 12,51,000** **(d) ₹ 10,00,000**

Ans. (c) ₹ 12,51,000

Q.10 **What is the share of M's profit to be credited to his Capital Account?**

(a) ₹ 14,40,000 **(b) ₹ 12,30,000** **(c) ₹ 4,17,000** **(d) ₹ 8,20,000**

Ans. (c) ₹ 4,17,000

Q.11 Is rent paid to a partner appropriation of profits

(a) It is appropriation of profit

(b) It is not appropriation of profit

(c) If partner's contribution as capital is maximum

(d) If partner is working partners

Ans. (b) It is not appropriation of profit

Q.12 X Ltd, forfeited 100 shares of ₹10 each on which only ₹5 was paid. Out of these shares, 80 are reissued for ₹6 per share fully-paid up. The amount transferred to capital reserve will be

(a) ₹80 (b) ₹360 (c) 160 (d) None of these

Ans. (a) ₹80

Q.13 Shareholder are:

(a) Customers of the company

(b) Owners

(c) Creditors

(d) None of these

Ans. (b) Owners

Q.14 A and B are partners sharing profits in the ratio of 5: 4. They admitted C for 1/5th profit, for which he paid ₹90,000 against capital and ₹45,000 against goodwill. Find the capital balance for each partner taking C's capital as base capital.

(a) ₹2,00,000; ₹90,000; ₹90,000

(b) ₹3,00,000; ₹2,400,000; ₹1,35,000

(c) ₹2,00,000; ₹1,60,000; ₹90,000

(d) ₹3,00,000; ₹1,35,000; ₹1,35,000

Ans. (c) ₹2,00,000; ₹1,60,000; ₹90,000

Q.15 Karan, Bittoo and Shravan are partners in a partnership firm. Karan withdraws ₹5,000 per month in the beginning whereas Bittoo and Shravan withdrew ₹2,000 and ₹3,000 respectively at the end of every month. Calculate the interest on drawings of Karan, Bittoo and Shravan @ 10% p.a. for the year ending on 31st March, 2022.

(a) Karan - ₹6,000, Bittoo - ₹2,400, Shravan - ₹3,600

(b) Karan - ₹2,750, Bittoo - ₹1,300, Shravan - ₹1,950

(c) Karan - ₹3,000, Bittoo - ₹1,200, Shravan - ₹1,800

(d) Karan - ₹3,250, Bittoo - ₹1,100, Shravan - ₹1,650

Ans. (d) Karan - ₹3,250, Bittoo - ₹1,100, Shravan - ₹1,650

OR

Net profit before commission has been ₹1,20,000. Partners' commission is 20% of net profit before charging such commission. The amount of partners' commission is

(a) ₹25,000 (b) ₹24,000 (c) ₹20,000 (d) ₹22,000

Ans. (b) ₹24,000

Q.16 **In case of dissolution of partnership firm, a creditors of ₹3,60,000 accepted machine value at ₹5,00,000 and paid to the firm ₹1,40,000 and a second creditors for ₹50,000 accepted stock ₹45,000 in full settlement. What amount should be shown in Realisation for above transaction.**

(a) Dr. Realisation A/c; Cr. Cash A/c ₹1,40,000

(b) Dr. Cash A/c, Cr. Realisation A/c ₹1,40,000

(c) Dr. Cash A/c, Cr. Creditors A/c ₹1,40,000

(d) Dr. Creditors A/c, Cr. Realisation A/c ₹1,40,000

Ans. (b) Dr. Cash A/c, Cr. Realisation A/c ₹1,40,000

Q.17 **L, M and N are partners in a firm sharing profits in the ratio of 3:2:1. Books of the firm are closed on March 31st each year. M died on 30th June 2022 and according to the agreement the share of profits of a deceased partner up to the date of the death is to be calculated on the basis of the average profits for the last four years. The goodwill of the firm be valued at two years purchases of the average profits for the last five years. The net profits for the last 5 years have been: 2017-18 ₹14,000; 2018-19 ₹15,000; 2019-20 ₹6,000 (loss) and 2020-21 ₹9,000; 2021-22 ₹10,000. Pass necessary Journal entries.**

Ans. **Calculation of M's Profit till the date of death:**

$$\text{Average profit of the last 5 years} = \frac{14{,}000 + 15{,}000 - 6{,}000 + 9{,}000 + 10{,}000}{5}$$

$$= \frac{42{,}000}{5} = 8{,}400$$

$$\text{M's share of profit} = \text{Average Profit} \times \frac{\text{Time till death}}{12} \times \text{M's profit share}$$

$$= 7{,}000 \times \frac{3}{12} \times \frac{2}{6} = 583(\text{Approx})$$

Calculation of firm's Goodwill:

$$\text{Average profit of the last 5 years} = \frac{14{,}000 + 15{,}000 - 6{,}000 + 9{,}000 + 42{,}000}{5}$$

$$= \frac{42,000}{5} = 8,400$$

Goodwill values = Average Profit × No. of years' purchased

= ₹8,400 × 2 = ₹16,800

M's Share of goodwill = ₹ 16,800 × $\frac{2}{6}$ = ₹5,600

JOURNAL

Date	Particulars	L.F.	Amount (₹)	
			Dr.	**Cr.**
	Profit and Loss Suspense A/c Dr. To M's Capital A/c (For A's share of profits transferred to profit and loss suspense a/c)		583	 583
	L's Capital A/c (3/4 of ₹5,600) Dr. N's Capital A/c (1/4 of ₹5,600) Dr. To M's Capital A/c (For M's share of goodwill adjusted to gaining partners' capital a/cs)		4,200 1,400	 5,600

Q.18 Ahmad, Bheem and Daniel are partners in a firm. On 1st April, 2021, the balance in their capital accounts stood at ₹8,00,000; ₹6,00,000 and ₹4,00,000 respectively. They shared profits in the proportion of 5:3:2 respectively. Partners are entitled to interest on capital @ 5% per annum and salary to Bheem @ ₹3,000 per month and a commission of ₹12,000 to Daniel as per the provisions of the partnership deed. Ahmad's share of profit, excluding interest on capital, is guaranteed at not less than ₹25,000 per annum. Bheem's share of profit, including interest on capital but excluding salary, is guaranteed at not less than ₹55,000 per annum. Any deficiency arising on that account shall be met by Daniel. The profits of the firm for the year ended 31st March, 2022 amounted to ₹2,16,000. Prepare profit and loss appropriation account for the year ended 31st March, 2022.

Ans.

Profit and Loss Appropriation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital A/c Ahmad 40,000		By Net Profit as per Profit and Loss A/c	2,16,000

Bheem 30,000			
Daniel 20,000	90,000		
To Bheem's Capital A/c (Salary) (3,000 × 12)	36,000		
To Daniel's Capital A/c (Commission)	12,000		
To Profit Transferred to :			
Ahmed Capital A/c	39,000		
Bheem's Capital 23,400			
Add: from Daniel 1,600	25,000		
Daniels' Capital 15,600			
Less: to Bheem 1,600	14,000		
	2,16,000		2,16,000

Working Note:

Distributed profit = 2,16,000 – 90,000 = 36,000 – 12,000 = ₹78,000

Ahmad's share of profit excluding interest on capital = $78{,}000 \times \frac{5}{10}$ = ₹39,000

Ahma'ds share is already above the guaranteed amount. So, no adjustment is required.

Bheem's share of profit excluding interest on capital and salary = $78{,}000 \times \frac{3}{10}$ = ₹23,400

Bheem's share of profit including interest on capital but excluding salary

= 23,400 + 30,000 (Interest on capital)

= ₹53,400

Guarantee given by Daniel = ₹55,000

Deficiency to be borne by Daniel = 55,000 – 53,400 = ₹1,600

OR

On 31st March, 2022 the balance in the Capital Accounts of Eleen, Monu and Ahmad after making adjusting for profits and drawings were ₹1,60,000, ₹1,20,000 and ₹80,000 respectively. Subsequently, it was discovered that the interest on capital and drawing had been omitted.

(i) The profit for the year ended 31st March, 2022 was ₹40,000.

(ii) During the year, Eleen and Monu each withdrew a total sum of ₹24,000 in equal installments in the beginning of each month and Ahmad withdrew a total sum of ₹48,000 in equal instalments at the end of each month.

(iii) The interest on drawings was to be charged @5% p.a., and interest on capital was to be allowed @10% p.a.

(iv) The profit-sharing ratio among the partners was 2:1:1.

Showing your working notes clearly, pass the necessary rectifying entry.

Ans.

JOURNAL

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
2022 March 31	Eleen's Capital A/c Dr.		3,850	
	To Monu's Capital A/c			2,950
	To Ahmad's Capital A/c			900
	(Being the rectifying entry to correct the amounts of profits transferred to Capital Account)			

Working Note:

1. Calculation of Opening Capitals and Interest on Capitals:

Particulars	Amount in (₹) Eleen	Monu	Ahmad
A. Closing Capitals	1,60,000	1,20,000	80,000
B. Add: Drawing already Debited	24,000	24,000	48,000
	1,84,000	1,44,000	1,28,000
C. Less: Profit already Credited	20,000	10,000	10,000
D. Opening Capitals	1,64,000	1,34,000	1,18,000
E. Interest on Capitals	₹1,64,000 × $\frac{10}{100}$ = ₹16,400	₹1,34,000 × $\frac{10}{100}$ = ₹13,400	₹1,18,000 × $\frac{10}{100}$ = ₹11,800

2. Interest on Drawings:

Eleen = ₹ 24,000 × $\frac{5}{100} \times \frac{6.5}{12}$ = ₹650

Monu = ₹ 24,000 × $\frac{5}{100} \times \frac{6.5}{12}$ = ₹650

Ahmad = ₹ 48,000 × $\frac{5}{100} \times \frac{5.5}{12}$ = ₹1,100

Total interest on drawings = ₹2,400

3. Statement Showing Adjustments to be made

Particulars	Amount in (₹)			Total (₹)
	Eleen	Monu	Ahmad	
Interest on Capitals (Cr.)	16,400	13,400	41,600	41,600
Interest on Drawing (Dr.)	(650)	(650)	(1,100)	(2,400)
Remaining profit (40,000 – ₹41,600 + ₹2,400 = ₹800)	400	400	200	800
	16,150	12,950	10,900	40,000
Less: Profit already distributed in ratio of 2 : 1 : 1	20,000	10,000	10,000	40,000

Q.19 Accounts Guru Ltd. took over the assets of ₹3,20,000 and liabilities of ₹30,000 from Yogesh Ltd. for an agreed purchase consideration of ₹2,70,000 to be satisfied by issue of 11% debentures of ₹100 each at 10% discount. Such debentures are to be redeemed after 5 years at 5% premium. Pass necessary journal entries in the books of Accounts Guru Ltd.

Ans.

Accounts Guru Ltd.
JOURNAL

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Sundry Assets A/c Dr.		3,20,000	
	To Sundry Liabilities A/c			30,000
	To Yogesh Ltd.			2,70,000
	To Capital Reserve A/c			20,000
	(Being purchase of assets and liabilities taken over of Yogesh Ltd.)			
	Yogesh Ltd. Dr.		2,70,000	
	Loss on issue of Debentures A/c Dr.		45,000	
	To 11% Debentures A/c			3,00,000
	To Premium on Redemption of Debentures A/c			15,000
	(Being 3,000, 11% debentures of ₹100 each issued at 10% discount)			

OR

King Ltd. took over Assets of ₹25,00,000 and liabilities of ₹6,00,000 of Queen Ltd. King Ltd. paid the purchase consideration by issuing 10,000 equity shares of ₹100 each at a premium of 10% and ₹11,00,000 by bank draft.

Calculate purchase consideration and pass necessary Journal entries in the books of King Ltd.

Ans. **Calculation of Purchase Consideration**

Nominal value of shares issued = 10,000 × ₹100 = ₹10,00,000

Securities premium reserve = ₹1,00,000

Bank draft = ₹11,00,000

Purchase consideration = ₹10,00,000 + ₹1,00,000 + ₹11,00,000 = ₹22,00,000

Journal Entries in the Books of King Ltd.

Date	Particulars		L.F.	Amount (₹)	
				Dr.	Cr.
(i)	Sundry Assets A/c	Dr.		25,00,000	
	Goodwill A/c (Balancing figure)	Dr.		3,00,000	
	To Sundry Liabilities A/c				6,00,000
	To Queen Ltd.				22,00,000
	(Being the purchase of assets and liabilities of Queen Ltd.)				
(ii)	Queen Ltd.	Dr.		22,00,000	
	To Equity Share Capital A/c				10,00,000
	To Securities Premium Reserve A/c				1,00,000
	To Bank A/c				11,00,000
	(Being 10,000 Equity Share issued of ₹100 each issued at a premium of 10% and ₹11,00,000 paid by bank draft)				

Q.20 **The capital of the firm of Anuj and Benu is ₹10,00,000 and the market rate of interest is 15%. Annual salary to the partners is ₹60,000 each. The profit for the last three years were ₹3,00,000, ₹3,60,000 and ₹4,20,000. Goodwill of the firm is to be valued on the basis of two years purchase of last three years average super profits. Calculate the goodwill of the firm.**

Ans.

Average Profit of the firm $\frac{3,00,000 + 3,60,000 + 4,20,000}{3}$ =	₹3,60,000
Less: Remuneration to Partner (₹60,000 to each) =	₹1,20,000
Average Profit =	2,40,000

Normal Profit = Normal return on capital = 15% of ₹10,00,000 = 1,50,000

Super Profit = Average Profit – Normal Profit

= ₹2,40,000 – ₹1,50,000

= ₹90,000

Goodwill = ₹90,000 × 2 = ₹1,80,000

Q.21 **India Auto Ltd. is registered with an authorized capital of ₹7,00,00,000 divided into 7,00,000 shares of ₹100 each. The company issued 50,000 shares to the vendor for building purchased and 2,00,000 shares were issued to the public. The amount was payable as follows:**

On Application and Allotment — ₹20 per share

On First Call — ₹50 per share

On Second and Final Call — The Balance

All calls were made and were dully received except 100 shares held by Rajani, who failed to pay the second and final call. Her shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company. Also prepare 'Notes to Accounts'.

Ans.

Balance Sheet of Tractor India Ltd. (an extract)

Particulars	Note No.	Amount in (₹)	
		Current Year	Previous Year
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds:			
(a) Share Capital	1	2,49,97,000	—

Notes to Accounts:

Particulars		Amount (₹)	Amount (₹)
I. Share Capital:			
Authorized Capital:			
7,00,000 Equity Shares of ₹100 each			7,00,00,000
Issued Capital:			
50,000 Equality Shares of ₹100 each (issued to vendor of building		50,00,000	
2,00,000 Equity Shares of ₹100 each (issued to public)		2,00,00,00	2,50,00,000
Subscribed Capital			
Subscribed and fully paid capital:			
50,000 Equity Shares of ₹100 each (issued to vendor of building)		50,00,000	
1,99,900 Equity Shares of ₹100 each (issued to public)	1,99,90,000		

Add: Shares Forfeited A/c	7,000	1,99,97,000	2,49,97,000

Q.22 Ravi, Shankar and Madhur were partners in a firm sharing profits in the ratio of 7:2:1. On 31st March, 2022 the firm was dissolved, and after transferring sundry assets (other than cash in hand and cash at bank) and third party liabilities in the realisation account the following transactions took place:

(i) Debtors amounting of ₹1,40,000 were handed over to a debt collection agency which charged 5% commission. The remaining debtors were ₹47,000, out of which debtors of ₹17,000 could not be recovered because the same become insolvent.

(ii) Creditors amounting to ₹5,000 were paid ₹3,500 in full settlement of their claim and balance creditors were handed over stock of ₹90,000 in full settlement of their claim of ₹95,000

(iii) A bills receivable ₹2,000 discounted with the bank was dishonoured by its acceptor and the same had to be met by the firm.

(iv) Profit on realisation amounted to ₹6,000

Pass necessary journal entries for the above transactions in the books of Ravi, Shankar and Madhur

Ans.

JOURNAL ENTRIES

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
(i)	Bank/Cash A/c Dr. To Realisation A/c (Being amount received from debtors)		1,63,000	 1,63,000
(ii)	Realisation A/c Dr. To Cash/Bank A/c (Being payment made to creditors)		3,500	 3,500
(iii)	Realisation A/c Dr. To Cash/Bank A/c (Being discounted bills dishonored)		2,000	 2,000
(iv)	Realisation A/c Dr. To Ravi's capital A/c To Shankar's Capital A/c To Madhur's Capital A/c (Being profit on realisation transferred to Partners		6,000	 4,200 1,200 600

	Capital Accounts)			

Q.23 **Devam Limited issued a prospectus inviting application for 30,000 equity shares of ₹10 each at a premium of 4 per share payable as follows:**

With Application (including premium ₹1) **₹ 3**

On Allotment (including premium ₹1) **₹ 4**

On First call (including premium ₹1) **₹ 4**

On Second and Final call (2+1) **Balance ₹ 3**

Applications were received for 45,000 shares. 20% of the applications received were rejected and their application money was refunded. Remaining applicants were allotted shares on pro-rata basis.

Mr. Sudhir, who has applied for 600 shares, failed to pay the allotment money and his shares were forfeited immediately after that.

Ms. Muskan, to whom 750 shares were allotted failed to pay the first call and hence her shares were forfeited.

The forfeited shares of Mr. Sudhir were reissued to Lakshya for ₹8 per share as fully paid up.

Final call was made due on remaining applicants and was received except on 1,000 shares of Amit. These shares were forfeited.

Of the shares forfeited, 1,500 shares were reissued to Devika for ₹12 per share as fully paid up, the whole of Amit's share being included. Record journal entries in the books of the company.

Ans.

Books of Devam Limited

JOURNAL

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 45,000 money)		1,35,000	 1,35,000
	Equity Share Application A/c Dr. To Equity Share Capital To Securities Premium Reserve A/c To Equity Share Allotment A/c To Bank A/c		1,35,000	 60,000 30,000 18,000 27,000

(Application money on 30,000 share transferred to share capital account and securities premium reserve account, on 9,000 share refunded and the excess amount adjusted to share allotment account)			
Equity Share Allotment A/c	Dr.	1,20,000	
To Equity Share Capital			90,000
To Securities Premium Reserve A/c			20,000
(Allotment amount due on 30,000 shares @ ₹4 per share including premium)			
Bank A/c	Dr.	1,00,300	
To Equity Share Allotment A/c			1,00,300
(Allotment amount received after adjusting excess money received on application except share of Sudhir)			
Equity Share Capital	Dr.	2,500	
Securities Premium Reserve A/c	Dr.	500	
To Equity Share Allotment A/c			1,700
To Share Forfeited A/c			1,300
(Forfeiture of 500 shares of Sudhir)			
Equity Share First Call A/c	Dr.	1,18,000	
To Equity Share Capital A/c			88,500
To Securities Premium Reserve A/c			29,500
(First Call amount due on 29,500 shares)			
Bank A/c	Dr.	1,15,000	
To Equity Share First Call A/c			1,15,000
(First call amount received on 28,750 shares)			
Equity Share Capital A/c	Dr.	6,000	
Securities Premium Reserve A/c	Dr.	750	
To Equity Share First Call A/c			3,000
To Share Forfeited A/c			3,750
(Forfeited of 750 share of Muskan)			
Bank A/c	Dr.	4,000	
Share Forfeited A/c	Dr.	1,000	
To Equity Share Capital A/c			5,000
(Reissue of 500 forfeited shares of Sudhir)			
Share Forfeited A/c	Dr.	300	
To Capital Reserve A/c			300
(Profit on 500 reissued shares transferred to capital reserve)			

	Equity Share Second and Final A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Second and final call money due on 28,750 shares)	86,250	 57,500 28,750
	Bank A/c Dr. To Equity Share Second and Final Call A/c (Second and final call amount received on 27,750 shares)	83,250	 83,250
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Equity Share Second and Final A/c To Share Forfeited A/c (forfeiture of 1,000 shares of Amit)	10,000 1,000	 3,000 8,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Reissue of 1,500 forfeited shares, including 1,000 shares of Amit and 500 shares of Muskan)	18,000	 15,000 3,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Profit on 1,500 reissued shares transferred to capital reserve)	10,500	 10,500

Working Notes:

1. Amount received on allotment

	Details	Amount (₹)
(a)	Amount due on allotment 30,000 shares × ₹4 per share Less: Excess application amount applied for allotment	1,20,000 18,000
	Amount actually due on allotment	1,02,000

(b) Shares Allotted to Sudhir = $\frac{30,000}{36,000} \times 600 = 500$ shares

Details	Amount (₹)
Allotment money due from Sudhir (500 shares × ₹4 per share)	2,000

Less: Excess application money paid (100 × ₹3)	(300)
Allotment money due from Sudhir	1,700

	Details	Amount (₹)
(c)	Amount actually due on allotment Less: Amount unpaid by Sudhir	1,02,000 1,700
	Amount received on allotment	1,00,300

2. 1,500 shares have been reissued including 1,000 shares of Amit and balance 500 shares of Musakn.

Details	Amount (₹)
Profit on 1,000 share of Amit	8,000
Profit on 500 shares of Muskan $\left(\frac{3,750}{750} \times 500\right)$	2,500
Profit on forfeited shares transferred to Capital Reserve	10,500

OR

(a) X Ltd. forfeited 10 shares of ₹10 each, ₹7 called up on which the shareholder had paid application and allotment money of ₹5 per share. Out of these, 8 shares were re-issued to Y for ₹8 per share at ₹8 per paid up share, Record the journal entries for forfeiture and reissue of shares by opening calls-in-arrear & calls-in-advance account.

(b) L. Ltd. forfeited Mr. M's shares who has applied for 600 shares and was allotted 400 shares failed to pay allotment money of ₹4 per share including premium of ₹2 on which he had paid application money of ₹2 only. Pass necessary journal entries for forfeiture of shares by opening calls-in-arrear & calls-in-advance account.

Ans. **(a)**

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
	Equity Share Capital A/c Dr.		70	
	To Equity Share Forfeited A/c			50
	To Calls in Arrears A/c			20

	(Being forfeiture of 10 share executed)			
	Bank A/c Dr. To Share Capital A/c (Being eight shares reissued to Y as ₹8 per share paid up for ₹8 per share)		64	64
	Equity Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited share transferred to Capital Reserve)		40	40

Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
(b)	Equity Share Capital A/c Dr.		1,600	
	Securities Premium Reserve A/c Dr.		800	
	To Equity Share Forfeited A/c			1,200
	To Calls in Arrears A/c			1,200
	(Being Mr. M's shares forfeited)			

Q.24 Om, Ram and Shanti were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2022, their balance sheet was as follows:

Balance Sheet
as at 1st April 2022

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Capitals A/c			**Land and Building**	**3,64,000**
Om	**3,58,000**		**Plant and Machinery**	**2,95,000**
Ram	**3,00,000**		**Furniture**	**2,33,000**
Shanti	**2,62,000**	**9,20,000**	**Bills Receivable**	**38,000**
General Reserve		**48,000**	**Sundry Debtors**	**90,000**
Creditors		**1,60,000**	**Stock**	**1,11,000**
Bills Payable		**90,000**	**Bank**	**87,000**
		12,18,000		**12,18,000**

On the above date, hanuman was admitted on the following terms.

(i) He will bring ₹1,00,000 for his capital and will get 1/10th share in the profits.

(ii) He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹3,00,000.

(iii) A liability of ₹18,000 will be created against bills receivables discounted.

(iv) The value of stock and furniture will be reduced by 20%

(v) The value of land and building will be increased by 10%

(vi) Capital accounts of the partners will be adjusted on the basis of Hanuman's capital in their profit sharing ratio by opening current accounts.

Prepare revaluation account and partner's capital accounts.

Ans.

Revaluation Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To Liability against Bills Receivable A/c	18,000	By Land and Building A/c		36,400
To Stock A/c	22,200	By Loss Transferred to		
To Furniture A/c	46,600	Om	25,200	
		Ram	16,800	
		Shanti	8,400	50,400
	86.800			86,800

Partners' Capital Account

Particulars	Amount in (₹)				Particulars	Amount in (₹)			
	Om	Ram	Shanti	Hanuman		Om	Ram	Shanti	Hanuman
To Revaluation (Loss)	25,200	16,800	8,400	—	By Balance b/d	3,58,000	3,00,000	2,62,000	—
					By Gen. Reserve	24,000	16,000	8,000	—
To Current A/c (b/f)	—	9,200	1,16,600	—	By Cash A/c	—	—	—	1,00,000
					By Premium for goodwill A/c	15,000	10,000	5,000	—
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	by Current A/c	78,200	—	—	—
	4,75,200	3,26,000	2,75,000	1,00,000		4,75,200	3,26,000	2,75,000	1,00,000

Working Note:

1. Calculation of New Profit Sharing Ratio

Let total profit be ₹1

$$\text{Hanuman's share} = \frac{1}{10}$$

$$\text{Remaining profit} = 1 - \frac{1}{10} = \frac{9}{10}$$

$$\text{Om's new share} = \frac{9}{10} \times \frac{3}{6} = \frac{27}{60};$$

$$\text{Ram's new share} = \frac{9}{10} \times \frac{2}{6} = \frac{18}{60}$$

$$\text{Shanti's new share} = \frac{1}{10}$$

$$\text{Hanuman's share} = \frac{1}{10} \times \frac{6}{6} = \frac{6}{60}$$

$$\text{New ratio} = 9 : 6 : 3 : 2$$

2. Hanuman's share of goodwill i.e., $3,00,000 \times \frac{1}{10}$, to be credited to Om, Ram and Shanti in sacrificing ratio.

3. Calculation of New Capitals

$$\text{Hanuman's capital for } \frac{1}{10} \text{ share} = ₹1,00,000$$

$$\therefore \quad \text{Total capital of new firm} = 1,00,000 \times \frac{10}{1} = ₹10,00,000$$

$$\text{Om's capital} = 10,00,000 \times \frac{9}{20} = ₹4,50,000$$

$$\text{Ram's capital} = 10,00,000 \times \frac{6}{20} = ₹3,00,000$$

$$\text{Shanti's capital} = 10,00,000 \times \frac{3}{20} = ₹1,50,000$$

$$\text{Hanuman's capital} = 10,00,000 \times \frac{2}{20} = ₹1,00,000$$

OR

Xavier, Yusuf and Zaman were partners in a firm sharing profits in the ratio of 4 : 3 : 2. On 1st April, 2022 their balance sheet was as follows

Balance Sheet
as at 1st April 2022

Liabilities	Amount	Assets	Amount

	(₹)		(₹)
Sundry Creditors	41,400	Cash at Bank	33,000
Capitals A/c		Sundry Debtors 30,450	
Xavier 1,20,000		Less: P.B.D. 1,050	29,400
Yusuf 90,000		Stock	48,000
Zaman 60,000	2,70,000	Plant and Machinery	51,000
		Land and Building	1,50,000
	3,11,400		3,11,400

Yusuf had been suffering from ill health and thus gave a notice of retirement from the firm. An agreement was, therefore, entered into as on 1st April, 2022, the terms of which were as follows:

(i) That land and building be appreciated by 10%.

(ii) The provision for bad debts is no longer necessary.

(iii) That stock be appreciated by 20%.

(iv) That goodwill of the firm be fixed at ₹54,000. Yusuf's share of the same be adjusted into Xavier's and Zaman's capital accounts, who are going to share future profits in the ratio of 2:1.

(v) The entire capital of the newly constituted firm be readjusted by bringing in or paying necessary cash so that the future capitals of Xavier and Zaman will be in their profit sharing ratio.

Prepare revaluation account and partner's capital accounts.

Ans.

Revaluation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Profit Transferred to Capital A/c		By Land and Building A/c	15,000
Xavier 11,400		By Provision for Doubtful Debts	1,050
Yusuf 8,550		By Stock A/c	9,600
Zaman 5,700	25,650		
	25,650		25,650

Partners' Capital Account

Particulars	Amount in (₹)			Particulars	Amount in (₹)		
	Xavier	Yusuf	Zaman		Xavier	Yusuf	Zaman

To Yusuf's Capital A/c	12,000	—	6,000	By Balance b/d	1,20,000	90,000	60,000
To Yusuf's Loan A/c	—	1,16,550	—	By Revaluation A/c	11,400	8,550	5,700
To Balance c/d	1,97,100	—	98,550	By Xavier' Capital A/c	—	12,000	—
				By Zaman's Capital A/c	—	6,000	—
				By Cash A/c (b.f.)	77,700	—	38,850
	2,09,100	1,16,550	1,0,4550		2,09,100	1,16,550	1,0,4550

Working Note:

1. Adjustment of Goodwill

Yusuf's share of goodwill $= 54,000 \times \frac{3}{9} = ₹18,000$

Which is contributed by Xavier and Zaman in their ratio.

Gaining Ratio = New share – Old share

$$\text{Xavier} = \frac{2}{3} - \frac{4}{9} = \frac{6-4}{9} = \frac{2}{9}$$

$$\text{Zaman} = \frac{1}{3} - \frac{2}{9} = \frac{3-2}{9} = \frac{1}{9}$$

Gaining Ratio = 2 : 1

$$\text{Xavier will pay} = 18,000 \times \frac{2}{3} = ₹\ 12,000$$

$$\text{Zaman will pay} = 18,000 \times \frac{1}{3} = ₹\ 16,000$$

2. Calculation of New Capitals

Particulars	**Amount (₹)**
Adjusted Capital of Xavier	1,19,400
Adjusted Capital of Zaman	59,700
Amount Due to Yusuf	1,16,550
Total Capital of New Firm	2,95,650

Xavier's new capital $= 2,95,650 \times \frac{2}{3} = ₹1,97,100;$

Zaman's new capital $= 2,95,650 \times \frac{1}{3} = ₹98,550$

Q.25 **Manika, Rekha and Mohit were partners sharing profits in the ratio of 5 : 4 : 1. On 31st March, 2022 their Balance Sheet was as follows:**

Balance Sheet of Manika, Rekha and Mohit
as at 31st March, 2022

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		5,00,000	Fixed Assets	9,00,000
General Reserve		2,00,000	Stock	3,00,000
Capital:			Debtors	3,00,000
Manika	6,00,000		Cash at Bank	4,50,000
Rekha	4,50,000			
Mohit	2,00,000	12,50,000		
		19,50,000		19,50,000

Rekha died on 1st July, 2022. According to the partnership deed, her executors were entitled to:

(i) Balance in her Capital Account.

(ii) Her share of goodwill, which is calculated on the basis of average profits of last four years.

(iii) Her share of profit up to the date of death calculated on the basis of average profits of last two years. The time period for which she survived in the year of death will be calculated in months.

(iv) Interest on capital @ 10% p.a. upto the date of death.

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

2017-18 ₹2,20,000, 2018-19 ₹3,00,000, 2019-20 ₹3,60,000 and 2020-21 ₹3,20,000.

Rekha's executors were paid the amount due immediately.

Prepare Rekha's Capital Account to be presented to her executors.

Ans.

Rekha's Capital Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rekha's executors' A/c	6,95,250	By Balance b/d	4,50,000
		By Manika's Capital A/c	1,00,000
		By Mohit's Capital A/c	20,000

		By Profit & Loss Suspense A/c By Interest on Capital A/c By General Reserve A/c	34,000 11,250 80,000
	6,95,250		6,95,250

Working Notes:

1 **Calculation of Rekha's share of Goodwill:**

$$\text{Average Profit} = \frac{2,20,000 + 3,00,000 + 3,60,000 + 3,20,000}{4} = ₹3,00,000$$

$$\text{Rekha's Share of Goodwill} = 3,00,000 \times \frac{4}{10} = ₹1,20,000$$

Gaining Ratio = 5 : 1

2. **Calculation of Profit share of Rekha**

$$\text{Average Profit of last two year} = \frac{3,60,000 + 3,20,000}{2} = \frac{6,80,000}{2} = ₹3,40,000$$

$$\text{Rekha's Share of Profit} = 3,40,000 \times \frac{3}{12} \times \frac{4}{10} = ₹34,000$$

Q.26 Give journal entries for issue of debentures in each of the following case of the face value of debentures is ₹100. (Ignore entries related to interest on Debentures and writing off Discount/Loss on issue of Debentures.)

(i) 2,000, 9% debentures issued at ₹100 repayable at ₹100.

(ii) ₹3,00,000 9% debentures issued at ₹110 repayable at ₹100.

(iii) 1,000, 9% debentures issued at ₹95 repayable at ₹100.

(iv) 1,500, 9% debentures issued at ₹100 repayable at ₹105.

(v) 4000, 9% debentures issued at ₹98 redeemable at ₹105.

(vi) ₹2,50,000, 9% debentures issued at ₹105 redeemable at ₹107.

Ans.

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Date	Particulars	L.F.	Amount (₹) Dr.	Amount (₹) Cr.
(i)	Bank A/c Dr. To Debenture Application and Allotment A/c		2,00,000	 2,00,000

	(For debenture application money received)			
	Debenture Application and Allotment A/c Dr. To 9% Debentures A/c (For debenture application money adjusted)		2,00,000	 2,00,000
(ii)	Bank A/c Dr. To Debenture Application and Allotment A/c (For debenture application money received including premium)		3,30,000	 3,30,000
	Debenture Application and Allotment A/c Dr. To 9% Debentures A/c To Security Premium Reserve A/c (For debenture application money adjusted)		3,30,000	 3,00,000 30,000
(iii)	Bank A/c Dr. To Debenture Application and Allotment A/c (For debenture application money received excluding discount)		95,000	 95,000
	Debenture Application and Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (For debenture application money adjusted)		95,000 5,000	 1,00,000
(iv)	Bank A/c Dr. To Debenture Application and Allotment A/c (For debenture application money received)		1,50,000	 1,50,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (For debenture application money and premium on redemption adjusted)		1,50,000 7,500	 1,50,000 7,500
(v)	Bank A/c Dr. To Debenture Application and Allotment A/c (For debenture application money received)		3,92,000	 3,92,000
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (For debenture application money, discount and premium on redemption adjusted)		3,92,000 28,000	 4,00,000 20,000

(vi)	Bank A/c Dr. To Debenture Application and Allotment A/c (For debenture application money received)		2,62,500	2,62,500
	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Security Premium Reserve A/c To Premium on Redemption of Debentures (For debenture application money and premium on redemption adjusted)		2,62,500 17,500	2,50,000 12,500 17,500

PART – B
(Analysis of Financial Statements)

Q.27 Which of the following is a limitation of financial analysis?

(a) It is just a study of reports of the company.

(b) It judges the ability of the firm to repay its debts.

(c) It identifies the reasons for change in financial position.

(d) It ascertains the relative importance of different components of the financial position of the firm.

Ans. (a) It is just a study of reports of the company.

OR

The __________ indicated the percentage of each sales rupee remaning after the firm has paid cost of goods sold.

(a) Net Profit Margin **(b) Gross Profit Margin**

(c) Operating Cost Margin **(d) Earnings available to equity shareholders**

Ans. (b) Gross Profit Margin

Q.28 Gross Profit Ratio of a Company is 25%. Cost of revenue from operations are 3/4th of revenue from operations. If revenue from operations is ₹60,00,000 the Gross Profit of the company will be:

(a) ₹25,00,000 **(b) ₹45,00,000** **(c) ₹15,00,000** **(d) ₹11,25,000**

Ans. (c) ₹15,00,000

Q.29 While calculating operating profit before working capital changes, which of the following will be deducted from net profit?

(a) Profit on sale of asset (b) Rent received

(c) Interest received (d) All of these

Ans. (d) All of these

OR

Sum total of cash flow from all the three activities gives:

(a) Net Increase/Decrease in Net Assets

(b) Net Increase/Decrease in Non-Current Liabilities

(c) Net Increase/Decrease in Net Capital

(d) Net Increase/Decrease in Cash and Cash Equivalents

Ans. (d) Net Increase/Decrease in Cash and Cash Equivalents

Q.30 **A company sells old plant for ₹12,000 cash. The book value of plant is ₹7,000. This transaction would affect:**

(a) Operating activities and Financing activities

(b) Operating activities and Investing activities

(c) Financing activities and Investing activities

(d) Operating activities and footnotes

Ans. **(b) Operating activities and Investing activities**

Q.31 **Show the major heading of Liabilities sides of a company's balance Sheet as per Schedule III part I of the Companies Act, 2013.**

Ans.

Particulars	Note	Current Year	Previous Year
I. EQUITY AND LIABILITIES (i) Shareholder's Fund (ii) Share Application Money Pending Allotment (iii) Non-Current Liabilities (iv) Current Liabilities			

Q.32 **What are the Limitation of Ratio Analysis?**

Ans.

- Accounting Ratio are dependent on accounting data, hence false data may give false ratio.

- Ratio Analysis is less effective due to price level changes as the same is not taken in account.
- It does not take non-quantitative factors into consideration.
- Comparison not possible if there are variations in accounting Policies and practices by different firms.
- Fare casting on the basis of historical data may sometimes be infeasible since future is uncertain.
- Lack of proper standards for Calculation of Ratios.

Q.33 From the following information related to Naveen Ltd., calculate

(i) Return on investment

(ii) Total assets to debt ratio

Information:

Fixed assets ₹75,00,000, current assets ₹40,00,000, current liabilities ₹27,00,000, 12% debentures ₹80,00,000 and net profit before interest, tax and dividend ₹14,50,000.

Ans. **(i)**

$$\textbf{Return on investment} = \frac{\text{Net profit before interest, tax and pref erence dividend}}{\text{Capital employed}} \times 100$$

$$= \frac{14{,}50{,}000}{88{,}00{,}000} \times 100 = 16.48\%$$

Capital employed = Fixed assets + Current assets – Current Liabilities

= 75,000 + 40,000 – 27,00,000

= 88,00,000

(ii) $$\textbf{Total Assets to debt ratio} = \frac{\textbf{Total assets}}{\textbf{Debt}}$$

$$= \frac{1{,}15{,}00{,}000}{80{,}00{,}000} = 1.44:1$$

Total assets = Fixed assets + Current assets

= 75,00,000 + 40,00,000

= 1,15,00,000

OR

Assuming that the Debt-equity ratio is 2. State giving reasons whether this ratio would increase, decrease or remain uncharged in the following cases:

(a) **Purchase of fixed asset on credit of 2 months.**

(b) **Purchase of fixed asset on a long term deferred payment basis.**

(c) **Issue of new shares for cash.**

(d) **Issue of bonus shares.**

(e) **Sale of fixed asset at a loss of ₹3,000**

Ans.

	Effect	Reasons
(a)	No change	Neither the equity nor the debts are affected
(b)	Increase	Debts are increasing.
(c)	Decrease	Shareholders' funds or equity will increase.
(d)	No change	Both remain unaffected
(e)	Sale of fixed asset at a loss of ₹3,000	Because equity will be decreased.

Q.34 Following in the Balance Sheet of Mevance Limited as at 31st March, 2022

Mevanca Limited
Balance Sheet as at 31st March, 2022

Particulars	Note No.	Amount (₹)	
		31st March, 2022	31st March, 2021
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		3,00,000	1,00,000
(b) Reserves and Surplus	1	25,000	1,20,000
2. Non- current Liabilities			
(a) 10% Long term Loan	2	80,000	60,000
3. Current Liabilities			
(a) Trade payables		6,000	20,000
(b) Short term provisions	3	68,000	70,000
Total		**4,79,000**	**3,70,000**
ASSETS			
1. Non-Current Assets			
Fixed Assets	4	3,36,000	1,92,000
2. Current Assets			
Inventories		67,000	60,000

Trade Receivables Cash and Cash Equivalents Other current assets		51,000 25,000 ……	65,000 49,000 4,000
Total		**4,79,000**	**3,70,000**

Notes to Accounts

Particulars	Amount (₹)	
	31st March, 2022	**31st March, 2021**
1. **RESERVES AND SURPLUS** (Surplus i.e. balance in statement of profit and loss)	25,000	1,20,000
	25,000	1,20,000
2. **Non-current Liabilities** 10% Long term loan	80,000	60,000
	80,000	60,000
3. **Short term provision** Provision for tax	68,000	70,000
	68,000	70,000
4. **Fixed assets** Machinery Accumulated depreciation	3,84,000 (48,000)	2,15,000 (23,000)
	3,36,000	1,92,000

Additional Information's:-

(i) Additional loan was taken on 1st July, 2022.

(ii) Tax of ₹53,000 was paid during the year.

Prepare Cash Flow Statement.

Ans.

Mevanca Limited
Cash Flow Statement for the year ended 31st March, 2022

Particulars	Amount in (₹)	
A. Cash from Operating activities Net Profit Before Tax	(44,000)	

Add: Depreciation on fixed Assets	25,000	
Add: Interest on Loa	7,500	
Operating Profit before working Capital		(11,500)
Add: Decrease in Trade Receivables	14,000	
Decrease in Other Current Assets	4,000	
Less: Decrease in Trade Payable	(14,000)	
Increase in Inventories	(7,000)	(3,000)
Cash flow from Operations before tax		(14,500)
Less: Tax Paid		(53,000)
Net Cash used in Operating Activities		(67,500)
B. Cash flows from Investing Activities		
Purchase of Fixed Assets	1,69,000	
Net Cash used in Investing Activities		(1,69,000)
C. Cash flow from Financing Activities		
Issue of Shares	2,00,000	
Raising of long term loans	20,000	
Interest on loan paid	(7,500)	
Cash Inflows from Financing Activities		2,12,500
Net Decrease in Cash and Cash Equivalents		(24,000)
Add: Opening Balance of Cash and Cash Equivalent		49,000
Closing Balance of Cash and Cash Equivalents		25,000

Working Notes:

Calculation of Interest on Loan:

Details	**Amount (₹)**
10% × 60,000 for 12 months	6,000
10% × 20,000 for 9 months	1,500
Total Interest on Loan	7,500

Notes:

Calculation of Profit before Tax:

Details	**Amount (₹)**
Net Profit for the year	(95,000)

Add: Provision for tax	51,000
Net profit before tax	(44,000)

Provision for Tax Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank	53,000	By Balance b/d	70,000
To Balance c/d	68,000	By Statement of P & L (Bal. Fig.)	51,000
	1,21,000		1,21,000