Accountancy 2017 (Outside Delhi) Set I

Time allowed : 3 hours

Maximum marks : 80

PART A

(Accounting for Partnership Firms and Companies)

1. Distinguish between 'Fixed Capital Account' and 'Fluctuating Capital Account' on the basis of credit balance. [1]

Answer : Fixed Capital Account always have credit balance.

Fluctuating Capital Account may have credit or debit balance.

2. A and B were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 3. A surrenderd $\frac{1}{5}^{th}$ of his share in favour of C. Calculate B's sacrifice. [1]

Answer : Sacrifice part of A $= \frac{5}{8} \times \frac{1}{5} = \frac{1}{8}$

Sacrifice part of B $=$ C's share – A's sacrifice part

$= \frac{3}{8} - \frac{1}{8} = \frac{2}{8}$

3. P and Q were partners in a firm sharing profits and losses equally. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. The partnership deed provided for interest on capital @ 12% per annum. For the year ended 31st March, 2016, the profits of the firm were distributed without providing interest on capital.

Pass necessary adjustment entry to rectify the error. [1]

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	P's Current A/c To Q's Current A/c (Being error rectified)	Dr.		6,000	6,000

Working Note :

Adjustment Table

Particulars	P		Q		Firm	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Interest on capital @ 12%	—	24,000	—	36,000	60,000	—
Profit to be distributed (1:1)	30,000	—	30,000	—	—	60,000
Net Effect	30,000 6,000 Dr.	24,000	30,000	36,000 6,000 Cr.	60,000	60,000

4. X Ltd. invited applications for issuing 500, 12% debentures of ₹ 100 each at a discount of 5%. These debentures were redeemable after three years at par. Applications for 600 debentures were received. Pro-rata allotment was made to all the applicants.

Pass necessary journal entries for the issue of debentures assuming that the whole amount was payable with application. **[1]**

Answer :

Journal of X Ltd.

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Being application money for 600 debentures received)		57,000	 57,000
	12% Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 12% Debentures A/c To Bank A/c (Being 500 debentures alloted on pro-rata basis)		57,000 2,500	 50,000 9,500

5. Z Ltd. forfeited 1,000 equity shares of ₹ 10 each for the non-payment of the first call of ₹ 2 per share. The final call of ₹ 3 per share was yet to be made.

Calculate the maximum amount of discount at which these shares can be reissued. **[1]**

Answer : The maximum amount of discount at which these shares can be reissued is ₹ 5 per share.

6. Durga and Naresh were partners in a firm. They wanted to admit five more members in the firm. List any two categories of individuals other than minors who cannot be admitted by them. **[1]**

Answer : Two categories of individual which are restricted to enter into partnership are :

(1) Person of unsound mind.

(2) Insolvent person.

7. BPL Ltd. converted 500, 9% debentures of ₹ 100 each issued at a discount of 6% into equity shares of ₹ 100 each issued at a premium of ₹ 25 per share. Discount on issue of 9% debentures has not yet been written off.

Showing your working notes clearly, pass necessary journal entries for conversion of 9% debentures into equity shares.** **[3]**

8. Kavi, Ravi, Kumar and Guru were partners in a firm sharing profits in the ratio of 3 : 2 : 2 : 1. On 1.2.2017, Guru retired and the new profit sharing ratio decided between Kavi, Ravi and Kumar was 3 : 1 : 1. On Guru's retirement the goodwill of the firm was valued at ₹ 3,60,000.

Showing your working notes clearly, pass necessary journal entry in the books of the firm for the treatment of goodwill on Guru's retirement. **[3]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2017 Jan. 31	Kavi's Capital A/c Dr. To Ravi's Capital A/c To Kumar's Capital A/c To Guru's Capital A/c (Being goodwill adjusted)		81,000	 18,000 18,000 45,000

** Answer is not given due to change in the present syllabus.

Working Notes :

(i) Gaining Ratio = New Ratio – Old Ratio

$$\text{Kavi} = \frac{3}{5}-\frac{3}{8} = \frac{24-15}{40}=\frac{9}{40} \text{ (Gain)}$$

$$\text{Ravi} = \frac{1}{5}-\frac{2}{8} = \frac{8-10}{40}=\frac{-2}{40} \text{ (Sacrifice)}$$

$$\text{Kumar} = \frac{1}{5}-\frac{2}{8} = \frac{8-10}{40}=\frac{-2}{40} \text{ (Sacrifice)}$$

(ii) Goodwill = ₹ 3,60,000

$$\text{Ravi's Share} = 3,60,000 \times \frac{2}{40} = ₹\,18,000$$

$$\text{Kumar's Share} = 3,60,000 \times \frac{2}{40} = ₹\,18,000$$

$$\text{Guru's Share} = 3,60,000 \times \frac{1}{8} = ₹\,45,000$$

9. Disha Ltd. purchased machinery from Nisha Ltd. and paid to Nisha Ltd. as follows :

(i) By issuing 10,000, equity shares of ₹ 10 each at a premium of 10%.

(ii) By issuing 200, 9% debentures of ₹ 100 each at a discount of 10%.

(iii) Balance by accepting a bill of exchange of ₹ 50,000 payable after one month.

Pass necessary journal entries in the books of Disha Ltd. for the purchase of machinery and making payment to Nisha Ltd. **[3]**

Answer :

Disha Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		1,78,000	
	To Nisha Ltd.			1,78,000
	(Being machinery purchased)			
	Nisha Ltd. Dr.		1,10,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			10,000
	(Being 10,000 equity shares issued of ₹ 10 each at 10% premium)			
	Nisha Ltd. Dr.		18,000	
	Discount on Issue of Debentures A/c Dr.		2,000	
	To 9% Debentures A/c			20,000
	(Being 200, 9% Debentures issued of ₹ 100 each at 10% discount)			
	Nisha Ltd. Dr.		50,000	
	To Bills Payable A/c			50,000
	(Being balance payment made by issuing bill)			

10. Ganesh Ltd. is registered with an authorised capital of ₹ 10,00,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid up capital of the company was ₹ 6,00,00,000. For providing employment to the local youth and for the development of the tribal areas of Arunachal Pradesh the company decided to set up a hydro power plant there. The company also decided to open skill development centres in Itanagar, Pasighat and Tawang. To meet its new financial requirements, the company decided to issue 1,00,000 equity shares of ₹ 10 each and 1,00,000, 9% debentures of ₹ 100 each. The debentures were redeemable after five years at par. The issue of shares and debentures was fully subscribed. A shareholder holding 2,000 shares failed to pay the final call of ₹ 2 per share.

Show the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also identify any two values that the company wishes to propagate. [3]

Answer : Balance Sheet of Ganesh Ltd.

as at .... (As per revised schedule VI)

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
Equity & Liabilities			
1. Shareholders' Funds :			
(a) Share Capital	1	6,09,96,000	

Notes to Accounts :

Particulars			Amount (₹)
(1) **Share Capital**			
Authorised Capital			
1,00,00,000 Equity Shares @ ₹ 10 each			10,00,00,000
Issued Capital			
61,00,000 Equity Shares @ ₹ 10 each			6,10,00,000
Subscribed Capital :			
(i) Subscribed and fully paid up			
60,98,000 Equity Shares @ ₹ 10		6,09, 80, 000	
(ii) Subscribed but not fully paid up			
2,000 Equity shares @ ₹ 10 each	20,000		
Less : Calls in Arrears (2,000 × 2)	4,000	16,000	
			6,09,96,000

Values :

(1) Providing employment opportunities.

(2) Promotion of skill development in Arunachal Pradesh.

11. Madhu and Neha were partners in a firm sharing profits and losses in the ratio of 3 : 5. Their fixed capitals were ₹ 4,00,000 and ₹ 6,00,000 respectively. On 1.1.2016, Tina was admitted as a new partner for $\frac{1}{4}$ th share in the profits. Tina acquired her share of profit from Neha. Tina brought ₹ 4,00,000 as her capital

which was to be kept fixed like the capitals of Madhu and Neha. Calculate the goodwill of the firm on Tina's admission and the new profit sharing ratio of Madhu, Neha and Tina. Also, pass necessary journal entry for the treatment of goodwill on Tina's admission considering that Tina did not bring her share of goodwill premium in cash. **[4]**

Answer : (a) Calculation of Hidden Goodwill :

$$\text{Tina's Share} = \frac{1}{4}$$

$$\text{Tina's Capital} = ₹\,4{,}00{,}000$$

$$\text{Total Capital of firm on the basis of Tina} = 4{,}00{,}000 \times \frac{4}{1} = ₹\,16{,}00{,}000$$

$$\begin{aligned}\text{Actual Capital of firm} &= \text{Madhu's Capital} + \text{Neha's Capital} + \text{Tina's Capital}\\ &= 4{,}00{,}000 + 6{,}00{,}000 + 4{,}00{,}000\\ &= ₹\,14{,}00{,}000\end{aligned}$$

$$\begin{aligned}\text{Goodwill} &= \text{Estimated Capital} - \text{Actual Capital}\\ &= 16{,}00{,}000 - 14{,}00{,}000\\ &= ₹\,2{,}00{,}000\end{aligned}$$

$$\begin{aligned}\text{Tina's share of Goodwill} &= 2{,}00{,}000 \times \frac{1}{4}\\ &= ₹\,50{,}000\end{aligned}$$

(b) **Calculation of New Profit Sharing Ratio :**

$$\text{Madhu's Share} = \frac{3}{8}$$

$$\text{Neha's New Share} = \frac{5}{8} - \frac{1}{4} = \frac{3}{8}$$

$$\text{Tina's Share} = \frac{1}{4} \text{ or } \frac{2}{8}$$

$$\text{New Ratio} = 3 : 3 : 2$$

(c)

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 April 1	Tina's Current A/c Dr. To Neha's Current A/c (Being Tina's share of goodwill transferred to Neha's account)		50,000	50,000

12. Ashok, Babu and Chetan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. The firm closes its books on 31st March every year. On 31st December, 2016 Ashok died. The partnership deed provided that on the death of a partner his executors will be entitled for the following :
    (i) Balance in his capital account. On 1.4.2016, there was a balance of ₹ 90,000 in Ashok's Capital Account.
    (ii) Interest on capital @ 12% per annum.
    (iii) His share in the profits of the firm in the year of his death will be calculated on the basis of rate of net profit on sales of the previous year, which was 25%. The sales of the firm till 31st December, 2016 were ₹ 4,00,000.
    (iv) His share in the goodwill of the firm. The goodwill of the firm on Ashok's death was valued at ₹ 4,50,000.

The partnership deed also provided for the following deductions from the amount payable to the executor of the deceased partner :

(i) His drawings in the year of his death. Ashok's drawings till 31.12.2016 were ₹ 15,000.

(ii) Interest on drawings @ 12% per annum which was calculated as ₹ 1,500.

The accountant of the firm prepared Ashok's Capital Account to be presented to the executor of Ashok but in a hurry he left it incomplete. Ashok's Capital Account as prepared by the firm's accountant is given below :

Dr. **Ashok's Capital Account** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Dec. 31	....	15,000	April 1	....	90,000
Dec. 31	....	....	Dec. 31	....	8,100
Dec. 31	....	....	Dec. 31	....	40,000
			Dec. 31	....	90,000
			Dec. 31	....	90,000
		3,18,100			3,18,100

You are required to complete Ashok's Capital Account. [4]

Answer :

Dr. **Ashok's Capital Account** Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Dec. 31	To Drawings A/c	15,000	April 1	By Balance b/d	90,000
Dec. 31	To Interest on Drawings A/c	1,500	Dec. 31	By Interest on Capital A/c	8,100
Dec. 31	To Ashok's Executors' A/c	3,01,600	Dec. 31	By P&L Suspense A/c	40,000
			Dec. 31	By Babu's Capital A/c	90,000
				By Chetan's Capital A/c	90,000
		3,18,100			3,18,100

13. A, B, C and D were partners in a firm sharing profits in the ratio of 3 : 2 : 3 : 2. On 1.4.2016, their Balance Sheet was a follows : [6]

Balance Sheet of A, B, C and D as on 1.4.2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	8,25,000
A	2,00,000		Current Assets	3,00,000
B	2,50,000			
C	2,50,000			
D	3,10,000	10,10,000		
Sundry Creditors		90,000		
Workmen Compensation Reserve		25,000		
		11,25,000		11,25,000

From the above date the partners decided to share the future profits in the ratio of 4 : 3 : 2 : 1. For this purpose the goodwill of the firm was valued at ₹ 2,70,000. It was also considered that :

(i) The claim against Workmen Compensation Reserve has been estimated at ₹ 30,000 and fixed assets will be depreciated by ₹ 25,000.

(ii) Adjust the capitals of the partners according to the new profit sharing ratio by opening Current Accounts of the partners.

Prepare Revaluation Account, Partners' Capital Account and the Balance Sheet of the reconstituted firm.

Answer :

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Workmen Compensation Claim A/c	5,000	By Loss transferred to Partner's Capital A/c :	
To Fixed Assets A/c	25,000	A 9,000	
		B 6,000	
		C 9,000	
		D 6,000	30,000
	30,000		**30,000**

Dr. **Partners' Capital A/c** Cr.

Particulars	A	B	C	D	Particulars	A	B	C	D
To Revaluation A/c	9,000	6,000	9,000	6,000	By Bal. b/d	2,00,000	2,50,000	2,50,000	3,10,000
To C's Capital A/c	13,500	13,500	—	—	By A's Capital A/c	—	—	13,500	13,500
To D's Capital A/c	13,500	13,500	—	—	By B's Capital A/c	—	—	13,500	13,500
To Balance c/d	1,64,000	2,17,000	2,68,000	3,31,000					
	2,00,000	**2,50,000**	**2,77,000**	**3,37,000**		**2,00,000**	**2,50,000**	**2,77,000**	**3,37,000**
To Partner's Current A/c	—	—	72,000	2,33,000	By Bal. b/d	1,64,000	2,17,000	2,68,000	3,31,000
To Bal. c/d	3,92,000	2,94,000	1,96,000	98,000	By Current A/c	2,28,000	77,000	—	—
	3,92,000	**2,94,000**	**2,68,000**	**3,31,000**		**3,92,000**	**2,94,000**	**2,68,000**	**3,31,000**

Working Note : Gaining Ratio = New Ratio – Old Ratio

$$A = \frac{4}{10} - \frac{3}{10} = \frac{1}{10} \text{ (Gain)}$$

$$B = \frac{3}{10} - \frac{2}{10} = \frac{1}{10} \text{ (Gain)}$$

$$C = \frac{2}{10} - \frac{3}{10} = \frac{-1}{10} \text{ (Sacrifice)}$$

$$D = \frac{1}{10} - \frac{2}{10} = \frac{-1}{10} \text{ (Sacrifice)}$$

Revised Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Partner's Capital A/c :		Fixed Assets	8,00,000
A 3,92,000		Current Assets	3,00,000
B 2,94,000		Partner's Current A/c :	
C 1,96,000		A 2,28,000	
D 98,000	9,80,000	B 77,000	3,05,000
Sundry Creditors	90,000		
Workmen Compensation Claim	30,000		
Partner's Current A/c :			
C 72,000			
D 2,33,000	3,05,000		
	14,05,000		14,05,000

14. On 1.4.2015, J.K. Ltd. issued 8,000, 9% debentures of ₹ 1,000 each at a discount of 6%, redeemable at a premium of 5% after three years. The company closes its books on 31st March every year. Interest on 9% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of debentures and debenture interest for the year ended 31.3.2016. **[6]**

Answer :

J.K. Ltd. (Journal)

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c	Dr.		75,20,000	
	To 9% Debenture Application & Allotment A/c				75,20,000
	(Being application money received)				
April 1	9% Debenture Application & Allotment A/c	Dr.		75,20,000	
	Loss on Issue of Debentures A/c	Dr.		8,80,000	
	To 9% Debentures A/c				80,00,000
	To Premium on Redemption of Debentures A/c				4,00,000
	(Being application money transferred)				
Sep. 30	Debenture Interest A/c	Dr.		3,60,000	
	To Debentureholders A/c				3,24,000
	To TDS Payable A/c				36,000
	(Being interest due)				
Sep. 30	Debentureholders A/c	Dr.		3,24,000	
	TDS Payable A/c	Dr.		36,000	
	To Bank A/c				3,60,000
	(Being interest & tax paid)				
2016 Mar. 31	Debenture Interest A/c	Dr.		3,60,000	
	To Debentureholders A/c				3,24,000
	To TDS Payable A/c				36,000
	(Being interest due)				
Mar. 31	Debentureholders A/c	Dr.		3,24,000	
	TDS Payble A/c	Dr.		36,000	
	To Bank A/c				3,60,000
	(Being interest & tax paid)				
Mar. 31	Statement of Profit & Loss	Dr.		7,20,000	
	To Debenture Interest A/c				7,20,000
	(Being interest transferred to Statement of Profit and Loss)				

15. Pass necessary journal entries on the dissolution of a partnership firm in the following cases : [6]

(i) Dissolution expenses were ₹ 800.

(ii) Dissolution expenses ₹ 800 were paid by Prabhu, a partner.

(iii) Geeta, a partner, was appointed to look after the dissolution work, for which she was allowed a remuneration of ₹ 10,000. Geeta agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 9,500 were paid by Geeta.

(iv) Janki, a partner, agreed to look after the dissolution work for a commission of ₹ 5,000. Janki agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 5,500 were paid by Mohan, another partner, on behalf of Janki.

(v) A partner, Kavita, agreed to look after the dissolution process for a commission of ₹ 9,000. She also agreed to bear the dissolution expenses. Kavita took over furniture of ₹ 9,000 for her commission. Furniture had already been transferred to realisation account.

(vi) A debtor, Ravinder, for ₹ 19,000 agreed to pay the dissolution expenses which were ₹ 18,000 in full settlement of his debt.

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid)		800	800
(ii)	Realisation A/c Dr. To Prabhu's Capital A/c (Being dissolution expenses paid by partner)		800	800
(iii)	Realisation A/c Dr. To Geeta's Capital A/c (Being dissolution expenses paid by Geeta & renumeration paid by firm)		10,000	10,000
(iv) (a)	Realisation A/c Dr. To Janki's Capital A/c (Being dissolution expenses paid by Janki & compensated by firm)		5,000	5,000
(b)	Janki's Capital A/c Dr. To Mohan's Capital A/c (Being Mohan paid dissolution expenses on behalf of Janki)		5,500	5,500
(v)	No Entry			
(vi)	No Entry			

16. C and D are partners in a firm sharing profits in the ratio of 4 : 1. On 31.3.2016, their Balance Sheet was as follows : [8]

Balance Sheet of C and D as on 31.3.2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	40,000	Cash	24,000
Provision for Bad Debts	4,000	Debtors	36,000
Outstanding Salary	6,000	Stock	40,000
General Reserve	10,000	Furniture	80,000
Capitals :		Plant and Machinery	80,000
C 1,20,000			
D 80,000	2,00,000		
	2,60,000		**2,60,000**

On the above date, E was admitted for $\frac{1}{4}^{th}$ share in the profits on the following terms :

(i) E will bring ₹ 1,00,000 as his capital and ₹ 20,000 for his share of goodwill premium, half of which will be withdrawn by C and D.

(ii) Debtors ₹ 2,000 will be written off as bad debts and a provision of 4% will be created on debtors for bad doubtful debts.

(iii) Stock will be reduced by ₹ 2,000, furniture will be depreciated by ₹ 4,000 and 10% depreciation will be charged on plant and machinery.

(iv) Investments of ₹ 7,000 not shown in the Balance Sheet will be taken into account.

(v) There was an outstanding repairs bill of ₹ 2,300 which will be recorded in the books.

Pass necessary journal entries for the above transactions in the books of the firm on E's admission.

OR

Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. On 31.3.2016, their Balance Sheet was as follows :

Balance Sheet of Sameer, Yasmin and Saloni as on 31.3.2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,10,000	Cash		80,000
General Reserve		60,000	Debtors	90,000	
Capitals :			*Less* : Provision	10,000	80,000
Sameer	3,00,000		Stock		1,00,000
Yasmin	2,50,000		Machinery		3,00,000
Saloni	1,50,000	7,00,000	Building		2,00,000
			Patents		60,000
			Profit and Loss Account		50,000
		8,70,000			8,70,000

On the above date, Sameer retired and it was agreed that :

(i) Debtors of ₹ 4,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) An unrecorded creditor of ₹ 20,000 will be recorded.

(iii) Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.

(iv) Yasmin and Saloni will share future profits in the ratio of 3 : 2.

(v) Goodwill of the firm on Sameer's retirement was valued at ₹ 5,40,000.

Pass necessary journal entries for the above transactions in the books of the firm on Sameer's retirement.

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr.		10,000	
	To C's Capital A/c			8,000
	To D's Capital A/c			2,000
	(Being general reserve distributed)			
	Cash A/c Dr.		1,20,000	
	To E's Capital A/c			1,00,000
	To Premium for Goodwill A/c			20,000
	(Being E bring capital and goodwill of his share)			
	Premium for Goodwill A/c Dr.		20,000	
	To C's Capital A/c			16,000
	To D's Capital A/c			4,000
	(Being premium for goodwill distributed among old partners)			

	C's Capital A/c Dr. D's Capital A/c Dr. To Cash A/c (Being half of goodwill withdrawn by C and D)		8,000 2,000	 10,000
	Bad Debts A/c Dr. To Debtors A/c (Being debtors written off)		2,000	2,000
	Provision for Bad Debts A/c Dr. To Bad Debts A/c (Being bad debts adjusted by provision)		2,000	2,000
	Provision for Bad Debts A/c Dr. To Revaluation A/c (Being provision decreases)		640	640
	Revaluation A/c Dr. To Stock A/c To Furniture A/c To Plant & Machinery A/c (Being value of assets decreases)		14,000	 2,000 4,000 8,000
	Investments A/c Dr. To Revaluation A/c (Being value of assets increases)		7,000	7,000
	Revaluation A/c Dr. To Outstanding Repair Bill A/c (Being liability increases)		2,300	2,300
	C's Capital A/c Dr. D's Capital A/c Dr. To Revaluation A/c (Being loss distributed among old partners)		6,928 1,732	 8,660

Working Note :

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock A/c To Furniture A/c To Plant & Machinery A/c To O/s Repair Bill A/c	2,000 4,000 8,000 2,300	By Provision for Bad Debts A/c By Investments A/c By Loss transferred to Capital A/c : C 6,928 D 1,732	640 7,000 8,660
	16,300		**16,300**

OR

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr. To Sameer's Capital A/c To Yasmin's Capital A/c To Saloni's Capital A/c (Being General Reserve distributed)		60,000	 24,000 18,000 18,000

	Sameer's Capital A/c Dr. Yasmin's Capital A/c Dr. Saloni's Capital A/c Dr. To P & L A/c (Being loss distributed)		20,000 15,000 15,000	50,000
	Bad Debts A/c Dr. To Debtors A/c (Being debtors written off)		4,000	4,000
	Provision for Bad Debts A/c Dr. To Bad Debts A/c (Being bad debts written off)		4,000	4,000
	Provision for Bad Debts A/c Dr. To Revaluation A/c (Being provision for bad debts decreases)		1,700	1,700
	Revaluation A/c Dr. To Creditors A/c (Being creditors increases)		20,000	20,000
	Revaluation A/c Dr. To Patents A/c To Stock A/c To Machinery A/c To Building A/c (Being value of assets decreases)		90,000	60,000 5,000 15,000 10,000
	Sameer's Capital A/c Dr. Yasmin's Capital A/c Dr. Saloni's Capital A/c Dr. To Revaluation A/c (Being loss transferred to old partners)		43,320 32,490 32,490	1,08,300
	Yasmin's Capital A/c Dr. Saloni's Capital A/c Dr. To Sameer's Capital A/c (Being goodwill adjusted)		1,62,000 54,000	2,16,000
	Sameer's Capital A/c Dr. To Sameer's Loan A/c (Being balance of Sameer transferred to his loan account)		4,76,680	4,76,680

Working Notes :

(1) **Dr.** **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Patents A/c To Stock A/c To Machinery A/c To Building A/c To Creditors A/c	60,000 5,000 15,000 10,000 20,000	By Provision for Bad Debts A/c By Loss transferred to Capital A/c Sameer 43,320 Yasmin 32,490 Saloni 32,490	1,700 1,08,300
	1,10,000		**1,10,000**

(2)

Partner's Capital A/c

Dr. Particulars	Sameer	Yasmin	Saloni	Particulars	Sameer	Yasmin	Saloni Cr.
To P & L A/c	20,000	15,000	15,000	By Balance b/d	3,00,000	2,50,000	1,50,000
To Revaluation A/c	43,320	32,490	32,490	By General Reserve A/c	24,000	18,000	18,000
To Sameer's Capital A/c	—	1,62,000	54,000	By Yasmin's Capital A/c	1,62,000	—	—
To Sameer's Loan A/c	4,76,680			By Saloni's Capital A/c	54,000	—	—
To Bal. c/d	—	58,510	66,510				
	5,40,000	2,68,000	1,68,000		5,40,000	2,68,000	1,68,000

(3) Adjustment of Goodwill :

Goodwill of firm = ₹ 5,40,000

Share of Sameer in Goodwill= $5,40,000 \times \frac{4}{10}$

= ₹ 2,16,000

Gaining Ratio = New Ratio – Old Ratio

$$\text{Yasmin} = \frac{3}{5} - \frac{3}{10} = \frac{6-3}{10} = \frac{3}{10}$$

$$\text{Saloni} = \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$$

17. VXN Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each at a premium of ₹ 8 per share. The amount was payable as follows : **[8]**

On Application : ₹ 4 per share (including ₹ 2 premium)

On Allotment : ₹ 6 per share (including ₹ 3 premium)

On First Call : ₹ 5 per share (including ₹ 1 premium)

On Second and Final Call : Balance Amount

The issue was fully subscribed. Gopal, a shareholder holding 200 shares, did not pay the allotment money and Madhav, a holder of 400 shares, paid his entire share money along with the allotment money. Gopal's shares were immediately forfeited after allotment. Afterwards, the first call was made. Krishna, a holder of 100 shares, failed to pay the first call money and Girdhar, a holder of 300 shares, paid the second call money also along with the first call. Krishna's shares were forfeited immediately after the first call. Second and final call was made afterwards and was duly received. All the forfeited shares were reissued at ₹ 9 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of the company.

OR

JJK Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each at par. The amount was payable as follows :

On Application : ₹ 2 per share

On Allotment : ₹ 4 per share

On First and Final Call : Balance Amount

The issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows :

Category	No. of Shares Applied	No. of Shares Alloted
I	80,000	40,000
II	25,000	10,000

Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment.

Deepak, a shareholder belonging to Category I who had applied for 1,000 shares, failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The forfeited shares of Deepak and Raju were reissued at ₹ 11 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of the company.

Answer :

VXN Ltd.
Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		2,00,000	
	To Equity Share Application A/c				2,00,000
	(Being application money received)				
	Equity Share Application A/c	Dr.		2,00,000	
	To Equity Share Capital A/c				1,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Being application money transferred)				
	Equity Share Allotment A/c	Dr.		3,00,000	
	To Equity Share Capital A/c				1,50,000
	To Securities Premium Reserve A/c				1,50,000
	(Being allotment money due)				
	Bank A/c	Dr.		3,02,000	
	Calls in Arrear A/c	Dr.		1,200	
	To Equity Share Allotment A/c				3,00,000
	To Calls in Advance A/c				3,200
	(Being allotment money received)				
	Equity Share Capital A/c	Dr.		1,000	
	Securities Premium Reserve A/c	Dr.		600	
	To Share Forfeiture A/c				400
	To Calls in Arrear A/c				1,200
	(Being 200 shares forfeited)				
	Equity Share First Call A/c	Dr.		2,49,000	
	To Equity Share Capital A/c				1,99,200
	To Securities Premium Reserve A/c				49,800
	(Being first call money due on 49,800 shares)				
	Bank A/c	Dr.		2,47,400	
	Calls in Arrear A/c	Dr.		500	
	Calls in Advance A/c	Dr.		2,000	
	To Equity Share First Call A/c				2,49,000
	To Calls in Advance A/c				900
	(Being first call money received)				
	Equity Share Capital A/c	Dr.		900	
	Securities Premium Reserve A/c	Dr.		100	
	To Share Forfeiture A/c				500
	To Calls in Arrear A/c				500
	(Being 100 shares forfeited)				

	Equity Share Second & Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being second & final call due on 49,700 shares)		1,49,100	 49,700 99,400
	Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share Second & Final Call A/c (Being second & final call money received)		1,47,000 2,100	 1,49,100
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being 300 shares reissued)		2,700 300	 3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance of Share Forfeiture A/c transferred to Capital Reserve)		600	 600

OR

JJK Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received)		3,00,000	 3,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c To Equity Share Allotment A/c (Being application money transferred)		3,00,000	 1,00,000 90,000 1,10,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment due)		2,00,000	 2,00,000
	Bank A/c Dr. Calls in Arrear A/c Dr. To Equity Share Allotment A/c (Being allotment money received)		88,900 1,100	 90,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrear A/c (Being shares forfeited)		3,600	 2,500 1,100
	Equity Share First & Final Call A/c Dr. To Equity Share Capital A/c (Being first & final call due)		1,97,600	 1,97,600
	Bank A/c Dr. To Equity Share First & Final Call A/c (Being first & final call amount received)		1,97,600	 1,97,600

	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being 600 forfeited shares reissued)		6,600	6,000 600
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being balance of Share Forfeiture Account transferred to Capital Reserve)		2,500	2,500

Working Notes :

Shares Applied	Shares Alloted	App. Money Received	Transfer to Application	Excess Money	Transfer to Allotment	Transfer to First Call	Refund
80,000	40,000	1,60,000	80,000	80,000	80,000	—	—
25,000	10,000	50,000	20,000	30,000	30,000	—	—

Calls in Arrear on Allotment :

Deepak :

Shares applied = 1,000 (Category I)

Shares alloted = $1{,}000 \times \dfrac{40{,}000}{80{,}000} = 500$ so shares

Allotment money = 500 × 4 = ₹ 2,000

Less : Excess = $\dfrac{80{,}000}{40{,}000} \times 500$ = ₹ 1,000

Calls in Arrear = ₹ 1,000

Raju :

Shares Alloted = 100 (Category II)

Allotment money = 100 × 4 = ₹ 400

Less : Excess = $\dfrac{30{,}000}{10{,}000} \times 100$ = ₹ 300

Calls in Arrear = ₹ 100

Total Calls in Arrear = 1,000 + 100

= ₹ 1,100

PART B

(Analysis of Financial Statements)

18. Normally, what should be the maturity period for a short-term investment from the date of its acquisition to be qualified as cash equivalents ? [1]

Answer : For cash and cash equivalent, maturity period for a short-term investment would be 90 days or 3 months.

19. State the primary objective of preparing a cash flow statement. [1]

Answer : Primary objective of preparing cash flow statement is to find out the inflows and outflows of cash and cash equivalents from operating, investing and financing activities.

20. What is meant by 'Analysis of Financial Statements' ? State any two objectives of such an analysis. [4]

Answer : Financial Statement Analysis may be defined as a systematic process of critical examination of the data contained in financial statements in order to make decision regarding the operations of a company.

Objectives of Financial Statement Analysis :

(i) To judge the current profitability and operational efficiency of the firm as well as its different departments.

(ii) To ascertain the financial position of the firm.

(iii) To ascertain the short term and long term solvency of the firm.

21. The Proprietary ratio of M. Ltd. is 0.80 : 1.

State with reasons whether the following transactions will increase, decrease or not change the proprietary ratio :

(i) Obtained a loan from bank ₹ 2,00,000 payable after five years.

(ii) Purchased machinery for cash ₹ 75,000.

(iii) Redeemed 5% redeemable preference shares ₹ 1,00,000.

(iv) Issued equity shares to the vendor of machinery purchased for ₹ 4,00,000. **[4]**

Answer :

Transactions	Effect on Proprietary Ratio	Reasons
(i) Obtained a loan from bank	Decrease	No change in shareholder fund, assets will increase by ₹ 2,00,000.
(ii) Purchased machinery for cash	No change	No change in total assets and shareholder's funds.
(iii) Redeemed 5% redeemable preference shares	Decrease	Both shareholder's fund and total assets decrease by same amount.
(iv) Issued Equity shares to the vendor of Machinery purchased	Increase	Shareholder's funds and total assets both increases by same amount.

22. Financial statements are prepared following the consistent accounting concepts, principles, procedures and also the legal environment in which the business organisations operate. These statements are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a company so that their users can easily understand and use them in their economic decisions in a meaningful way.

From the above statement identify any two values that a company should observe while preparing its financial statements. Also, state under which major headings and sub-headings the following items will be presented in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.

(i) Capital Reserve (ii) Calls-in-Advance (iii) Loose Tools (iv) Bank Overdraft **[4]**

Answer : (a) Values :

(i) Following rules and regulations.

(ii) Honesty and loyalty towards owners.

(b)

Items	Head	Sub-head
(i) Capital Reserve	Shareholders' funds	Reserves & Surplus
(ii) Calls-in-Advance	Current liability	Other current liability
(iii) Loose Tools	Current assets	Inventory
(iv) Bank Overdraft	Current liability	Short-term borrowings

23. From the following Balance Sheet of SRS Ltd. and the additional information as on 31.3.2016, prepare a Cash Flow Statement : **[6]**

Balance Sheet of SRS Ltd. as on 31.3.2016

	Particulars	Note No.	31.3.2016 (₹)	31.3.2015 (₹)
I– Equity and Liabilities				
1.	**Shareholder's Funds :**			
	(a) Share Capital		4,50,000	3,50,000
	(b) Reserves and Surplus	1	1,25,000	50,000
2.	**Non-Current Liabilities :**			
	Long-term Borrowings	2	2,25,000	1,75,000
3.	**Current Liabilities :**			
	(a) Short-term Borrowings	3	75,000	37,500
	(b) Short-term Provisions	4	1,00,000	62,500
	Total		**9,75,000**	**6,75,000**
II–Assets :				
1.	**Non-Current Assets :**			
	(a) Fixed Assets :			
	(i) Tangible	5	7,32,500	4,52,500
	(ii) Intangible	6	50,000	75,000
	(b) Non-Current Investments		75,000	50,000
2.	**Current Assets :**			
	(a) Current Investments		20,000	35,000
	(b) Inventories	7	61,000	36,000
	(c) Cash and Cash Equivalents		36,500	26,500
	Total		**9,75,000**	**6,75,000**

Notes to Accounts :

Note No.	Particulars	31.3.2016 (₹)	31.3.2015 (₹)
1.	**Reserves and Surplus**		
	(Surplus i.e., Balance in the Statement of Profit and Loss)	1,25,000	50,000
		1,25,000	**50,000**
2.	**Long-term Borrowings**		
	12% Debentures	2,25,000	1,75,000
		2,25,000	**1,75,000**
3.	**Short-term Borrowings**		
	Bank Overdraft	75,000	37,500
		75,000	**37,500**
4.	**Short-term Provisions**		
	Proposed Dividend	1,00,000	62,500
		1,00,000	**62,500**

5.	**Tangible Assets**		
	Machinery	8,37,500	5,22,500
	Accumulated Depreciation	(1,05,000)	(70,000)
		7,32,500	**4,52,500**
6.	**Intangible Assets**		
	Goodwill	50,000	75,000
		50,000	**75,000**
7.	**Inventories**		
	Stock in Trade	61,000	36,000
		61,000	**36,000**

Additional Information :

(i) ₹ 50,000, 12% debentures were issued on 31.3.2016.

(ii) During the year a piece of machinery costing ₹ 40,000, on which accumulated depreciation was ₹ 20,000 was sold at a loss of ₹ 5,000.

Answer :

Cash Flow Statement of SRS Ltd.

for the year ending 31 Mar., 2016

(as per AS-3 Revised)

Particulars	Amount (₹)	Amount (₹)
(A) Cash Flow from Operating Activities		
Net profit before tax (Note 1)	1,75,000	1,75,000
Add : Non-cash & Non-operating items :		
(1) Goodwill written off	25,000	
(2) Depreciation on machinery	55,000	
(3) Interest on Debentures	21,000	
(4) Loss on sale of machinery	5,000	1,06,000
		2,81,000
Less : Non-Operating Income		—
Operating profit before working capital changes		2,81,000
Less : Increase in Inventories	(25,000)	(25,000)
		2,56,000
Less : Tax paid		—
Net Cash Flow from Operating Activities		2,56,000
(B) Cash Flow from Investing Activities		
Sale of Machinery	15,000	
Purchase of Machinery	(3,55,000)	
Purchase of Non-current Investments	(25,000)	
Net Cash used in Investing Activities		(3,65,000)
(C) Cash Flow from Financing Activities		
Issue of share capital	1,00,000	
Issue of 12% Debentures	50,000	
Interest on Debentures paid	(21,000)	
Dividend paid	(62,500)	
Bank overdraft raised	37,500	
Net Cash Flow from Financing Activities		1,04,000
Net decrease in Cash & Cash Equivalents (A + B + C)		(5,000)
Add : Opening Balance of Cash & Cash Equivalents (35,000 + 26,500)		61,500
Closing Balance of Cash & Cash Equivalents (20,000 + 36,500)		**56,500**

Working Notes :

(1) Calculation of Net Profit before Tax :

Net Profit as per Statement of Profit & Loss	75,000
Add : Proposed Dividend	1,00,000
Net Profit before Tax & extraordinary items	**1,75,000**

(2) Dr. Machinery A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,22,500	By Cash A/c	15,000
To Cash A/c (Purchase)	3,55,000	By Statement of P & L (balancing fig.)	5,000
		By Accumulated Depreciation A/c	20,000
		By Balance c/d	8,37,500
	8,77,500		**8,77,500**

(3) Dr. Accumulated Depreciation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	20,000	By Balance b/d	70,000
To Balance c/d	1,05,000	By Statement of P & L (Bal. Fig.)	55,000
	1,25,000		**1,25,000**

Accountancy 2017 (Outside Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. Suresh, Ramesh, Mahesh and Ganesh were partners in a firm sharing profits in the ratio of 2 : 2 : 3 : 3. On 1.4.2016 their Balance Sheet was as follows :

Balance Sheet of Suresh, Ramesh, Mahesh and Ganesh as on 1.4.2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	6,00,000
Suresh	1,00,000		Current Assets	3,45,000
Ramesh	1,50,000			
Mahesh	2,00,000			
Ganesh	2,50,000	7,00,000		
Sundry Creditors		1,70,000		
Workmen Compensation Reserve		75,000		
		9,45,000		**9,45,000**

From the above date the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 90,000. It was also agreed that :

(i) Claim against Workmen Compensation Reserve will be estimated at ₹ 1,00,000 and fixed assets will be depreciated by 10%.

(ii) The capitals of the partners will be adjusted according to the new profit sharing ratio. For this, necessary cash will be brought or paid by the partners as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer:

Dr. **Revaluation A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Workmen Compensation Claim A/c	25,000	By Loss transferred to Partner's Capital A/c:	
To Fixed Assets A/c	60,000	Suresh 17,000	
		Ramesh 17,000	
		Mahesh 25,500	
		Ganesh 25,500	85,000
	85,000		**85,000**

Dr. **Partner's Capital A/c** Cr.

Particulars	Suresh	Ramesh	Mahesh	Ganesh	Particulars	Suresh	Ramesh	Mahesh	Ganesh
To Revaluation A/c	17,000	17,000	25,500	25,500	By Balance b/d	1,00,000	1,50,000	2,00,000	2,50,000
To Mahesh's Capital A/c	2,250	2,250	—	—	By Suresh's Capital A/c	—	—	2,250	2,250
To Ganesh's Capital A/c	2,250	2,250	—	—	By Ramesh's Capital A/c	—	—	2,250	2,250
To Cash A/c	—	—	25,250	75,250	By Cash A/c	75,250	25,250	—	—
To Balance c/d	1,53,750	1,53,750	1,53,750	1,53,750					
	1,75,250	**1,75,250**	**2,04,500**	**2,54,500**		**1,75,250**	**1,75,250**	**2,04,500**	**2,54,500**

Balance Sheet as at 1st April, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Fixed Assets	5,40,000
Suresh 1,53,750		Current Assets	3,45,000
Ramesh 1,53,750			
Mahesh 1,53,750			
Ganesh 1,53,750	6,15,000		
Workmen Compensation Claim	1,00,000		
Sundry Creditors	1,70,000		
	8,85,000		**8,85,000**

14. On 1.4.2015, KVK Ltd. issued 15,000, 9% debentures of ₹ 100 each at a discount of 7%, redeemable at a premium of 10% after 10 years. The company closes its books on 31st March every year. Interest on 9% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of 9% debentures and debenture interest for the year ended 31st March, 2016. **[6]**

Answer :

KVK Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Being application money received)		13,95,000	13,95,000
April 1	9% Debenture Application & 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 (Being application money transferred)		13,95,000 2,55,000	15,00,000 1,50,000
Sep. 30	Debenture Interest A/c Dr. To Debenture holders A/c To TDS Payable A/c (Being interest due)		67,500	60,750 6,750
Sep. 30	Debenture holders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Being interest & tax paid)		60,750 6,750	67,500
2016 Mar. 31	Debenture Interest A/c Dr. To Debenture holders A/c To TDS Payable A/c (Being interest due)		67,500	60,750 6,750
Mar. 31	Debenture holders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Being interest & tax paid)		60,750 6,750	67,500
Mar. 31	Statement of Profit & Loss Dr. To Debenture Interest A/c (Being interest transferred Statement of Profit & Loss)		1,35,000	1,35,000

15. Pass necessary journal entries on the dissolution of a partnership firm in the following cases : [6]

(i) Expenses of dissolution were ₹ 9,000.

(ii) Expenses of dissolution ₹ 3,400 were paid by a partner, Vishal.

(iii) Shiv, a partner, agreed to do the work of dissolution for a commission of ₹ 4,500. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 3,900 were paid from the firm's bank account.

(iv) Naveen, a partner, agreed to look after the dissolution work for which he was allowed a remuneration of ₹ 3,000. Naveen also agreed to bear the dissolution expenses. Actual expenses on dissolution ₹ 2,700 were paid by Naveen.

(v) Vivek, a partner, was appointed to look after the dissolution work for a remuneration of ₹ 7,000. He agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 6,500 were paid by Rishi, another partner, on behalf of Vivek.

(vi) Gaurav, a partner, was appointed to look after the work of dissolution for a commission of ₹ 12,500. He agreed to bear the dissolution expenses. Gaurav took over furniture of ₹ 12,500 as his commission. The furniture had already been transferred to realisation account.

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To Bank A/c (Being dissolution expenses paid)		9,000	9,000
(ii)	Realisation A/c Dr. To Vishal's Capital A/c (Being dissolution expenses paid by Vishal)		3,400	3,400
(iii) (a)	Realisation A/c Dr. To Shiv's Capital A/c (Being remuneration given to Shiv)		4,500	4,500
(b)	Shiv's Capital A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid by firm on behalf of Shiv)		3,900	3,900
(iv)	Realisation A/c Dr. To Naveen's Capital A/c (Being realisation expenses bear by Naveen)		3,000	3,000
(v)(a)	Realisation A/c Dr. To Vivek's Capital A/c (Being remuneration given to Vivek)		7,000	7,000
(b)	Vivek's Capital A/c Dr. To Rishi's Capital A/c (Being dissolution expenses paid by Rishi on behalf of Vivek)		6,500	6,500
(vi)	No Entry			

PART B
(Analysis of Financial Statements)

18. State whether the following will increase, decrease or have no effect on cash flow from operating activities while preparing 'Cash Flow Statement' :

(i) Decrease in outstanding employees benefits expenses by ₹ 3,000.

(ii) Increase in prepaid insurance by ₹ 2,000. [1]

Answer : (i) Decrease (ii) Decrease

19. Will 'acquisition of machinery by issue of equity shares' be considered while preparing 'Cash Flow Statement' ? Give reason in support of your answer. **[1]**

Answer : No, as it is a non-cash transaction which doesn't result in any inflow or outflow of cash.

20. State the objectives of 'Analysis of Financial Statements'. **[4]**

Answer : Objectives of Analysis of Financial Statements :

(i) To assess the current profitability and operational efficiency of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

(ii) To ascertain the relative importance of different components of the financial position of the firm.

(iii) To identify the reasons for change in the profitability or financial position of the firm.

(iv) To judge the ability of the firm to repay its debt and assessing the short-term as well as long-term liquidity position of the firm.

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Accountancy 2017 (Outside Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

13. Kapil, Mohit, Roshan and Rakesh were partners in a firm sharing profits in the ratio of 5 : 2 : 2 : 1. On 1.4.2016 their Balance Sheet was as follows :

Balance Sheet of Kapil, Mohit, Roshan and Rakesh as on 1.4.2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	8,00,000
Kapil	3,50,000		Current Assets	4,00,000
Mohit	3,00,000			
Roshan	2,50,000			
Rakesh	2,00,000	11,00,000		
Sundry Creditors		50,000		
Workmen Compensation Reserve		50,000		
		12,00,000		**12,00,000**

From the above date the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 72,000. It was also agreed that :

(i) Fixed assets will be depreciated by 10% and the claim against Workmen Compensation Reserve will be estimated at ₹ 70,000.

(ii) The capitals of the partners will be adjusted according to their new profit sharing ratio. For this, Partners' Current Accounts will be opened.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Assets A/c	80,000	By Loss transferred to Partner's Capital A/c :	
To Workmen Compensation Claim A/c	20,000	Kapil 50,000	
		Mohit 20,000	
		Roshan 20,000	
		Rakesh 10,000	1,00,000
	1,00,000		**1,00,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Kapil	Mohit	Roshan	Rakesh	Particulars	Kapil	Mohit	Roshan	Rakesh
To Revaluation A/c	50,000	20,000	20,000	10,000	By Bal. b/d	3,50,000	3,00,000	2,50,000	2,00,000
To Kapil's Capital A/c	—	3,600	3,600	10,800	By Mohit's Capital A/c	3,600	—	—	—
To Bal. c/d	3,18,000	2,76,400	2,26,400	1,79,200	By Roshan Capital's A/c	3,600	—	—	—
					By Rakesh's Capital A/c	10,800	—	—	—
	3,68,000	**3,00,000**	**2,50,000**	**2,00,000**		**3,68,000**	**3,00,000**	**2,50,000**	**2,00,000**
To Current A/c	68,000	26,400	—	—	By Bal. b/d	3,18,000	2,76,400	2,26,400	1,79,200
To Bal. c/d	2,50,000	2,50,000	2,50,000	2,50,000	By Current A/c	—	—	23,600	70,800
	3,18,000	**2,76,400**	**2,50,000**	**2,50,000**		**3,18,000**	**2,76,400**	**2,50,000**	**2,50,000**

Working Notes :

(i) Gaining Ratio = New Ratio – Old Ratio

$$\text{Kapil} = \frac{1}{4}-\frac{5}{10} = \frac{10-20}{40} = \frac{-10}{40} \text{ (Sacrifice)}$$

$$\text{Mohit} = \frac{1}{4}-\frac{2}{10} = \frac{10-8}{40} = \frac{2}{40} \text{ (Gain)}$$

$$\text{Roshan} = \frac{1}{4}-\frac{2}{10} = \frac{10-8}{40} = \frac{2}{40} \text{ (Gain)}$$

$$\text{Rakesh} = \frac{1}{4}-\frac{1}{10} = \frac{10-4}{40} = \frac{6}{40} \text{ (Gain)}$$

(ii) Adjustment of Capital :

$$\text{Total Capital} = 3{,}18{,}000 + 2{,}76{,}400 + 2{,}26{,}400 + 1{,}79{,}200$$
$$= ₹\,10{,}00{,}000$$

$$\text{New Profit Sharing Ratio} = 1:1:1:1$$

New Capital :

$$\text{Kapil} = 10{,}00{,}000 \times \frac{1}{4} = ₹\,2{,}50{,}000$$

$$\text{Mohit} = 10{,}00{,}000 \times \frac{1}{4} = ₹\,2{,}50{,}000$$

$$\text{Roshan} = 10{,}00{,}000 \times \frac{1}{4} = ₹\,2{,}50{,}000$$

$$\text{Rakesh} = 10{,}00{,}000 \times \frac{1}{4} = ₹\,2{,}50{,}000$$

Revised Balance Sheet as at 1st April, 2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Fixed Assets		7,20,000
Kapil	2,50,000		Current Assets		4,00,000
Mohit	2,50,000		Current A/c :		
Roshan	2,50,000		Roshan	23,600	
Rakesh	2,50,000	10,00,000	Rakesh	70,800	94,400
Sundry Creditors		50,000			
Workmen Compensation Claim		70,000			
Current A/c :					
Kapil	68,000				
Mohit	26,400	94,400			
		12,14,400			12,14,400

14. On 1.4.2015, MKM Ltd. issued 12,000, 11% debentures of ₹ 100 each at a discount of 8%, redeemable at a premium of 10% after three years. The company closes its books on 31st March every year. Interest on 11% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of 11% debentures and debenture interest for the year ended 31.3.2016. **[6]**

Answer : **MKM Ltd. (Journal)**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr. To 11% Debenture Application & Allotment A/c (Being 12,000, 11% Debentures issued)		11,04,000	11,04,000
April 1	11% Debenture Application & Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 11% Debentures A/c To Premium on Redemption of Debentures A/c (Being application money transferred)		11,04,000 2,16,000	12,00,000 1,20,000
Sep. 30	Debenture Interest A/c Dr. To Debentureholders A/c To TDS Payable A/c (Being interest due)		66,000	59,400 6,600
Sep. 30	Debentureholders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Being interest & tax paid)		59,400 6,600	66,000
2016 Mar. 31	Debenture Interest A/c Dr. To Debentureholders A/c To TDS Payable A/c (Being interest due)		66,000	59,400 6,600
Mar. 31	Debentureholders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Being interest & tax paid)		59,400 6,600	66,000
Mar. 31	Statement of Profit & Loss Dr. To Debenture Interest A/c (Being interest transferred to Statement of Profit & Loss)		1,32,000	1,32,000

15. **Pass necessary journal entries on the dissolution of a partnership firm in the following cases :**
   (i) **Expenses of dissolution ₹ 500 were paid by John, a partner.**
   (ii) **Joney, a partner, agreed to bear the dissolution expenses for a commission of ₹ 750. Actual dissolution expenses ₹ 650 were paid by Joney.**
   (iii) **Bony, a partner, agreed to look after the dissolution work for a remuneration of ₹ 3,700. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,200 were paid by Bony from the firm's cash.**
   (iv) **Sony, a partner, was appointed to look after the dissolution work for a remuneration of ₹ 10,000. Sony agreed to bear the dissolution expenses. Sony took away stock worth ₹ 10,000 as his remuneration. Stock had already been transferred to realisation account.**
   (v) **Vikky, a partner, agreed to look after the dissolution work for a remuneration of ₹ 12,000. Vikky also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 12,500 were paid by another partner, Clive, on behalf of Vikky.**
   (vi) **Dissolution expenses were ₹ 5,000.** **[6]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To John's Capital A/c (Being realisation expenses paid by John)		500	500
(ii)	Realisation A/c Dr. To Joney's Capital A/c (Being remuneration given to Joney)		750	750
(iii) (a)	Realisation A/c Dr. To Bony's Capital A/c (Being renumeration given to Bony)		3,700	3,700
(b)	Bony's Capital A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid by firm on behalf of Bony)		4,200	4,200
(iv)	No Entry		—	—
(v)(a)	Realisation A/c Dr. To Vikky's Capital A/c (Being remuneration given to Vikky)		12,000	12,000
(b)	Vikky's Capital A/c Dr. To Clive's Capital A/c (Being dissolution expenses paid by Clive on behalf of Vikky)		12,500	12,500
(vi)	Realisation A/c Dr. To Bank A/c (Being realisation expenses paid)		5,000	5,000

PART B

(Analysis of Financial Statements)

18. What is meant by 'Cash Flow Statement' ? **[1]**

Answer : Cash flow statement is defined as a statement showing changes, *i.e.*, inflows and outflows of cash and cash equivalents from various activities of a company during a particular period.

19. Will 'Net decrease in working capital' other than cash and cash equivalents, increase, decrease or not change Cash Flow from Operating Activities ? Give reason in support of your answer. **[1]**

Answer : Net decrease in working capital will increase the cash flow from operating activity as decrease in current assets will be added and increase in current assets will be deducted in it.

20. State any four limitations of 'Analysis of Financial Statements'. **[4]**

Answer : Limitations of Financial Statement Analysis :

(i) Financial statement analysis ignore the qualitative aspects of the business.

(ii) Different firms may follow different accounting policies. This may create difficulty in comparing the results of two different companies.

(iii) Financial statement anaysis are not free from bias.

(iv) The analysis of financial statement do not disclose the current worth of business *i.e.*, it ignores the price level changes.

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Accountancy 2017 (Delhi) SET I

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

1. Does partnership firm has a separate legal entity ? Give reason in support of your answer. **[1]**

Answer : No, according to law, the partners and partnership firm have no separate legal entities.

2. A and B were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 2. A surrendered ¼ of his share in favour of C. Calculate B's Sacrifice. **[1]**

Answer : B's sacrifice = B's old share – B's new share

$$= \frac{3}{7} - \frac{2}{7} = \frac{1}{7}$$

3. P and Q were partners in a firm sharing profits equally. Their fixed capitals were ₹ 1,00,000 and ₹ 50,000 respectively. The partnership deed provided for interest on capital at the rate of 10% per annum. For the year ended 31st March, 2016 the profits of the firm were distributed without providing Interest on Capital. Pass necessary adjustment entry to rectify the error. **[1]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 April 1	Q's Current A/c Dr. To P's Current A/c (Being adjustment of interest on capital omitted in previous year)		2,500	2,500

Working Note :

Adjustment Table

Particulars	P	Q	Total
Interest on capital	+ 10,000	+ 5,000	+ 15,000
Profits are taken back	– 7,500	– 7,500	– 15,000
Net Effect	+ 2,500 Cr.	– 2,500 Dr.	Nil

4. **X Ltd. invited applications for issuing 1,000, 9% debentures of ₹ 100 each at a discount of 6%. Applications for 1,200 debentures were received. Pro-rata allotment was made to all the applicants.**

Pass necessary Journal Entries for the issue of debentures assuming that the whole amount was payable with applications. **[1]**

Answer :

X Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Bank A/c Dr.		1,12,800	
	To 9% Debenture Application & Allotment A/c			1,12,800
	(Being application money received for 1,200 debentures @ ₹ 94 each)			
	9% Debenture Application & Allotment A/c Dr.		1,12,800	
	Discount on Issue of Debentures A/c Dr.		6,000	
	To 9% Debentures A/c			1,00,000
	To Bank A/c			18,800
	(Being 1,000, 9% Debentures alloted on pro-rata basis)			

5. **Y Ltd. forfeited 100 equity shares of ₹ 10 each for the non-payment of first call of ₹ 2 per share. The final call of ₹ 2 per share was yet to be made.**

Calculate the maximum amount of discount at which these shares can be re-issued. **[1]**

Answer : The maximum amount of discount at which these shares can be re-issued is ₹ 6 per share.

6. **Gupta and Sharma were partners in a firm. They wanted to admit two more members in the firm. List the categories of individuals other than minors who cannot be admitted by them.** **[1]**

Answer : (a) Persons of unsound mind.

(b) Insolvent persons.

(c) Person who has been disqualified by law.

7. **Jain Motors Ltd. converted its 200, 8% debentures of ₹ 100 each issued at a discount of 6% into equity shares of ₹ 10 each, issued at a premium of 25%. Discount on issue of 8% debentures has not yet been written off.**

Showing your working notes clearly pass necessary Journal Entries on conversion of 8% debentures into equity shares.** **[3]**

** Answer is not given due to change in the present syllabus.

8. Amar, Ram, Mohan and Sohan were partners in a firm sharing profits in the ratio of 2 : 2 : 2 : 1. On 31st January, 2017 Sohan retired. On Sohan's retirement the goodwill of the firm was valued at ₹ 70,000. The new profit sharing ratio between Amar, Ram and Mohan was agreed as 5 : 1 : 1.

Showing your working notes clearly, pass necessary Journal Entry for the treatment of goodwill in the books of the firm on Sohan's retirement. **[3]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2017 Jan. 31	Amar's Capital A/c Dr.		30,000	
	To Ram's Capital A/c			10,000
	To Mohan's Capital A/c			10,000
	To Sohan's Capital A/c			10,000
	(Being adjustment of goodwill is made on Sohan's retirement)			

Working Note :

Gaining Ratio = New Ratio – Old Ratio

$$\text{Amar} = \frac{5}{7} - \frac{2}{7} = \frac{3}{7} \text{ (Gain)}$$

$$\text{Ram} = \frac{1}{7} - \frac{2}{7} = \frac{-1}{7} \text{ (Sacrifice)}$$

$$\text{Mohan} = \frac{1}{7} - \frac{2}{7} = \frac{-1}{7} \text{ (Sacrifice)}$$

9. Z Ltd. purchased machinery from K Ltd. Z Ltd. paid K Ltd. as follows :

(i) By issuing 5,000 equity shares of ₹ 10 each at a premium of 30%.

(ii) By issuing 1000, 8% Debentures of ₹ 100 each at a discount of 10%.

(iii) Balance by giving a promissory note of ₹ 48,000 payable after two months.

Pass necessary journal entries for the purchase of machinery and payment to K Ltd. in the books of Z Ltd. **[3]**

Answer :

Z Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Machinery A/c Dr.		2,03,000	
	To K Ltd.			2,03,000
	(Being machinery purchased from K Ltd.)			
	K Ltd. Dr.		65,000	
	To Equity Share Capital A/c			50,000
	To Securities Premium Reserve A/c			15,000
	(Being 5,000 equity shares of ₹ 10 each issued at 30% premium)			

	K Ltd. Dr.		90,000	
	Discount on Issue of Debentures A/c Dr.		10,000	
	To 8% Debentures A/c			1,00,000
	(Being 1,000, 8% debentures of ₹ 100 each issued at 10% discount)			
	K Ltd. Dr.		48,000	
	To Bills Payable A/c			48,000
	(Being balance payment made by giving two months' Promissory note)			

10. Akash Ltd. is registered with an authorized capital of ₹ 8,00,00,000 divided into equity shares of ₹ 10 each. Subscribed and fully paid up share capital of the company was ₹ 4,00,00,000. For providing employment to the local youth and for the development of the rural areas of the Jammu and Kashmir State the company decided to set up a food processing unit in Anantnag district. The Company also decided to open skill development centres in Ladakh, Srinagar and Punch. To meet its new financial requirements the company decided to issue 1,00,000 equity shares of ₹ 10 each and 10,000, 9% debentures of ₹ 100 each. The debentures were redeemable after five years. The issue of equity shares and debentures was fully subscribed. A shareholder holding 1,000 shares failed to pay the final call of ₹ 2 per share.

Present the share capital in the Balance Sheet of the company as per the provisions of Schedule III of the Companies Act, 2013. Also, identify any two values that the company wishes to propagate. [3]**

11. Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. On 1st April, 2016 Kishore was admitted as a new partner for $\frac{1}{4}$th share in the profits. Kishore brought ₹ 2,00,000 for his capital which was to be kept fixed like the capitals of Karan and Varun. Kishore acquired his share of profit from Varun.

Calculate goodwill of the firm on Kishore's admission and the new profit sharing ratio of Karan, Varun and Kishore. Also, pass necessary Journal Entry for the treatment of Goodwill on Kishore's admission considering that Kishore did not bring his share of goodwill premium in Cash. [4]

Answer : (a) Calculation of Hidden Goowill :

Kishore's Capital = ₹ 2,00,000

Kishore's Share = ¼

Total Capital of Firm = $2,00,000 \times \frac{4}{1}$ = ₹ 8,00,000

Existing Capital of Karan, Varun and Kishore

= 2,00,000 + 3,00,000 + 2,00,000

= ₹ 7,00,000

Goodwill of the firm = 8,00,000 – 7,00,000

= ₹ 1,00,000

Thus, Kishore's share of Goodwill = $1,00,000 \times \frac{1}{4}$

= ₹ 25,000

** Answer is not given due to change in the present syllabus.

(b) Calculation of New Profit Sharing Ratio :

$$\text{Karan's new share} = \frac{1}{3} \text{ or } \frac{4}{12}$$

$$\text{Varun's new share} = \frac{2}{3} - \frac{1}{4} = \frac{5}{12}$$

$$\text{Kishore's share} = \frac{1}{4} \text{ or } \frac{3}{12}$$

$$\therefore \quad \text{New Ratio} = 4:5:3$$

(c) **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2016 April 1	Kishore's Current A/c Dr.		25,000	
	To Varun's Current A/c			25,000
	(Being goodwill credited to Varun on Kishore's admission)			

12. Sandeep, Mandeep and Amandeep were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2016 Mandeep died. The partnership deep provided that on the death of a partner his executors will be entitled to the following :

(1) Balance in his capital account and interest @ 12% p.a. on capital. On 1-4-2016 the balance in Mandeep's Capital Account was ₹ 1,00,000.

(2) His share in the profits of the firm in the year of his death which will be calculated on the basis of rate of net profit on sales of the previous year which was 25%. The sales of the firm till 30th September, 2016 were ₹ 9,00,000.

(3) His share in the goodwill of the firm. The goodwill of the firm on Mandeep's death was valued at ₹ 1,50,000.

The partnership deed also provided that the following deductions will be made from the amount payable to the executor of the deceased partner :

(1) His drawings in the year of his death. Mandeep's drawings till 30th September, 2016 were ₹ 4,000.

(2) Interest on drawings @ 6% per annum which was calculated as ₹ 120.

The accountant of the firm prepared Mandeep's Capital Account to be presented to the executor of Mandeep but in a hurry he left it incomplete. Mandeep's capital Account prepared by Accountant of the firm is shown below :

Mandeep's Capital Account

Dr. Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Sep. 30	....	4,000	April 1	....	1,00,000
Sep. 30	....	....	Sep. 30	....	600
Sep. 30	....	....	Sep. 30	....	90,000
			Sep. 30	....	40,000
			Sep. 30	....	20,000
		2,56,000			2,56,000

You are required to complete Mandeep's Capital Account. **[4]**

Answer :

Mandeep's Capital Account

Dr. **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016		
Sep. 30	To Drawings A/c	4,000	April 1	By Balance b/d	1,00,000
Sep. 30	To Interest on Drawings A/c	120	Sep. 30	By Interest on Capital A/c	6,000
Sep. 30	To Mandeep's Executor's A/c	2,51,880	Sep. 30	By P & L Suspense A/c	90,000
			Sep. 30	By Sandeep's Capital A/c	40,000
			Sep. 30	By Amandeep's Capital A/c	20,000
		2,56,000			**2,56,000**

13. S, T, U and V were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-4-2016 their Balance Sheet was as follows :

Balance Sheet of S, T, U and V as on 1-4-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	4,40,000
S	2,00,000		Current Assets	2,00,000
T	1,50,000			
U	1,00,000			
V	50,000	5,00,000		
Sundry Creditors		80,000		
Workmen Compensation Reserve		60,000		
		6,40,000		**6,40,000**

From the above date partners decided to share the future profits in 3 : 1 : 2 : 4 ratio. For this purpose the goodwill of the firm was valued at ₹ 90,000. The partners also agreed for the following :

(i) The claim for workmen compensation has been estimated at ₹ 70,000.

(ii) To adjust the capitals of the partners according to new profit sharing ratio by opening partners current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
		By Loss transferred to :		
To Workmen Compensation Claim A/c	10,000	S's Capital	4,000	
		T's Capital	3,000	
		U's Capital	2,000	
		V's Capital	1,000	10,000
	10,000			**10,000**

Dr. **Partners' Capital A/c** Cr.

Particulars	S	T	U	V	Particulars	S	T	U	V
To Revaluation A/c	4,000	3,000	2,000	1,000	By Balance b/d	2,00,000	1,50,000	1,00,000	50,000
To S's Cap. A/c	—	—	—	9,000	By V's Capital A/c	9,000	18,000	—	—
To T's Cap. A/c	—	—	—	18,000	By V's Current A/c	—	—	—	1,74,000
To Partner's Current A/c	58,000	1,16,000	—	—					
To Balance c/d	1,47,000	49,000	98,000	1,96,000					
	2,09,000	**1,68,000**	**1,00,000**	**2,24,000**		**2,09,000**	**1,68,000**	**1,00,000**	**2,24,000**

Balance Sheet

as at 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	80,000	Fixed Assets	4,40,000
Capitals :		Current Assets	2,00,000
S 1,47,000		V's Current A/c	1,74,000
T 49,000			
U 98,000			
V 1,96,000	4,90,000		
Workmen Compensation Claim	70,000		
Partner's Current A/c :			
S 58,000			
T 1,16,000	1,74,000		
	8,14,000		**8,14,000**

14. On 1-4-2015 K. K. Ltd. issued 500, 9% Debentures of ₹ 500 each at a discount of 4%, redeemable at a premium of 5% after three years.

Pass necessary Journal Entries for the issue of debentures and debenture interest for the year ended 31-3-2016 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year. **[6]**

Answer :

K. K. Ltd.

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr. To 9% Debenture Application & Allotment A/c (Being application money received)		2,40,000	2,40,000

April 1	9% Debenture Application & Allotment A/c Dr.		2,40,000	
	Discount on Issue of Debenture A/c Dr.		10,000	
	Loss on Issue of Debenture A/c Dr.		12,500	
	To 9% Debentures A/c			2,50,000
	To Premium on Redemption of Debentures A/c			12,500
	(Being transfer of application money issued at discount of 4% and redeemable at premium of 5%)			
Sep. 30	Debenture Interest A/c Dr.		11,250	
	To Debenture holders A/c			10,125
	To TDS Payable A/c			1,125
	(Being interest payable on 9% debentures & tax deducted at source @ 10%)			
Sep. 30	Debenture holders A/c Dr.		10,125	
	TDS Payable A/c Dr.		1,125	
	To Bank A/c			11,250
	(Being interest and TDS paid)			
2016 Mar. 31	Debenture Interest A/c Dr.		11,250	
	To Debenture holders A/c			10,125
	To TDS Payable A/c			1,125
	(Being interest payable on 9% debentures & tax deducted at source @ 10%)			
Mar. 31	Debentureholders A/c Dr.		10,125	
	TDS Payable A/c Dr.		1,125	
	To Bank A/c			11,250
	(Being interest and TDS paid)			
Mar. 31	Statement of Profit & Loss Dr.		22,500	
	To Debenture Interest A/c			22,500
	(Being interest on debentures transferred to Statement of Profit and Loss)			

15. Pass necessary Journal Entries on the dissolution of a partnership firm in the following cases :

(iv) L, a partner, was appointed to look after the dissolution process for which he was given a remuneration of ₹ 10,000.

(ii) Dissolution expenses ₹ 8,000 were paid by the partner, M.

(iii) Dissolution Expenses were ₹ 5,000.

(iv) P, a partner, was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 7,000. P agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,000 were paid by P.

(v) N, a partner, was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 9,000. N agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,000 were paid by the firm.

(vi) Q, a partner was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 18,000. Q agreed to take over stock worth ₹ 18,000 as his remuneration. The stock had already been transferred to Realisation Account. **[6]**

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr. To L's Capital A/c (Being remuneration given to L)		10,000	10,000
(ii)	Realisation A/c Dr. To M's Capital A/c (Being dissolution expenses paid by partner)		8,000	8,000
(iii)	Realisation A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid)		5,000	5,000
(iv)	Realisation A/c Dr. To P's Capital A/c (Being dissolution expenses paid P and remuneration paid by firm)		7,000	7,000
(v)	Realisation A/c Dr. To N's Capital A/c (Being dissolution expenses paid by N and remuneration paid by firm)		9,000	9,000 4,000
	N's capital A/c Dr. To Bank/Cash A/c (Being dissolution expenses paid by the firm on behalf of the partner)		4,000	4,000
(vi)	No entry			

16. W and R are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2016 was as follows :

Balance Sheet of W and R as on 31-3-2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding Salary	3,000	Stock	20,000
General Reserve	5,000	Furniture	40,000
Capitals :		Plant & Machinery	40,000
W 60,000			
R 40,000	1,00,000		
	1,30,000		**1,30,000**

On the above date C was admitted for $\frac{1}{6}$ th share in the profits on the following terms :

(i) C will bring ₹ 30,000 as his capital and ₹ 10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.

(ii) Debtors ₹ 1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.

(iii) Outstanding salary will be paid off.

(iv) Stock will be depreciated by 10%, furniture by ₹ 500 and Plant and Machinery by 8%.

(v) Investments ₹ 2,500 not mentioned in the balance sheet were to be taken into account.

(vi) A creditor of ₹ 2,100 not recorded in the books was to be taken into account.

Pass necessary Journal Entries for the above transactions in the books of the firm on C's admission.

OR

M, N and G were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31-3-2016 their Balance Sheet was as under :

Balance Sheet of M, N and G as on 31-3-2016

Liabilities			Amount (₹)	Assets		Amount (₹)
Creditors			55,000	Cash		40,000
General Reserve			30,000	Debtors	45,000	
Capitals :				*Less* : Provision	5,000	40,000
	M	1,50,000		Stock		50,000
	N	1,25,000		Machinery		1,50,000
	G	75,000	3,50,000	Patents		30,000
				Building		1,00,000
				Profit & Loss A/c		25,000
			4,35,000			4,35,000

M retired on the above date and it was agreed that :

(i) Debtors of ₹ 2,000 will be written off as bad debts and provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.

(iii) An unrecorded creditor of ₹ 10,000 will be taken into account.

(iv) N and G will share the future profits in the ratio of 2 : 3.

(v) Goodwill of the firm on M's retirement was valued at ₹ 3,00,000.

Pass necessary Journal Entires for the above transactions in the books of the firm on M's retirement. [8]

Answer :

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c	Dr.		5,000	
	To W's Capital A/c				3,000
	To R's Capital A/c				2,000
	(Being General Reserve distributed among old partners)				
	Cash A/c	Dr.		40,000	
	To C's Capital A/c				30,000
	To Premium for Goodwill A/c				10,000
	(Being cash for capital & goodwill received from C)				

	Premium for Goodwill A/c Dr.		10,000	
	To W's Capital A/c			6,000
	To R's Capital A/c			4,000
	(Being premium for goodwill distributed among old partners in their sacrificing ratio)			
	W's Capital A/c Dr.		3,000	
	R's Capital A/c Dr.		2,000	
	To Cash A/c			5,000
	(Being half goodwill withdrawn by W and R)			
	Bad Debts A/c Dr.		1,500	
	To Debtors A/c			1,500
	(Being debtors written off)			
	Provision for Bad and Doubtful Debts A/c Dr.		1,500	
	To Bad Debts A/c			1,500
	(Being provision utilised for writing off bad debts)			
	Revaluation A/c Dr.		8,125	
	To Provision for Bad Debts A/c			325
	To Stock A/c			2,000
	To Furniture A/c			500
	To Plant and Machinery A/c			3,200
	To Creditors A/c			2,100
	(Being assets and liabilities revalued)			
	Outstanding Salary A/c Dr.		3,000	
	To Cash A/c			3,000
	(Being outstanding salary paid)			
	Investments A/c Dr.		2,500	
	To Revaluation A/c			2,500
	(Being increase in investments recorded)			
	W's Capital A/c Dr.		3,375	
	R's Capital A/c Dr.		2,250	
	To Revaluation A/c			5,625
	(Being loss on revaluation transferred to Partner's Capital A/c)			

OR

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	General Reserve A/c Dr.		30,000	
	To M's Capital A/c			15,000
	To N's Capital A/c			9,000
	To G's Capital A/c			6,000
	(Being general reserve distributed among partners)			

	M's Capital A/c Dr. N's Capital A/c Dr. G's Capital A/c Dr. To Profit & Loss A/c (Being accumulated losses divided among partners)		12,500 7,500 5,000	 25,000
	Bad Debts A/c Dr. To Debtors A/c (Being debtors of ₹ 2,000 written off)		2,000	 2,000
	Provision for Bad Debts A/c Dr. To Bad Debts A/c (Being provision utilized for writing off bad debts)		2,000	 2,000
	Provision for Bad & Doubtful Debt A/c Dr. To Revaluation A/c (Being excess provision transferred to Revaluation A/c)		850	 850
	Revaluation A/c Dr. To Patents A/c To Stock A/c To Machinery A/c To Building A/c To Creditors A/c (Being assets and liabilities revalued)		55,000	 30,000 2,500 7,500 5,000 10,000
	M's Capital A/c Dr. N's Capital A/c Dr. G's Capital A/c Dr. To Revaluation A/c (Being loss on revaluation transferred to partners capital A/c)		27,075 16,245 10,830	 54,150
	N's Capital A/c Dr. G's Capital A/c Dr. To M's Capital A/c (Being goodwill adjusted on M's retirement)		30,000 1,20,000	 1,50,000
	M's Capital A/c Dr. To M's Loan A/c (Being M's Capital's balance transferred to M's Loan A/c)		2,75,425	 2,75,425

17. AXN Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On Application ₹ 4 per share (including ₹ 2 premium)

On Allotment ₹ 5 per share (including ₹ 2 premium)

On First Call ₹ 4 per share (including ₹ 2 premium)

On Second and Final Call - Balance Amount.

The issue was fully subscribed.

Kumar the holder of 400 shares did not pay the allotment money and Ravi the holder of 1,000 shares paid his entire share money alongwith allotment money. Kumar's shares were forfeited immediately after allotment. Afterwards first call was made. Gupta a holder of 300 shares failed to pay the first call money and Gopal a holder of 600 shares paid the second call money also alongwith first call. Gupta's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.

All the forfeited shares were re-issued at ₹ 9 per share fully paid up.

Pass necessary Journal Entries for the above transactions in the books of the company.

OR

XL Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at par. The amount was payable as follows :

On Application ₹ 3 per share.

On Allotment ₹ 4 per share.

On First and Final call ₹ 3 per share.

The issue was over-subscribed by three times. Applications for 20% shares were rejected and the money refunded. Allotment was made to the remaining applicants as follows :

Category	No. of Shares Applied	No. of Shares Alloted
I	1,60,000	80,000
II	80,000	20,000

Excess money received with applications was adjusted towards sums due on allotment and first and final call. All calls were made and were duly received except the final call by a shareholder belonging to Category I who has applied for 320 shares. His shares were forfeited. The forfeited shares were re-issued at ₹ 15 per share fully paid up.

Pass necessasry Journal entries for the above transactions in the book of XL Ltd. open calls in arrears and calls in advance account whenever required. [8]

Answer :

AXN Ltd.

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		4,00,000	
	To Equity Share Application A/c				4,00,000
	(Being application money received)				
	Equity Share Application A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				2,00,000
	To Securities Premium Reserve A/c				2,00,000
	(Being application money transferred)				

	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being share allotment money due)		5,00,000	 3,00,000 2,00,000
	Bank A/c Dr. To Equity Share Allotment A/c To Calls in Advance A/c (Being allotment money received except on 400 shares and calls in advance received)		5,05,000	 4,98,000 7,000
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Equity Share Allotment A/c (Being 400 shares forfeited)		2,000 800	 800 2,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being first call money due on 99,600 shares)		3,98,400	 1,99,200 1,99,200
	Bank A/c Dr. Calls-in-Advance A/c Dr. To Equity Share First Call A/c To Calls-in-Advance A/c (Being first call money and calls-in-advance received, advance received earlier adjusted)		3,95,000 4,000	 3,97,200 1,800
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Equity Share First Call A/c (Being 300 shares forfeited)		2,100 600	 1,500 1,200
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Being second and final call due on 99,300 Shares)		2,97,900	 2,97,900
	Bank A/c Dr. Calls-in-Advance A/c Dr. To Equity Share Second & Final Call A/c (Being second and final call money received and advance adjusted)		2,93,100 4,800	 2,97,900
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being forfeited shares re-issued)		6,300 700	 7,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on re-issue on forfeited shares transferred to capital reserve)		1,600	 1,600

OR

XL Ltd.

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		9,00,000	
	To Equity Share Application A/c				9,00,000
	(Being application money received)				
	Equity Share Application A/c	Dr.		9,00,000	
	To Equity Share Capital A/c				3,00,000
	To Bank A/c				2,20,000
	To Equity Share Allotment A/c				3,20,000
	To Calls-in-Advance A/c				60,000
	(Being application money transferred)				
	Equity Share Allotment A/c	Dr.		4,00,000	
	To Equity Share Capital A/c				4,00,000
	(Being share allotment due)				
	Bank A/c	Dr.		80,000	
	To Equity Share Allotment A/c				80,000
	(Being allotment money received)				
	Equity Share First and Final Call A/c	Dr.		3,00,000	
	To Equity Share Capital A/c				3,00,000
	(Being first and final call money due)				
	Bank A/c	Dr.		2,39,520	
	Calls-in-Arrears A/c	Dr.		480	
	Calls-in-Advance A/c	Dr.		60,000	
	To Equity Share First & Final Call A/c				3,00,000
	(Being money received on first & final call)				
	Equity Share Capital A/c	Dr.		1,600	
	To Share Forfeiture A/c				1,120
	To Call-in-Arrears A/c				480
	(Being 160 shares forfeited)				
	Bank A/c	Dr.		2,400	
	To Equity Share Capital A/c				1,600
	To Securities Premium Reserve A/c				800
	(Being forfeited shares re-issued)				
	Share Forfeiture A/c	Dr.		1,120	
	To Capital Reserve A/c				1,120
	(Being gain on re-issue of shares transferred to Capital Reserve A/c)				

PART B
(Analysis of Financial Statements)

18. Short term investments are not considered while preparing cash flow statement. Why ? [1]

Answer : Short term investments are not considered while preparing cash flow statement as they are part of Cash Cash Equivalents.

19. Net increase in working capital other than cash and cash equivalents will increase, decrease or not change cash flow from operating activities. Give reason in support of your answer. [1]

Answer : It will decrease because net increase in working capital implies the outflow of cash from operating activities.

21. The Quick ratio of a company is 0.8 : 1. State with reason whether the following transactions will increase, decrease or not change the quick ratio :

(1) Purchase of loose tools ₹ 2,000.

(2) Insurance premium paid in advance ₹ 500.

(3) Sale of goods on credit ₹ 3,000.

(4) Honoured a bills payable ₹ 5,000 on maturity. **[4]**

Answer :

Transactions	Effect on Quick Ratio	Reasons
(i) Purchase of loose tools	Decrease	Quick assets decreases but no change in current liabilities.
(ii) Insurance premium paid in advance	Decrease	Quick assets decreases but no change in current liabilities.
(iii) Sale of goods on credit	Increase	Quick assets increases but no change in current liabilities.
(iv) Honoured a bills payable on maturity	Decrease	Quick assets and current liabilities both decreases by same amount.

22. Financial statements are prepared following the consistent accounting concepts, principles, procedures and also the legal environment in which the business organizations operate. These statements are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a company so that their users can easily understand and use them in their economic decisions in a meaningful way.

From the above statement identify any two values that a company should observe while preparing its financial statements. Also state under which major headings and sub-headings the following items will be presented in the balance sheet of a company as per Schedule III of the Companies Act, 2013.

General Reserves, short term loans and advances, Capital work in progress and design. ** **[4]**

23. Following is the Balance Sheet of R.S. Ltd. as at 31st March, 2016 :

R.S. Ltd. Balance Sheet as at 31-3-2016

Particulars	Note No.	31-3-2016 (₹)	31-3-2015 (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital		9,00,000	7,00,000
(b) Reserves and Surplus	1	2,50,000	1,00,000
(2) Non-current Liabilities			
Long-term Borrowings	2	4,50,000	3,50,000
(3) Current Liabilities			
(a) Short-term Borrowings	3	1,50,000	75,000
(b) Short-term Provisions	4	2,00,000	1,25,000
Total		**19,50,000**	**13,50,000**

**** Answer is not given due to change in the present syllabus.**

II. Assets			
(1) Non-current Assets			
(a) Fixed Assets			
(i) Tangible	5	14,65,000	9,15,000
(ii) Intangible	6	1,00,000	1,50,000
(b) Non-current Investments		1,50,000	1,00,000
(2) Current Assets			
(a) Current Investments		40,000	70,000
(b) Inventories	7	1,22,000	72,000
(c) Cash and Cash Equivalents		73,000	43,000
Total		**19,50,000**	**13,50,000**

Notes to Accounts :

Note No.	Particulars	31-3-2016 (₹)	31-3-2015 (₹)
1.	**Reserves and Surplus** (Surplus *i.e.*, Balance in the Statement of Profit and Loss)	2,50,000	1,00,000
		2,50,000	**1,00,000**
2.	**Long-term Borrowings** – 12% Debentures	4,50,000	3,50,000
		4,50,000	**3,50,000**
3.	**Short-term Borrowings** – Bank Overdraft	1,50,000	75,000
		1,50,000	**75,000**
4.	**Short-term Provisions** – Proposed Dividend	2,00,000	1,25,000
		2,00,000	**1,25,000**
5.	**Tangible Assets**		
	Machinery	16,75,000	10,55,000
	Accumulated Depreciation	(2,10,000)	(1,40,000)
		14,65,000	**9,15,000**
6.	**Intangible Assets**		
	Goodwill	1,00,000	1,50,000
		1,00,000	**1,50,000**
7.	**Inventories**		
	Stock in Trade	1,22,000	72,000
		1,22,000	**72,000**

Additional Information :

(1) ₹ 1,00,000, 12% Debentures were issued on 31-3-2016.

(2) During the year a piece of machinery costing ₹ 80,000, on which accumulated depreciation was ₹ 40,000, was sold at a loss of ₹ 10,000.

Prepare a Cash Flow Statement. **[6]**

Answer : **Cash Flow Statement of R.S. Ltd.**

for the year ended 31st March, 2016

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities :		
Net profit before tax and extraordinary items (Note 1)	3,50,000	3,50,000
Add : *Non Cash* and *Non Operating Items :*		
Goodwill written off	50,000	
Depreciation on Machinery	1,10,000	
Interest on Debentures	42,000	
Loss on sale of Machinery	10,000	2,12,000
Operating profit before working capital changes		5,62,000
Less : Increase in Inventories	(50,000)	(50,000)
Net Cash Inflow from Operating Activities		5,12,000
B. Cash Flow from Investing Activities :		
Purchase of Machinery	(7,00,000)	
Sale of Machinery	30,000	
Purchase of non current Investments	(50,000)	
Net Cash used in Investing Activities		(7,20,000)
C. Cash Flow from Financing Activities :		
Issue of Share Capital	2,00,000	
Issue of 12% Debentures	1,00,000	
Interest on debentures paid	(42,000)	
Dividend paid	(1,25,000)	
Bank Overdraft raised	75,000	
Net Cash Inflow from Financing Activities		2,08,000
Net increase/decrease in Cash and Cash Equivalents (A + B + C)		Nil
Add : Opening Balance of Cash and Cash Equivalents (70,000 + 43,000)		1,13,000
Closing Balance of Cash and Cash Equivalents		1,13,000

Working Notes :

Calculation of Net profit before tax :

Net Profit as per Statement of P & L	1,50,000
Add : Proposed Dividend	2,00,000
Net Profit before tax and extraordinary items	3,50,000

Machinery A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,55,000	By Cash A/c	30,000
To Cash A/c (Purchases) (Bal. Fig.)	7,00,000	By Statement of P & L	10,000
		By Accumulated Depreciation A/c	40,000
		By Balance c/d	16,75,000
	17,55,000		**17,55,000**

Accumulated Depreciation A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	40,000	By Balance b/d	1,40,000
To Balance c/d	2,10,000	By Statement of P & L (Bal. Fig.)	1,10,000
	2,50,000		**2,50,000**

Accountancy 2017 (Delhi) SET II

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A

(Accounting for Partnership Firms and Companies)

7. XXL Ltd. converted its 500, 9% debentures of ₹ 100 each issued at a discount of 8% into equity shares of ₹ 10 each issued at a premium of 25%. Discount on issue of debentures has not yet been written off.
Showing your workings clearly pass necessary Journal Entries on conversion of 9% debentures into equity shares.** **[3]**

8. A, B, C and D were partners in a firm sharing profits in 3 : 3 : 3 : 1 ratio. On 31st January, 2017 D retired. A, B and C decided to share future profits in the ratio of 5 : 1 : 1. On D's retirement the goodwill of the firm was valued at ₹ 4,90,000.
Showing your working notes clearly pass necessary Journal Entry for the treatment of goodwill in the books of the firm on D's retirement. **[3]**

Answer : **Journal**

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	A's Capital A/c Dr. To B's Capital A/c To C's Capital A/c To D's Capital A/c (Being adjustment of goodwill on D's retirement)		2,03,000	 77,000 77,000 49,000

** **Answer is not given due to change in the present syllabus.**

Working Note :

Gaining Ratio = New Ratio – Old Ratio

$$A = \frac{5}{7} - \frac{3}{10} = \frac{50-21}{70} = \frac{29}{70} \text{ (Gain)}$$

$$B = \frac{1}{7} - \frac{3}{10} = \frac{10-21}{70} = \frac{-11}{70} \text{ (Sacrifice)}$$

$$C = \frac{1}{7} - \frac{3}{10} = \frac{10-21}{70} = \frac{-11}{70} \text{ (Sacrifice)}$$

13. Ram, Mohan, Sohan and Hari were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-4-2016 their Balance Sheet was as follows :

Balance Sheet of Ram, Mohan, Sohan and Hari as on 1-4-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	9,00,000
Ram	4,00,000		Current Assets	5,20,000
Mohan	4,50,000			
Sohan	2,50,000			
Hari	2,00,000	13,00,000		
Workmen Compensation Reserve		1,20,000		
		14,20,000		**14,20,000**

From the above date the partners decided to share the future profits in the ratio of 1 : 2 : 3 : 4. For this purpose the goodwill of the firm was valued at ₹ 1,80,000. The partners also agreed for the following :

(1) The claim for workmen compensation has been estimated at ₹ 1,50,000.

(2) Adjust the capitals of the partners according to new profit sharing ratio by opening partner's current accounts.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer : **Dr.** **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Workmen Compensation Claim A/c	30,000	By Loss transferred to Capital A/c		
		Ram	12,000	
		Mohan	9,000	
		Sohan	6,000	
		Hari	3,000	30,000
	30,000			**30,000**

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Ram	Mohan	Sohan	Hari	Particulars	Ram	Mohan	Sohan	Hari
To Revaluation A/c	12,000	9,000	6,000	3,000	By Balance b/d	4,00,000	4,50,000	2,50,000	2,00,000
To Ram's Capital A/c	—	—	13,500	40,500	By Sohan's Capital A/c	13,500	4,500	—	—
To Mohan's Capital A/c	—	—	4,500	13,500	By Hari's Capital A/c	40,500	13,500	—	—
To Partner's Current A/c	3,15,000	2,05,000	—	—	By Partner's Current A/c	—	—	1,55,000	3,65,000
To Balance c/d	1,27,000	2,54,000	3,81,000	5,08,000					
	4,54,000	**4,68,000**	**4,05,000**	**5,65,000**		**4,54,000**	**4,68,000**	**4,05,000**	**5,65,000**

Balance sheet as at 31st March, 2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Fixed Assets		9,00,000
Ram	1,27,000		Current Assets		5,20,000
Mohan	2,54,000		Partner's Current A/c :		
Sohan	3,81,000		Sohan	1,55,000	
Hari	5,08,000	12,70,000	Hari	3,65,000	5,20,000
Workmen Compensation Claim		1,50,000			
Partner's Current A/c :					
Ram	3,15,000				
Mohan	2,05,000	5,20,000			
		19,40,000			19,40,000

14. **On 1-4-2015 V.V.L. Ltd. issued 1,000, 9% debentures of ₹ 100 each at a discount of 6%, redeemable at a premium of 10% after three years.**

Pass necessary journal entires for the issue of debentures and debenture interest for the year ended 31-3-2016, assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year. **[6]**

Answer :

V.V.L. Ltd.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr.		94,000	
	To 9% Debenture Application & Allotment A/c			94,000
	(Being application money received)			
April 1	9% Debenture Application & Allotment A/c Dr.		94,000	
	Discount on Issue of Debentures A/c Dr.		6,000	
	Loss on Issue of Debentures A/c Dr.		10,000	
	To 9% Debentures A/c			1,00,000
	To Premium on Redemption of Debentures A/c			10,000
	(Being transfer of application money to debentures account issued at discount and redeemable at premium)			
Sep. 30	Debenture Interest A/c Dr.		4,500	
	To Debentureholders A/c			4,050
	To TDS Payable A/c			450
	(Being interest payable on debentures and tax deducted @ 10%)			
Sep. 30	Debentureholders A/c Dr.		4,050	
	TDS Payable A/c Dr.		450	
	To Bank A/c			4,500
	(Being interest and TDS paid)			

2016 Mar. 31	Debenture Interest A/c Dr.		4,500	
	To Debentureholders A/c			4,050
	To TDS Payable A/c			450
	(Being interest payable on debentures & tax deducted @ 10%)			
Mar. 31	Debentureholders A/c Dr.		4,050	
	TDS Payable A/c Dr.		450	
	To Bank A/c			4,500
	(Being interest and TDS paid)			
Mar. 31	Statement of Profit & Loss Dr.		9,000	
	To Debenture Interest A/c			9,000
	(Being interest on debentures transferred to Statement of Profit and Loss)			

PART B
(Analysis of Financial Statements)

19. 'Payment and Receipt of interest and dividend' is classified as which type of activity while preparing cash flow statement ? **[1]**

Answer : • Payment of Interest and Dividend — Financing Activity.
• Receipt of Interest and Dividend – Investing Activity.

●●

Accountancy 2017 (Delhi) SET III

Time allowed : 3 hours **Maximum marks : 80**

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

PART A
(Accounting for Partnership Firms and Companies)

13. P, Q, R and S were partners in a firm sharing profits in the ratio of 1 : 4 : 2 : 3. On 1-4-2016 their Balance Sheet was as follows :

Balance Sheet of P, Q, R and S as on 1-4-2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Fixed Assets	12,70,000
P 2,00,000		Current Assets	5,30,000
Q 3,00,000			
R 4,00,000			
S 5,00,000	14,00,000		
Sundry Creditors	2,30,000		
Workmen Compensation Reserve	1,70,000		
	18,00,000		**18,00,000**

From the above date the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,70,000.

The partners also agreed for the following :

(i) Claim against workmen compensations reserve was estimated at ₹ 2,00,000.

(ii) Capitals of the partners was to be adjusted according to the new profit sharing ratio by bringing or paying cash as the case may be.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. **[6]**

Answer :

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Workmen Compensation Claim A/c	30,000	By Loss transferred to Capital A/c	
		P 3,000	
		Q 12,000	
		R 6,000	
		S 9,000	30,000
	30,000		**30,000**

Dr. **Partners' Capital A/c** **Cr.**

Particulars	P	Q	R	S	Particulars	P	Q	R	S
To Revaluation A/c	3,000	12,000	6,000	9,000	By Balance b/d	2,00,000	3,00,000	4,00,000	5,00,000
To Q's Capital A/c	30,375	—	10,125	—	By P's Capital A/c	—	30,375	—	10,125
To S's Capital A/c	10,125	—	3,375	—	By R's Capital A/c	—	10,125	—	3,375
To Cash A/c	—	—	38,000	1,62,000	By Cash A/c	1,86,000	14,000	—	—
To Balance c/d	3,42,500	3,42,500	3,42,500	3,42,500					
	3,86,000	**3,54,500**	**4,00,000**	**5,13,500**		**3,86,000**	**3,54,500**	**4,00,000**	**5,13,500**

Balance Sheet as at 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Fixed Assets	12,70,000
P 3,42,500		Current Assets	5,30,000
Q 3,42,500			
R 3,42,500			
S 3,42,500	13,70,000		
Workmen Compensation Claim	2,00,000		
Sundry Creditors	2,30,000		
	18,00,000		**18,00,000**

14. On 1-4-2015 PVR Ltd. issued 750, 11% debentures of ₹ 1,000 each at a discount of 5%, redeemable at a premium of 10% after three years. Interest on debentures is payable on 30th September and 31st March. PVR Ltd. closes its books on 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary Journal Entries for the issue of debentures and the payment of interest for the year ended 31st March, 2016. **[6]**

Answer :

PVR LTD.
Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
2015 April 1	Bank A/c Dr.		7,12,500	
	To 11% Debenture Application and Allotment A/c			7,12,500
	(Being application money received)			
April 1	11% Debenture Application and Allotment A/c Dr.		7,12,500	
	Discount on Issue of Debentures A/c Dr.		37,500	
	Loss on Issue of Debentures A/c Dr.		75,000	
	To 11% Debentures A/c			7,50,000
	To Premium on Redemption of Debentures A/c			75,000
	(Being transfer of application money to debentures account issued at discount and redeemable at premium)			
Sep. 30	Debenture Interest A/c Dr.		41,250	
	To Debentureholders A/c			37,125
	To TDS Payable A/c			4,125
	(Being interest payable on 11% debentures and tax deducted at source 10%)			
Sep. 30	Debentureholders A/c Dr.		37,125	
	TDS Payable A/c Dr.		4,125	
	To Bank A/c			41,250
	(Being interest and TDS paid)			
2016 Mar. 31	Debenture Interest A/c Dr.		41,250	
	To Debentureholders A/c			37,125
	To TDS Payable A/c			4,125
	(Being interest payable on debentures and tax deducted at source 10%)			
Mar. 31	Debentureholders A/c Dr.		37,125	
	TDS Payable A/c Dr.		4,125	
	To Bank A/c			41,250
	(Being interest and TDS paid)			
Mar. 31	Statement of Profit & Loss Dr.		82,500	
	To Debenture Interest A/c			82,500
	(Being interest transferred to Statement of Profit and Loss)			

15. Pass necessary Journal Entries on the dissolution of a firm in the following cases.

(i) Dharam, a partner, was appointed to look after the process of dissolution at a remuneration of ₹ 12,000 and he had to bear the dissolution expenses. Dissolution expenses ₹ 11,000 were paid by Dharam.

(ii) Jay, a partner, was appointed to look after the process of dissolution and was allowed a remuneration of ₹ 15,000. Jay agreed to bear dissolution expenses. Actual dissolution expenses ₹ 16,000 were paid by Vijay another partner on behalf of Jay.

(iii) Deepa, a partner, was to look after the process of dissolution and for this work she was allowed a remuneration of ₹ 7,000. Deepa agreed to bear dissolution expenses. Actual dissolution expenses ₹ 6,000 were paid from the firm's bank account.

(iv) Dev, a partner, agreed to do the work of dissolution for ₹ 7,500. He took away stock of the same amount as his commission. The stock had already been transferred to realisation account.

(v) Jeev, a partner, agreed to do the work of dissolution for which he was allowed a commision of ₹ 10,000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Jeev were ₹ 12,000. These expenses were paid by Jeev by drawing cash from the firm.

(vi) A debtor of ₹ 8,000 already transferred to realization account agreed to pay the realizations expenses of ₹ 7,800 in full settlement of his account. [6]

Answer :

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
(i)	Realisation A/c Dr.		12,000	
	To Dharam's Capital A/c			12,000
	(Being remuneration given to Dharam)			
(ii) (a)	Realisation A/c Dr.		15,000	
	To Jay's Capital A/c			15,000
	(Being remuneration given to Jay)			
(b)	Jay's Capital A/c Dr.		16,000	
	To Vijay's Capital A/c			16,000
	(Being dissolution expenses paid by Vijay on behalf of Jay)			
(iii) (a)	Realisation A/c Dr.		7,000	
	To Deepa's Capital A/c			7,000
	(Being remuneration given to Deepa)			
(b)	Deepa's Capital A/c Dr.		6,000	
	To Bank A/c			6,000
	(Being the dissolution expenses paid by firm on behalf of Deepa)			
(iv)	No Entry			
(v) (a)	Realisation A/c Dr.		10,000	
	To Jeev's Capital A/c			10,000
	(Being remuneration given to Jeev)			
(b)	Jeev's Capital A/c Dr.		12,000	
	To Cash A/c			12,000
	(Being expenses paid by firm on behalf of partner)			
(vi)	No Entry			

PART B
(Analysis of Financial Statements)

18. 'Cheques and drafts in hand' are not considered while preparing cash flow statement. Why ? **[1]**

Answer : Cheques and drafts in hand are not considered while preparing Cash Flow Statement as they and are part of Cash and Cash Equivalents only.

19. State any two advantages of preparing cash flow statement. **[1]**

Answer : Two advantages of Cash Flow Statement :

(i) Useful for short term financial planning.

(ii) Helps investors and creditors to evaluate management decisions.

20. State any two limitations and any two objectives of 'Analysis of Financial Statement'. **[4]**

Answer : Two limitations of Financial Statement Analysis :

(i) It ignores qualitative aspects of the business.

(ii) It ignores price level changes.

Two objectives of Financial Statement Analysis :

(i) Assessing the earning capacity of the firm.

(ii) Assessing the managerial efficiency.

