Class XII Session 2025-26
Subject - Accountancy
Sample Question Paper - 2

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. **Part - A is compulsory for all candidates**.
4. Part - B has two options i.e. **(i) Analysis of Financial Statements and (ii) Computerised Accounting**. Students must attempt only one of the given options.
5. Question 1 to 16 and 27 to 30 carries 1 mark each.
6. Questions 17 to 20, 31and 32 carries 3 marks each.
7. Questions from 21 ,22 and 33 carries 4 marks each
8. Questions from 23 to 26 and 34 carries 6 marks each
9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks**.

Part A:- Accounting for Partnership Firms and Companies

1. X and Y are partners in the ratio of 3 : 2. Their capitals are ₹ 2,00,000 and ₹ 1,00,000 respectively. Interest on capitals is allowed @ 8% p.a. Firm earned a profit of ₹ 15,000 for the year ended 31st March 2023. Interest on Capital will be: **[1]**

   a) X ₹ 16,000; Y ₹ 8,000
   b) No Interest will be allowed
   c) X ₹ 10,000; Y ₹ 5,000
   d) X ₹ 9,000; Y ₹ 6,000

   OR

   Yogesh is a partner in a firm. His drawings during the year ended 31st March, 2023 were ₹ 72,000. If interest on drawings is charged @ 9% p.a. the interest charged will be:

   a) ₹ 324
   b) ₹ 6,480
   c) ₹ 648
   d) ₹ 3,240

2. **Assertion (A):** The capital account of a partner does not show a debit balance in spite of regular and consistent losses year after year. **[1]**

   Reason (R): All transactions relating to loss of profit, drawings, salaries, etc are shown in the current account and not in the capital account in case of fixed capital.

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

c) A is true but R is false.

d) A is false but R is true.

3. 2000 shares of ₹ 10 each issued at a premium of ₹ 2 per share, were forfeited for non payment of ₹ 2 per share on final call. **[1]**

Share Capital Account will be Debited with (At the time of forfeiture):

a) 20000

b) 4000

c) 24000

d) 16000

OR

Zinki Limited forfeited a share of ₹ 100 issued at a premium of 20% for non-payment of first call of ₹ 30 per share and final call of ₹ 10 per share. The minimum price at which this share can be reissued is:

a) ₹ 100

b) ₹ 40

c) ₹ 60

d) ₹ 20

4. That part of called-up capital which has been actually received from his shareholders is known as **[1]**

a) Issued Capital

b) Nominal Capital

c) Paid-up Capital

d) Reserve Capital

OR

Debentures issued as collateral security will be debited to:

a) Bank Loan Account

b) Debentures Account

c) Debentures Suspense Account

d) Bank Account

5. New profit sharing ratio means **[1]**

a) All partner (excluding old) share future profit and losses

b) Two partner (including new) share future profit and losses

c) Partners will share future profits equally

d) All partner(including new) share future profit and losses in this new ratio

6. Self-generated goodwill is calculated when: **[1]**

a) At the time of change in profit sharing ratio among the existing partners

b) At the time of Admission Retirement/death of a partner

c) All of these

d) Amalgamation takes place

7. Rita and Usha were partners in a firm sharing profits and losses in the ratio of 3 : 5. During the year Usha withdrew ₹ 15,000 at the end of each month. Interest on drawings is to be charged @ 8% p.a. The average period for the calculation of interest on drawings will be: **[1]**

a) $5\frac{1}{2}$ months

b) $6\frac{1}{2}$ months

c) 6 months

d) $4\frac{1}{2}$ months

8. P, Q and R were partners sharing profits in the ratio of their Capital contribution which were ₹ 6,00,000; ₹ 4,00,000 and ₹ 5,00,000 respectively. Their books are closed on 31st March every year. P dies on 24th August, 2023. Under the partnership deed, deceased partner is entitled to his share of profit/loss to the date of death based on the average profits of preceding three years. Profits were 2020 ₹ 50,000; 2021 ₹ 1,80,000 (Loss); 2022 ₹ 30,000 and 2023 ₹ 60,000. P's share of profit/loss will be: **[1]**

a) (₹ 3,200)

b) (₹ 6,400)

c) (₹ 12,000)

d) (₹ 4,800)

OR

What journal entry will be recorded for deceased partner's share in profit from the closure of last balance sheet till the date of his death?

a)

Deceased Partner's Capital A/c	Dr.	
To Profit and Loss A/c		

b)

Deceased Partner's Capital A/c	Dr.	
To Profit and Loss Suspense A/c		

c)

Profit and Loss Suspense A/c	Dr.	
To Deceased Partner's Capital A/c		

d)

Profit and Loss A/c	Dr.	
To Deceased Partner's Capital A/c		

9. Creditors in Balance Sheet before dissolution were ₹ 2,50,000. Half of the creditors accepted furniture of ₹ 1,50,000 at 10% less than the book value and cash of ₹ 10,000 in full settlement of their claims. Remaining creditors were paid availing discount of 5%. **[1]**

What will be the amount with which bank will be credited in the Realisation Account for payment to creditors?

a) ₹ 1,35,000

b) ₹ 1,25,000

c) ₹ 1,18,750

d) ₹ 1,28,750

10. A person may be admitted as a new partner: **[1]**

i. in accordance with a contract between the existing partners or with the consent of all the existing partners.

ii. in accordance with a contract between the existing partners or with the consent of all the existing partners subject to the provisions of Section 30 of the Act.

iii. after obtaining specific approval of the Registrar of Firms & Societies, to this effect.

iv. by simply taking the consent of the new partner.

a) Option (i)

b) Option (iii)

c) Option (ii)

d) Option (iv)

OR

Ravi and Gaurav are partners in a firm. They want to admit Dhruv for 1/4th share in profit. For this, they revalued their machinery from ₹ 30,000 to ₹ 40,000 and creditors from ₹ 1,10,000 to ₹ 1,00,000. What journal entry will be passed:

a) Machinery A/c Dr. -
Creditors A/c Dr. -
To Revaluation A/c -

b) Revaluation A/c Dr. -
Creditor A/c Dr.-
To MachineryA/c -

c) Machinery A/c Dr. -
To Revaluation A/c -
To Creditors A/c -

d) Machinery A/c Dr. -
Revaluation A/c Dr. -
To Creditors A/c -

11. X,Y and Z shared profits and losses in the ratio of 3:2:1 respectively. With effect from 1st April 2012 they agreed to share profits equally. The goodwill of the firm was valued at ₹18000.What will be the entry when goodwill A/c is adjusted **[1]**

a)

Z's Capital A/c	Dr.	3000

b)

Goodwill A/c	Dr.	18000

To X's Capital A/c	3000		

To X's Capital A/c	6000
To Y's Capital A/c	1000
To Z's Capital A/c	3000

c)

Goodwill A/cDr.	18000	
To X's Capital A/c		6000
To Y's Capital A/c		9000
To Z's Capital A/c		3000

d)

Goodwill A/cDr.	18000	
To X's Capital A/c		3000
To Y's Capital A/c		6000
To Z's Capital A/c		9000

12. The loss on issue of Debentures is written-off from: **[1]**

a) Share Premium Reserve Accoun
b) Secret Reserve
c) Capital Reserve
d) Reserve Capital

13. Under which head the amount of discount which is unamortized or cannot be written off, is shown in the balance sheet? **[1]**

a) Other Non-current Assets
b) Other current assets
c) Other current liabilities
d) Other Non-current Liabilities

14. Interest on Debentures is a charge against _____. **[1]**

a) Share Capital
b) General Reserve
c) Dividend
d) Profit

15. As per the dissolution of Garner Vs. Murray, the solvent partners are to being cash equal to their share of loss: **[1]**

a) Bad debts
b) Partner's capital
c) Personal debts
d) Realisation

16. Which of the following item is not debited to the partners' capital account? **[1]**

a) Loss on revaluation
b) General Reserve
c) Advertisement suspense
d) Drawings

17. Sumit, Ram and Sanju are partners sharing profits and losses equally. It was decided that in future Sanju will get $\frac{1}{5}$th share in profit. Calculate the New Profit-sharing Ratio and sacrifice or gain of the partners. **[3]**

OR

A and B are partners sharing profits in the ratio of 5: 3. C is admitted for $\frac{1}{4}$th share in the profits. Calculate New Profit-sharing Ratio of the partners.

18. Pass Journal entries in the following cases? **[3]**

a. Expenses of realisation ₹ 600 to be borne by the firm and are paid by Mohit, a partner.
b. Mohit, one of the partners of the firm, was asked to carry out dissolution of the firm for which he was allowed a salary of ₹ 2,000.
c. Motor car of book value ₹ 50,000 taken by a creditor of the book value of ₹ 40,000 in settlement.

19. Laxman Ltd invited applications for issuing 3,000, 12% debentures of ₹ 100 each at a premium of ₹ 50 per debenture. Full amount was payable on application. Applications were received for 4,000 debentures. Applications for 1,000 debentures were rejected and application money was refunded. Debentures were allotted **[3]**

to the remaining applicants.

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

20. Bharti and Sashi are partners in a firm, sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023 their Balance Sheet was as under: **[3]**

BALANCE SHEET OF Bharti AND Sashi

as at 31st March, 2023

Liabilities	₹	Assets	₹
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land and Building	56,000
Investment Fluctuation Fund	20,000	Investments	30,000
Bharti's Capital	50,000	Trade Receivables	18,500
Sashi's Capital	40,000	Cash in Hand	26,700
	1,47,200		**1,47,200**

The partners have decided to change their profit sharing ratio to 1 :1 with immediate effect. For the purpose, they decided that:

i. Investments to be valued at ₹ 20,000.

ii. Goodwill of the firm be valued at ₹ 24,000.

iii. General Reserve not to be distributed between the partners.

You are required to pass necessary Journal entries in the books of the firm. Show workings.

21. Raunit Styles Ltd. was registered with a capital of ₹ 85,00,000 divided into equity shares of ₹ 100 each. The company invited applications for issuing 45,000 shares. The amount was payable as ₹ 25 on application, ₹ 35 on allotment, ₹ 25 on first call and balance on final call. Applications were received for 42,000 shares and allotment was made to all the applicants. Kavi, to whom 3,300 shares were allotted, failed to pay both the calls. His shares were forfeited. Present the Share Capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013. **[4]**

22. A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. It was provided that B's share of profit will not be less than ₹ 1,50,000 per annum. The losses for the year ended 31st March, 2023 were ₹ 85,000, before allowing interest on Loan of ₹ 1,00,000 taken from A on 1st June, 2022. **[4]**

You are required to show necessary account for division of loss and pass necessary journal entries.

23. Eastern Company Limited, with an authorised capital of ₹ 10,00,000 is divided into equity shares of ₹ 10 each, issued 50,000 equity shares at a premium of ₹ 3 per share payable as follows: **[6]**

On Application	₹ 3 per share
On Allotment (including premium)	₹ 5 per share
On first call (due three months after allotment) and the balance as when required.	₹ 3 per share

Applications were received for 60,000 shares and the directors allotted the shares as follows:

a. Applicants for 40,000 shares received in full.

b. Applicants for 15,000 shares received an allotment of 8,000 shares.

c. Applicants for 5,000 shares received 2,000 shares on allotment, excess money being returned.

All amounts due on allotment were received.

The first call was made and the money was received except on 100 shares.

Give journal and cash book entries to record these transactions of the company. Also prepare the Balance Sheet of the company.

24. Following is the Balance Sheet of G, K & W as at 31st March, 2020 who share profits in the ratio of 3 : 2 : 1. **[6]**

Liabilities		**₹**	**Assets**	**₹**
Capital Accounts:			Goodwill	7,500
G	22,000		Stock	12,500
K	13,000		Sundry Debtors	12,000
W	9,000	44,000	Land and Buildings	15,000
Sundry Creditors		10,000	Plant and Machinery	18,000
Bills Payable		4,000	Motor Vehicle	5,000
General Reserve		12,000		
		70,000		**70,000**

On 1st April, 2020, G retired and the following arrangements were agreed upon:

i. Goodwill of the firm is to be valued at ₹ 15,000.

ii. The assets and liabilities are to be valued as under: Stock ₹ 10,000; Sundry Debtors ₹ 11,500; Land and Buildings ₹ 18,000; Plant and Machinery ₹ 16,500; and Sundry Creditors ₹ 9,200.

iii. Liability for Workmen's Compensation amounting to ₹ 500 is to be brought into the books.

iv. The entire capital of the firm as newly constituted be fixed at ₹ 35,000 between K and W in the proportion of 4 : 3 and the actual cash to be paid off or to be brought in by continuing partners as the case may be.

v. ₹ 13,150 were paid to G. The balance due to him was to be paid in three equal instalments annually together with interest @ 12% per annum.

Give necessary ledger accounts, the Balance Sheet of the firm after G's retirement and G's Loan Account till it is finally paid off.

25. On 31st March 2022, the Balance Sheet of Shelu and Disha, who were sharing profits in the ratio of 3 : 1 was as follows: **[6]**

BALANCE SHEET OF Shelu AND Disha

as on 31st March, 2022

Liabilities		**₹**	**Assets**		**₹**
Creditors		2,20,000	Cash at Bank		1,40,000
Employees' Provident Fund		1,00,000	Debtors	6,50,000	
Investment Fluctuation Fund		1,00,000	*Less*: Provision for Bad Debts	50,000	6,00,000
General Reserve		1,20,000	Stock		3,00,000
Capitals:			Investments (Market Value ₹ 4,40,000)		5,00,000

Shelu	6,00,000				
Disha	4,00,000	10,00,000			
		15,40,000			**15,40,000**

They decided to admit Vanraj on 1st April, 2022 for $\frac{1}{5}$th share.

i. Vanraj shall bring ₹ 80,000 as his share of goodwill premium.

ii. Stock was overvalued by ₹ 20,000.

iii. A debtor whose dues of ₹ 5,000 were written off as bad debts, paid ₹ 4,000 in full settlement.

iv. Two months salary @ ₹ 6,000 per month was outstanding.

v. Vanraj was to bring in Capital to the extent of $\frac{1}{5}$th of the total capital of the new firm.

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

OR

L, M and N were partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 1.4.2023 was as under:

Liabilities		**₹**	**Assets**	**₹**
Sundry Creditors		20,000	Cash	8,000
Reserves		9,000	Debtors	22,000
Capitals:			Stock	20,000
L	50,000		Machinery	67,000
M	30,000		Investments	12,000
N	20,000	1,00,000		
		1,29,000		**1,29,000**

N died on 5th November, 2023 and according to the partnership deed his executors were entitled to be paid as under:

i. The capital to his credit at the time of his death and interest thereon @ 8% per annum.

ii. His share of Reserves.

iii. His share of profits for the intervening period will be based on the sales during that period, which were calculated as ₹ 2,40,000. The rate of profit during past 4 years had been 15% on sales.

iv. Goodwill according to his share of profit to be calculated by taking thrice the amount of the average profit of the last four years less 25%. The profits of the previous years were:

2020	₹ 10,500
2021	₹ 12,000
2022	₹ 12,500
2023	₹ 13,000

The investments were sold at par and his executors were paid out. Pass the necessary journal entries and write the account of the executors of N.

26. BBG Ltd had issued 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share payable with application money. While passing journal entries related to the issue, some blanks are left, you are required to complete these blanks. **[6]**

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Date	Particulars	L.F	Amt (Dr)	Amt (Cr)
2015 Jan 5	..... Dr.		.....	
	To			.....
	(Being application money received for 1,40,000 shares @ Rs. 6 per share including premium)			
Jan 17	Equity Share Application A/c Dr.		.....	
	To			.....
	To			.....
	To			.....
	To			.....
	(Being application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were alloted on pro-rata basis)			
Jan 17	..... Dr.		.....	
	T o			.....
	(Being allotment money due @ Rs. 4 per share)			
Feb 20	..... Dr.		.....	
	T o			.....
	(Being balance allotment amount received)			
Apr 1	.....		.....	
	To			.....
	(Being first and final call money due)			
Apr 20	..... Dr.		.....	
	T o			.....
	(Being balance allotment amount received)			
Apr	..... Dr.		.....	

1				
	T o			.....
	(Being first and final call money due)			
Apr 20	..... Dr,		.....	
	Calls-in-arrears A/c Dr.		3,000	
	T o			.....
	(Being first and final call money received)			
May 20	..... Dr.		.....	
	To			.....
	(Being the shares forfeited on which first and final call was not received)			
Jun 15	..... Dr.		.....	
	..... Dr.		3,000	
	To			.....
	(Being forfeited shares reissued)			
	.....		.....	
	To			.....
	(.....)			

OR

Krishna Ltd. invited applications for 50,000 shares of ₹ 10 each. Payments were to be made as follows - ₹ 3 on Application; ₹ 3 on Allotment; ₹ 2 on First call and ₹ 2 on Final call.

All the shares were applied. You are required to prepare Journal Entries, Ledger Accounts and show the Share Capital in the Balance Sheet of the company assuming that all sums due on Allotment and Calls have been received. Share Issue expenses amounted to ₹ 20,000. 4,000 fully paid shares were also issued to Promoters for their services.

Part B :- Analysis of Financial Statements

27. Which of the following statement shows the financial position of a company as at a given date? **[1]**

a) Income Statement
b) Cash Flow Statement
c) Balance Sheet
d) Statement of Profit & Loss

28. Debt to equity ratio measures _____ of the business. **[1]**

a) short-term financial position
b) long-term financial position
c) activity
d) profitability

OR

Net profit after tax is ₹ 1,20,000; 10% Debentures are of ₹ 2,00,000; Capital Employed is ₹ 16,00,000. Rate of Tax 40%. Return on Investment (ROI) will be

a) 25%

b) 13.75%

c) 22%

d) 20%

29. Which activity are the main revenue-generating activities of the enterprises? **[1]**

a) Cash flow from management activities

b) Cash flow from investment activities

c) Cash flow from operating activities

d) Non Cash transactions

OR

Which of the following is not an investing cash flow?

a) Purchase of marketable securities for ₹ 25,000 cash

b) Purchase of equipment for ₹ 500 cash

c) Sales of land for ₹ 28,000 cash

d) Sale of 2,500 shares (held as investment) for ₹ 15 each

30. **Balance Sheet (Extract)** **[1]**

Particulars	**31-03-2022 (₹)**	**31-03-2023 (₹)**
EQUITY AND LIABILITIES 12% Debentures	2,00,000	1,60,000

Additional Information:

Interest on debentures is paid on half yearly basis on 30th September and 31st March each year. Debentures were redeemed on 30th September 2022. How much amount (related to above information) will be shown in Financing Activity for Cash Flow Statement prepared on 31st March 2023?

a) Inflow ₹ 42,600

b) Outflow ₹ 40,000

c) Outflow ₹ 64,000

d) Outflow ₹ 61,600

31. Calculate the trend percentages from the following information taking year ending 2020 as the base year: **[3]**

Current Liabilities	**As at 31st March**			
	2020 (₹)	**2021 (₹)**	**2022 (₹)**	**2023 (₹)**
Short-term Borrowings	2,00,000	3,00,000	4,00,000	5,00,000
Trade Payables	50,000	40,000	80,000	1,00,000
Other Current Liabilities	1,50,000	3,00,000	2,40,000	6,00,000
	4,00,000	6,40,000	7,20,000	12,00,000

OR

What is a Common Size Balance Sheet? What are its objectives?

32. How will you show the following items in the Balance Sheet of a Company: **[3]**

i. Stores and Spares

ii. Debentures due for Redemption

iii. Live Stock

iv. Intellectual Property Rights

v. Advance from Customers

vi. Advance to Suppliers

vii. Commission Received in Advance

33. The debt equity ratio of M Ltd. is 2 : 1. State with reasons whether the following transactions will increase, decrease or not change the debt equity ratio: **[4]**

i. Obtained a loan from ICICI Bank ₹ 1,00,000 payable after 5 yrs.

ii. Purchased machinery for cash ₹ 1,50,000.

iii. Redeemed 9% debentures ₹ 1,00,000.

iv. Issued equity shares for purchase of machinery of ₹ 5,00,000 to the vendors.

OR

Briefly explain the meaning and significance of any two of the following ratios:-

i. Gross Profit Ratio

ii. Inventory Turnover Ratio, and

iii. Current Ratio

34. Calculate Cash Flow from Investing Activities from the following information: **[6]**

Particulars	**31st March, 2023**	**31st March, 2022**
	₹	**₹**
Investments in Land	3,00,000	3,00,000
Shares in Damodar Ltd.	1,50,000	1,50,000
12% Long-term Investments	80,000	50,000
Plant and Machinery	7,50,000	6,00,000
Patents	70,000	1,00,000
Goodwill	1,50,000	1,00,000

Additional Information:

i. A piece of land was purchased as an Investment out of surplus. It was let out for commercial purpose and the rent received was ₹ 20,000.

ii. Dividend received from Damodar Ltd. @ 12%

iii. Patents written off to the extent of ₹ 20,000. Some patents were sold at a profit of ₹ 10,000.

iv. A machine costing ₹ 80,000 (depreciation provided thereon ₹ 30,000) was sold for ₹ 35,000. Depreciation charged during the year was ₹ 70,000.

v. During the year 12% investments were purchased for ₹ 1,00,000 and some investments were sold at a profit of ₹ 10,000. Interest on investments for the year was duly received.

Solutions

Part A:- Accounting for Partnership Firms and Companies

1.

(c) X ₹ 10,000; Y ₹ 5,000

Explanation:

15000 in 3:2 ratio

X ₹ 10,000; Y ₹ 5,000

OR

(d) ₹ 3,240

Explanation:

Interest on Drawings = $72,000 \times \frac{9}{100} \times \frac{6}{12}$ = ₹ 3,240

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

Explanation:

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

3. **(a)** 20000

Explanation:

Share Capital Account will be Debited with

= 2000 share × 10

= 20000

OR

(c) ₹ 60

Explanation:

Re- issue price not be less than the amount unpaid on forfeited shares

4.

(c) Paid-up Capital

Explanation:

Paid-up Capital

OR

(c) Debentures Suspense Account

Explanation:

Debentures Suspense Account

5.

(d) All partner(including new) share future profit and losses in this new ratio

Explanation:

New profit sharing ratio is fixed after the admission of the new partner. It is the ratio in which all the partners including the new partner share profits. It is the ratio of the reconstituted firm (after the admission of a new partner).

6.

(c) All of these

Explanation:

all of these are results into reconstitution of partnership. hence needs valuation of goodwill

7. **(a)** $5\frac{1}{2}$ months

Explanation:

Average Period = $\frac{\text{Time left after first Drawing + Time left after last Drawings}}{2}$

= $\frac{11+0}{2}$

= $5\frac{1}{2}$ months

8.

(d) (₹ 4,800)

Explanation:

Average profit = $\frac{60,000+30,000-1,80,000}{3}$ = (₹ 30,000) loss

P's share = ₹ 30,000 × $\frac{146}{365} \times \frac{6}{15}$ = ₹ 4,800

OR

(c)

Profit and Loss Suspense A/c	Dr.
To Deceased Partner's Capital A/c	

Explanation:

Profit and Loss Suspense A/c	Dr.
To Deceased Partner's Capital A/c	

9.

(d) ₹ 1,28,750

Explanation:

Amount paid to creditor = 10,000 (paid in cash to creditors) + (2,50,000 - 1,25,000) × 5%

= 10,000 + 1,18,750

= 1,28,750

10.

(c) Option (ii)

Explanation:

in accordance with a contract between the existing partners or with the consent of all the existing partners subject to the provisions of Section 30 of the Act.

OR

(a) Machinery A/c Dr. -

Creditors A/c Dr. -

To Revaluation A/c -

Explanation:

Increase in assets and decrease in liabilities is credited to the revaluation account.

11. **(a)**

Z's Capital A/c	Dr.	3000
To X's Capital A/c		3000

Explanation:

Adjustment of Goodwill at the time change in profit sharing ratio:

Formula : Old Share – New Share X = 3/6 – 1/3 = 1/6 Sacrifice Y = 2/6 – 1/3 = No Sacrifice/ No Gain Z = 1/6 - 1/3 = 1/6 Gain

12.

(c) Capital Reserve

Explanation:

Capital Reserve

13. **(a)** Other Non-current Assets

Explanation:

The amount of discount which is unamortized or not written off yet is shown in the balance sheet under the heading Non-current Assets and subheading other non-current assets. Such loss will not be write off after 12 months.

14.

(d) Profit

Explanation:

Profit

15.

(d) Realisation

Explanation:

Realisation

16.

(b) General Reserve

Explanation:

From the given items in the questions, General reserve is the only item which should not be debited to the partners' capital account. General reserve will be credited to the partners in their old profit sharing ratio. Loss on Revaluation or Advertisement suspense or Drawing is debited to partners capital A/c.

17. Calculation of New Profit-sharing Ratio:

Let the Profit = 1

Sanju's Profit Share = $\frac{1}{5}$

Remaining Profit Share = 1 - $\frac{1}{5}$ = $\frac{4}{5}$

Sumit and Ram will share $\frac{4}{5}$ th profit in their old profit-sharing ratio, i.e., equally. Thus,

Sumit's New Profit Share = $\frac{4}{5} \times \frac{1}{2} = \frac{4}{10}$

Ram's New Profit Share = $\frac{4}{5} \times \frac{1}{2} = \frac{4}{10}$

Profit-sharing Ratio of Sumit, Ram and Sanju = $\frac{4}{10} :: \frac{1}{5}$ = 2 : 2 : 1.

Calculation of Sacrifice and Gain:

Sacrificed Profit Share = Old Profit Share - New Profit Share

Sumit = $\frac{1}{3}$ - $\frac{2}{5} = \frac{5-6}{15} = (\frac{1}{15})$ Gain

Ram = $\frac{1}{3}$ - $\frac{2}{5} = \frac{5-6}{15} = (\frac{1}{15})$ Gain

Sanju = $\frac{1}{3}$ - $\frac{1}{5} = \frac{5-3}{15} = \frac{2}{15}$ Sacrifice

OR

Calculation of New Profit-sharing Ratio after C's Admission:

Old Profit-sharing Ratio of A and B = 5 : 3 or $\frac{5}{8} : \frac{3}{8}$

Let the total share be = 1;

C's share = $\frac{1}{4}$;

The remaining share of A and B = $1 - \frac{1}{4} = \frac{3}{4}$

Distribute the remaining share of $\frac{3}{4}$ in the old profit-sharing ratio of 5 : 3 between A and B.

A's New share = $\frac{3}{4} \times \frac{5}{8} = \frac{15}{32}$;

B's New share = $\frac{3}{4} \times \frac{3}{8} = \frac{9}{32}$;

C's share = $\frac{1}{4} \times \frac{8}{8} = \frac{8}{32}$

Thus, New Profit-sharing Ratio of A, B and C = $\frac{15}{32} : \frac{9}{32} : \frac{8}{32}$ = 15 : 9 : 8

Since only a share of the new partner is given in question so C acquires his share from A and B in their old profit-sharing ratio.

18. **Journal Entry**

Particulars		L.F.	₹ (Dr.)	₹ (Cr.)
(a) Realisation A/c	Dr.		600	
To Mohit's Capital				600
(Amount Paid by Mohit)				
(b) Realisation A/c	Dr.		2,000	
To Mohit's Capital				2,000
(Amount Paid to Mohit)				
(c) No entry Passed				

19. **JOURNAL OF LAXMAN LTD.**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		6,00,000	
	To Debenture Application and Allotment A/c (Application money received for 4,000 debentures)				6,00,000
	Debenture Application and Allotment A/c	Dr.		6,00,000	
	To 12% Debentures A/c				3,00,000
	To Securities Premium A/c				1,50,000
	To Bank A/c (3,000; 12% Debentures issued at a premium of ₹ 50 each and surplus application money refunded)				1,50,000

20. **IN THE BOOKS OF BHARTI AND SASHI**

JOURNAL

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2023					
March 31	Investment Fluctuation Fund A/c	Dr.		20,000	
	To Investments A/c				10,000
	To Bharti's Capital A/c				6,000
	To Sashi's Capital A/c				4,000
	(Being depreciation in the value of investment provided for and excess amount distributed)				
March 31	Sashi's Capital A/c (24,000 × $\frac{1}{10}$)	Dr.		2,400	
	To Bharti's Capital A/c (24,000 × $\frac{1}{10}$)				2,400
	(Being adjustment for goodwill due to change in profit-sharing ratio)				
March 31	Sashi's Capital A/c (23,400 × $\frac{1}{10}$)	Dr.		2,340	
	To Bharti's Capital A/c (23,400 × $\frac{1}{10}$)				2,340
	(Being adjustment for general reserve not distributed)				

Working Notes:

Calculation of Change in Profit Sharing Ratio

Particulars	Bharti	Sashi
Old Ratio	$\frac{3}{5}$	$\frac{2}{5}$
New Ratio	$\frac{1}{2}$	$\frac{1}{2}$
Gain/Sacrifice	$(\frac{3}{5} - \frac{1}{2}) = \frac{1}{10}$ (Sacrifice)	$(\frac{2}{5} - \frac{1}{2}) = (-\frac{1}{10})$ (Gain)

21. **BALANCE SHEET OF Raunit Styles Ltd. as at ...**

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	40,68,000

Note to Account

Particulars	₹
1. Share Capital	
Authorised Capital	
85,000 Equity Shares of ₹ 100 each	**85,00,000**
Issued Capital	
45,000 Equity Shares of ₹ 100 each	**45,00,000**
Subscribed Capital	
Subscribed and Fully Paid-up	

38,700 Equity Shares of ₹ 100 each	38,70,000
Forfeited Shares A/c (3,300 × ₹ 60)	1,98,000
	40,68,000

22.

In the books of Firm

PROFIT AND LOSS ACCOUNT

for the year ending on 31st March 2023

Dr.				**Cr.**
Particulars	**Amount**	**Particulars**		**Amount**
To Loss before Interest (Given)	85,000	By Net Loss Transferred to		
To Interest on A's Loan (for 10 months)	5,000	A's Capital A/c	40,000	
		B's Capital A/c	30,000	
		C's Capital A/c	20,000	90,000
TOTAL	**90,000**	**TOTAL**		**90,000**

JOURNAL

Date	**Particulars**		**L.F.**	**Dr.(₹)**	**Cr.(₹)**
2023 March 31	Interest on A's Loan A/c	Dr.		5,000	
	To A's Loan A/c (Being Interest provided on A's Loan to the firm)				5,000
	Profit & Loss A/c	Dr.		5,000	
	To Interest on A's Loan A/c (Being Interest on loan charged to Profit & Loss A/c)				5,000
	A's Capital A/c	Dr.		40,000	
	B's Capital A/c	Dr.		30,000	
	C's Capital A/c	Dr.		20,000	
	To Profit & Loss A/c (Being Loss of ₹ 90,000 divided among the partners in 4 : 3 : 2)				90,000
	A's Capital A/c	Dr.		1,20,000	
	C's Capital A/c	Dr.		60,000	
	To B's Capital A/c (Being Deficiency of B's share of profit met by A and C in their profit sharing ratio of 4 : 2)				1,80,000

Working Note:

C is guaranteed a minimum profit of ₹ 1,50,000 whereas share of loss debited to his capital account is ₹ 30,000. Hence he will be credited by ₹ 1,80,000 (i.e. 1,50,000 + 30,000) borne by A and C in their profit sharing ratio of 4 : 2.

23.

Books of Eastern Company Limited

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Share Application A/c	Dr.		1,80,000	
	To Share Capital A/c				1,50,000
	To Share Allotment A/c				30,000
	(Share Application money for 50,000 shares transferred To Share Capital Account and the excess money transferred To Share Allotment Account)				
	Share Allotment A/c	Dr.		2,50,000	
	To Share Capital A/c				1,00,000
	To Share Premium A/c				1,50,000
	(Allotment money due on 50,000 shares @ ₹ 5 per share including ₹ 3 security premium)				
	Share First Call A/c	Dr.		1,50,000	
	To Share Capital A/c				1,50,000
	(First call due on 50,000 shares @ ₹ 3 per share)				

Cash Book (Bank Column)

Dr.							**Cr.**
Date	**Particulars**	**J.F.**	**₹**	**Date**	**Particulars**	**J.F.**	**₹**
	Share Application		1,80,000				
	Share Allotment		2,20,000		Balance c/d		5,49,700
	Share First Call		1,49,700				
			5,49,700				**5,49,700**

Eastern Company Limited

Balance Sheet

Particulars	**Note No.**	**₹**
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	3,99,700
b. Reserves and Surplus	2	1,50,000
2. Non–Current Liabilities		

3. Current Liabilities		
Total		**5,49,700**
II. Assets		
1. Non–Current Assets		
2. Current Assets		
a. Cash and Cash Equivalents	3	5,49,700
Total		**5,49,700**

NOTES TO ACCOUNTS:

Note No.	Particulars		₹
1	**Share Capital**		
	Authorised Share Capital		
	1,00,000 shares of ₹ 10 each		10,00,000
	Issued Share Capital		
	50,000 shares of ₹ 10 each		5,00,000
	Subscribed, Called up and Paid-up Share Capital		
	50,000 shares of ₹ 10 each, ₹ 8 called–up	4,00,000	
	Less: Calls–in–Arrears	(300)	3,99,700
2	**Reserves and Surplus**		
	Securities Premium		1,50,000
3	**Cash and Cash Equivalents**		
	Cash at Bank		5,49,700

24.

Working Notes

New capital of reaming partners

K's Capital = 35000 x 4/7= 20000

W's capital = 35000 x 3/7 = 15000

Revaluation Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To Stock A/c	2,500	By Land and Building		3,000
To Debtors A/c	500	By Creditors A/c		800
To Plant & Machinery A/c	1,500	By Revaluation loss		
To Workmen's Copm. A/c	500	G's Capital	600	
		K's Capital	400	
		W's Capital	200	1,200
	5,000			**5,000**

Partner's Capital Account

Particulars	G	K	E	Particulars	G	K	E
To Revaluation A/c (Loss)	600	400	200	By Balance b/d	22,000	13,000	9,000
To Goodwill A/c	3,750	2,500	1,250	By General Reserve	6,000	4,000	2,000
To G's Capital A/c		4,500	3,000	By K's Capital A/c	4,500		
To Balance c/d	31,150	9,600	6,550	By W's Capital A/c	3,000		
	35,500	**17,000**	**11,000**		**35,500**	**17,000**	**11,000**
To Bank A/c	13,150			By Balance b/d	31,150	9,600	6550
To G's Loan A/c	18,000			By Bank A/c		10400	84550
To Balance c/d		20,000	15,000				
	31,150	**20,000**	**15,000**		**31,150**	**20,000**	**15,000**

G's Loan Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2020 March 31	To Bank A/c (6,000 + 2,160)	8,160	2020 April 1	By G's Capital A/c	18,000
March 31	To Balance c/d	12,000	2021 March 31	By interest (₹ 18,000 × 12%)	2,160
		20,160			**20,160**
2022 March 31	To Bank A/c (6,000 + 1,440)	7,440	2021 April 1	By Balance b/d	12,000
March 31	To Balance c/d	6,000	2022 March 31	By Interest (₹ 12,000 × 12%)	1,440
		13,440			**13,440**
2023 March 31	To Bank A/c (6,000 + 720)	6,720	2021 April 1	By Balance b/d	6,000
			2022 March 31	By interest (₹ 6,000 × 12%)	720
		13,440			**13,440**

25.

In the books of Shelu, Disha and Vanraj

Revaluation A/c

Dr.		**Cr.**		
Particulars	**(₹)**	**Particulars**		**(₹)**

To Stock A/c	20,000	By Cash A/c		4,000
To Outstanding Salary A/c (6,000 × 2)	12,000	By Loss on Revaluation transferred to:		28,000
		Shelu's Capital A/c	21,000	
		Disha's Capital A/c	7,000	
	32,000			32,000

Partner's Capital Account

Dr.							**Cr.**
Particulars	**Shelu (₹)**	**Disha (₹)**	**Vanraj (₹)**	**Particulars**	**Shelu (₹)**	**Disha (₹)**	**Vanraj (₹)**
To Revaluation A/c	21,000	7,000		By balance b/d	6,00,000	4,00,000	
To balance c/d	7,59,000	4,53,000	3,03,000	By Bank A/c			3,03,000
				By Premium for Goodwill A/c	60,000	20,000	
				By Investment Fluctuation Fund A/c (1,00,000 – 40,000)	30,000	10,000	
				By General Reserve A/c	90,000	30,000	
	7,80,000	**4,60,000**	**3,03,000**		**7,80,000**	**4,60,000**	**3,03,000**

Working Notes:

Shelu's New Share of Profits = $(\frac{3}{5} \times \frac{4}{5}) = \frac{12}{25}$

Disha's New Share of Profits = $(\frac{2}{5} \times \frac{4}{5}) = \frac{8}{25}$

New profit sharing ratio between Shelu : Disha : Vanraj = 12 : 8 : 52

Calculation of Vanraj's Capital

Total Adjusted Capital of the Old Partners = Shelu's Capital + Disha's Capital = ₹ (7,59,000 + 4,53,000) = ₹ 12,12,000

Combined New Share of the Old Partners = $(\frac{12}{25} + \frac{8}{25}) = \frac{20}{25}$

Total Capital of the firm = (Adjusted Capital of the Old Partners × Reciprocal of Combined New Share of the Old Partners)

Total capital of the firm = $(₹\ 12,12,000 \times \frac{25}{20})$ = ₹ 15,15,000

Vanraj's Capital = Total Capital of the firm × His Profit share = $₹\ (15,15,000 \times \frac{1}{5})$ = ₹ 3,03,000

Balance Sheet as at 31st March, 2022

Liabilities		**(₹)**	**Assets**		**(₹)**
Capital Account balances:			Cash at Bank (₹ 1,40,000 + ₹ 4,000 + ₹ 3,03,000 + ₹ 80,000)		5,27,000
Shelu	7,59,000				
Disha	4,53,000		Debtors	6,50,000	
Vanraj	3,03,000	15,15,000	*Less*: Provision for Bad Debts	(50,000)	6,00,000
Employee's Provident Fund		1,00,000	Stock		2,80,000
Creditors		2,20,000	Investments		4,40,000
Outstanding Salary		12,000			
		18,47,000			**18,47,000**

OR

IN THE BOOKS OF THE FIRM

JOURNAL ENTRIES

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2023 Nov. 5	Interest on Capital A/c	Dr.		960	
	To N's Capital A/c (Interest credited to N's Capital Account)				960
2023 Nov. 5	Reserve A/c	Dr.		1,800	
	To N's Capital A/c (Transfer of N's share of Reserves to N's Capital Account)				1,800
2023 Nov. 5	Profit & Loss Suspense A/c	Dr.		7,200	
	To N's Capital A/c (Transfer of $\frac{2}{10}$th share of profit i.e. $₹\ 2,40,000 \times \frac{15}{100} \times \frac{2}{10}$)				7,200
2023 Nov. 5	L's Capital A/c	Dr.		3,375	
	M's Capital A/c	Dr.		2,025	
	To N's Capital A/c (Adjustment of N's share of goodwill into the Capital Accounts of L and M in their gaining ratio i.e., 5 : 3)				5,400
2023 Nov. 5	Bank A/c	Dr.		12,000	
	To Investment A/c (Sale of Investments through bank balance)				12,000
2023 Nov. 5	N's Capital A/c	Dr.		35,360	
	To N's Executor's A/c (Amount due to N transferred to his Executor's Account)				35,360
2023 Nov. 5	N's Executor's A/c	Dr.		35,360	
	To Bank A/c (Amount paid to N's Executors through bank)				35,360

N'S CAPITAL ACCOUNT

Dr.					Cr.
Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
2023 Nov. 5	To N's Executor's A/c	35,360	2023 April 1	By Balance b/d	20,000
			2023 Nov. 5	By Interest on Capital A/c	960
			2023 Nov. 5	By Reserves A/c	1,800
			2023 Nov. 5	By Profit & Loss Suspense A/c	7,200
			2023 Nov. 5	By L's Capital A/c	3,375
			2023 Nov. 5	By M's Capital A/c	2,025
		35,360			**35,360**

N'S EXECUTOR'S ACCOUNT

Dr.					Cr.
Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
2023 Nov. 5	To Bank A/c	35,360	2023 Nov. 5	By N's Capital A/c	35,360

W.N.:

i. Number of days from April 1, 2023 to Novemeber 5, 2023 = 219
Interest on Capital = $20,000 \times \frac{219}{365} \times \frac{8}{100}$ = ₹ 960

ii. Average Profit = $\frac{10,500+12,000+12,500+13,000}{4}$ = 12,000
Less: 25% of 12,000 = 3,000
= 12,000 - 3,000 = 9,000
Goodwill = 9,000 × 3 = ₹ 27,000
N's share of Goodwill = $27,000 \times \frac{2}{10}$ = ₹ 5,400

It will be credited to the Capital Account of L and M in their gaining ratio 5 : 3.

26. **JOURNAL**

Date	Particular	L.F	Amt (Dr.)	Amt (Cr.)
2015 Jan 5	Bank A/c (1,40,000 × 6) Dr.		8,40,000	
	To Equity Share Application A/c			8,40,000
	(Being application money received for 1,40,000 shares @ Rs. 6 per share including premium)			
Jan 17	Equity Share Application A/c Dr.		8,40,000	
	To Equity Share Capital A/c (1,00,000 × 3)			3,00,000
	To Securities Premium Reserve A/c (1,00,000 × 3)			3,00,000
	To Equity Share Allotment A/c			1,20,000
	To Bank A/c (20,000 × 6)			1,20,000
	(Being application money transferred to share capital account, securities premium account, refunded for 20,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on pro-rata basis)			
Jan 17	Equity Share Allotment A/c Dr.		4,00,000	
	To Equity Share Capital A/c (1,00,000 × 4)			4,00,000
	(Being allotment money due @ Rs. 4 per share)			
Feb 20	Bank A/c (4,00,000-1,20,000) Dr.		2,80,000	
	To Equity Share Allotment A/c			2,80,000
	(Being balance allotment amount received)			
Apr 1	Equity Share First and Final Call A/c Dr.		3,00,000	
	To Equity Share Capital A/c (1,00,000 × 3)			3,00,000
	(Being first and final call money due)			
Apr 20	Bank A/c Dr.		2,97,000	
	Calls-in-arrears A/c Dr.		3,000	
	To Equity Share First and Final Call A/c			3,00,000
	(Being first and final call money received)			
May 20	Equity Share Capital A/c (1,000 × 10) Dr.		10,000	
	To Equity Share Forfeiture A/c			7,000
	To Calis-in-arrears A/c (1,000 × 3)			3,000
	(Being forfeited the shares on which first and final call was not received)			
Jun 15	Bank A/c (1,000 × 7) Dr.		7,000	
	Equity Share Forfeiture A/c Dr.		3,000	
	To Equity Share Capital A/c (1,000 × 10)			10,000
	(Being forfeited shares reissued)			
Jun 15	Equity Share Forfeiture A/c Dr.		4,000	
	To Capital Reserve A/c			4,000

	(Being excess amount on forfeiture transferred to capital reserve)					

working notes :

category	applied	alloted	share capital	share allotment	share 1st call	share 2nd call
A	**1,20,000**	**1,00,000**	**6,00,000**	**1,20,000**	--------	----------
B	**20,000**	-------	**1,20,000**	----------	----------	----------
TOTAl	**1,40,000**	**1,00,000**	**7,20,000**	**1,20,000**	---	----------

Calculation of share to be Forfeited: **calls in arrears 3,000 (given) than we divide this amount with call money i.e 3. so shares are 3,000/3 = 1,000**

Calculation for reissue amount: Again 3,000(given) divide 3,000/1,000 = 3 i.e loss amount so bank amount is 10 (face value) - 3 = 7

OR

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	On date of Receipt:				
	Bank A/c	Dr.		1,50,000	
	To Equity Share Application A/c (Money received on application for 50,000 shares @ ₹ 3 per share				1,50,000
	On date of Allotment:				
	Equity Share Application A/c	Dr.		1,50,000	
	To Equity Share Capital A/c (Transfer of application money to Share Capital A/c)				1,50,000
	On date of Allotment:				
	Equity Share Allotment A/c	Dr.		1,50,000	
	To Equity Share Capital A/c (Allotment money due on 50,000 shares @ ₹ 3 per share)				1,50,000
	On date of Receipt:				
	Bank A/c	Dr.		1,50,000	
	To Equity Share Allotment A/c (Allotment money received)				1,50,000
	On date of Call:				
	Equity Share First Call A/c	Dr.		1,00,000	
	To Equity Share Capital A/c (First call due on 50,000 shares @ ₹ 2 per share)				1,00,000
	On date of Receipt:				
	Bank A/c	Dr.		1,00,000	
	To Equity Share First Call A/c (Amount received on first call)				1,00,000
	On date of Call:				
	Equity Share Final Call A/c	Dr.		1,00,000	
	To Equity Share Capital A/c (Final call due on 50,000 shares @ ₹ 2 per share)				1,00,000
	On date of Receipt:				
	Bank A/c	Dr.		1,00,000	
	To Equity Share Final Call A/c (Amount received on final call)				1,00,000
	Share Issue Expenses A/c	Dr.		20,000	
	To Bank A/c (Expenses incurred on issue of shares)				20,000
	Incorporation Costs A/c	Dr.		40,000	
	To Equity Share Capital A/c (Fully paid shares issued to promoters for their services)				40,000
	Statement of Profit & Loss[5]	Dr.		60,000	
	To Share Issue Expenses A/c				20,000
	To Incorporation Costs A/c				40,000
	(Share Issue Expenses and Incorporation Costs written off)				

Notes:

i. The entry for receiving Share Application money is passed first and the entry for transferring the application money to Share Capital A/c is passed thereafter. This is done because Cash is received first and allotment is made afterwards.

ii. In case of Allotment, First Call and Second Call, the entry for transferring the same to Share Capital A/c is made first when the resolution is passed and the entry for receiving money from shareholders is made afterwards as money from shareholders is received only afterwards.

iii. In case nothing is mentioned regarding the class of shares issued, they are always treated as equity shares.

iv. In actual practice all cash transactions are passed through the Cash Book. Hence, there will be no journal entries relating to cash and there will not be a Bank Account in the Ledger.

v. Share Issue Expenses and Incorporation Costs are written off first from Securities Premium and in its absence from Statement of Profit & Loss in the same year in which they are incurred

Ledger Accounts

BANK ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Equity Share Application A/c	1,50,000	By Share Issue Expenses A/c	20,000
To Equity Share Allotment A/c	1,50,000	By Balance c/d	4,80,000
To Equity Share First Call A/c	1,00,000		
To Equity Share Final Call A/c	1,00,000		
	5,00,000		**5,00,000**

EQUITY SHARE APPLICATION ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Equity Share Capital A/c	1,50,000	By Bank A/c	1,50,000
	1,50,000		**1,50,000**

EQUITY SHARE ALLOTMENT ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Equity Share Capital A/c	1,50,000	By Bank A/c	1,50,000
	1,50,000		**1,50,000**

EQUITY SHARE FIRST CALL ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Equity Share Capital A/c	1,00,000	By Bank A/c	1,00,000
	1,00,000		**1,00,000**

EQUITY SHARE FINAL CALL ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Equity Share Capital A/c	1,00,000	By Bank A/c	1,00,000
	1,00,000		**1,00,000**

EQUITY SHARE CAPITAL ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance c/d	5,40,000	By Equity Share Application A/c	1,50,000
		By Equity Share Allotment A/c	1,50,000
		By Equity Share First Call A/c	1,00,000
		By Equity Share Final Call A/c	1,00,000
		By Incorporation Costs A/c	40,000
	5,40,000		**5,40,000**

SHARE ISSUE EXPENSES ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Bank A/c	20,000	By Statement of Profit & Loss	20,000
	20,000		**20,000**

INCORPORATION COSTS ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Equity Share Capital A/c	40,000	By Statement of Profit & Loss	40,000
	40,000		**40,000**

EXTRACT OF BALANCE SHEET OF KRISHNA LTD.

as at _____

Particulars	**Note No.**	**Current Year**	**Previous Year**
I. EQUITY AND LIABILITIES:		**₹**	**₹**
Shareholder's Funds:			
(a) Share Capital	1	5,40,000	

Notes to Accounts:

	₹	**₹**
(1) Share Capital		
Authorised: _____ Shares of ₹ _____ each	_____	
Issued, subscribed and fully paid-capital: 54,000 Equity Shares of ₹ 10 each (of the above shares, 4,000 shares are allotted as fully paid-up pursuant to contracts without payments being received in cash)	5,40,000	

Part B :- Analysis of Financial Statements

27. **(c)** Balance Sheet
Explanation:
Balance Sheet

28. **(b)** long-term financial position
Explanation:
long-term financial position

OR

(b) 13.75%
Explanation:
Net profit before any tax = $\frac{Net\ profit\ After\ Tax}{1-Tax\ rate}$ + Interest on long term Borrowing
Net profit before Interest and tax = $\frac{1,20,000}{1-0.4} + 20,000$ = 2,20,000
Return on investment = $\frac{Net\ profit\ Before\ Interest\ and\ Tax}{Capital\ employed} \times 100$
Return on investment = $\frac{2,20,000}{16,00,000} \times 100$ = 13.75%

29. **(c)** Cash flow from operating activities
Explanation:
Operating activities are the main revenue-generating activities of an enterprise. As, such, they include cash flow from those transactions and events which are entered into the ascertainment of net profit or loss of the enterprise during an accounting year.

OR

(a) Purchase of marketable securities for ₹ 25,000 cash
Explanation:
Purchase of marketable securities is considered as cash and cash equivalents and so does not form the part of investing cash flow.

30. **(d)** Outflow ₹ 61,600
Explanation:
Cash flow from financing activities:

Redemption of debentures	₹ 40,000
Interest on debentures	₹ 21,600
	₹ 61,600

Interest on debentures
= 1,60,000 x $\frac{12}{100}$ + 40,000 × $\frac{12}{100} \times \frac{6}{100}$
= ₹ 19,200 + ₹ 2,400
= ₹ 21,600

31. **Comparative Balance Sheets**
as at 31th March, 2023

	Absolute Amount				Percentages (%)			
Current Liabilities	**2020 (₹)**	**2021 (₹)**	**2022 (₹)**	**2023 (₹)**	**2020 (%)**	**2021 (%)**	**2022 (%)**	**2023 (%)**
Short-term Borrowings	2,00,000	3,00,000	4,00,000	5,00,000	100	150	200	250
Trade Payables	50,000	40,000	80,000	1,00,000	100	80	160	200
Other Current Liabilities	1,50,000	3,00,000	2,40,000	6,00,000	100	200	160	400
Total	4,00,000	6,40,000	7,20,000	12,00,000	100	160	180	300

OR

A Common size balance sheet is an income statement in which the total of assets or equity and liabilities is assumed to be equal to 100 and all the figures are expressed as a percentage of the total. In other words, each asset is expressed as a percentage of total assets and each item of equity and liability is expressed as a percentage to total equity and liabilities.
Uses of the Common Size Balance Sheet are as follows:-

i. To analyse changes in individual items of the balance sheet.
ii. To establish the trend in various items of assets and liabilities.

32.

S. No.	Items	Major-Heading of Balance Sheet	Sub-Heading of Balance Sheet
i.	Stores and Spares	Current Assets	Inventories
ii.	Debentures due for Redemption	Current Liabilities	Other Current Liabilities
iii.	Live Stock	Non-Current Assets	property plant and equipment and intangible Assets-Tangible Assets
iv.	Intellectual Property Rights	Non-Current Assets	property plant and equipment and intangible Assets-Intangible Assets
v.	Advance from Customers	Current Liabilities	Other Current Liabilities
vi.	Advance to Suppliers	Current Assets	Other Current Assets
vii.	Commission Received in Advance	Current Liabilities	Other Current Liabilities

33. Debt Equity Ratio = 2 : 1
Debt Equity Ratio = $\frac{\text{Debt}}{\text{Equity}} = \frac{20,00,000}{10,00,000}$ [assumed figures]
i. Loan from ICICI - ₹ 1,00,000
Increases as debts will increases $\frac{21,00,000}{10,00,000}$ = 2.1 : 1

ii. Machinery purchased for cash ₹ 1,50,000

No, change as, machinery is a fixed assets and cash is a current asset, then it will not change debt equity ratio.

iii. Redeem 9% debentures of ₹ 1,00,000

New Ratio = $\frac{19,00,000}{10,00,000}$ = 1.9 : 1

Thus, Ratio will decrease.

iv. Issue equity shares ₹ 5,00,000 for machinery

Equity = 10,00,000 + 5,00,000 = 15,00,000

New ratio = $\frac{20,00,000}{15,00,000}$ = 0.8 : 1

Equity will increase, therefore ratio will decrease.

OR

i. Gross Profit Ratio:- This ratio provides a correlation between Gross Profit and Operating Revenue, i.e. Sales of Net. This ratio is measured and seen in proportion. To compute this percentage, the formula is:

Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Revenue from operations or Net Sales}} \times 100$

ii. Ratio of inventory turnover:- This ratio reveals the relationship between the cost of operational profits for the year and the total inventory retained during the year:

Inventory Turnover Ratio = $\frac{\text{Cost of Revenue from Operations (Cost of Goods Sold)}}{\text{Average Inventory}}$ = _____ Times

iii. Current Ratio:- The relationship between current assets and a company's current liabilities is clarified in this Ratio.

The Ratio estimation formula is : Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

34. **CASH FLOW FROM INVESTING ACTIVITIES**

Particulars	**₹**	**₹**
Purchase of Plant and Machinery	(2,70,000)	
Purchase of Investment	(1,00,000)	
Purchase of Goodwill	(50,000)	
Rent Received	20,000	
Dividend Received (1,50,000 × 12%)	18,000	
Sale of Plant and Machinery	35,000	
Sale of Investment	80,000	
Interest on Investments	6,000	
Sale of Patents	20,000	
Net Cash Used in Investing Activities		**(2,41,000)**

W.N. 1

Patents Account

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	1,00,000	By Profit and Loss A/c	20,000
To Profit and Loss A/c	10,000	By Bank A/c (Bal. Fig.)	20,000
		By Balance c/d	70,000
	1,10,000		**1,10,000**

WN 3:

12% Long-Term Investment Account

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	50,000	By Bank A/c (Bal. Fig.)	80,000
To Bank A/c	1,00,000	By Balance c/d	80,000
To Profit and Loss A/c	10,000		
	1,60,000		**1,60,000**

WN 3:

Plant and Machinery Account

Dr.			**Cr.**
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	6,00,000	By Depreciation A/c	70,000
To Bank A/c (Bal. Fig)	2,70,000	By Bank A/c	35,000
		By Profit and Loss A/c	15,000
		By Balance c/d	7,50,000
	8,70,000		**8,70,000**