

Sample Question Paper-1

Accountancy (055)

Class-XII, Session: 2022-23

(Issued by Board)

SOLVED

Time Allowed : 3 hours

Maximum Marks : 80

General Instructions :

- This question paper contains 34 questions. All questions are compulsory.
- This question paper is divided into two parts, Part A and B.
- Part - A is compulsory for all candidates.
- 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.
- Question 1 to 16 and 27 to 30 carries 1 mark each.
- Questions 17 to 20, 31 and 32 carries 3 marks each.
- Questions from 21, 22 and 33 carries 4 marks each.
- Questions from 23 to 26 and 34 carries 6 marks each.
- 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. Navya and Radhey were partners sharing profits and losses in the ratio of 3:1. Shreya was admitted for 1/5th share in the profits. Shreya was unable to bring her share of goodwill premium in cash. The journal entry recorded for goodwill premium is given below:

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
	Shreya's Current A/c. Dr.		24,000	
	To Navya's Capital A/c			8,000
	To Radhey's Capital A/c			16,000
	(Being entry for goodwill treatment passed)			

The new profit-sharing ratio of Navya, Radhey and Shreya will be:

(A) 41 : 7 : 12

(B) 13 : 12 : 10

(C) 3 : 1 : 1

(D) 5 : 3 : 2

(1)

Direction (Q. 2): In this question, a statement of Assertion (A) is followed by a statement of Reason (R). Mark the correct choice as:

2. **Assertion (A):** Commission provided to partner is shown in Profit and Loss A/c.

Reason (R): Commission provided to partner is charge against profits and is to be provided at fixed rate.

(A) (A) is correct but (R) is wrong.

(B) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).

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

(D) Both (A) and (R) are correct, and (R) is the correct explanation of (A).

(1)

3. A share of ₹ 10 each, issued at ₹ 4 premium out of which ₹ 7 (including ₹ 1 premium) was called up and paid up. The uncalled Capital will be _____.
- (A) ₹ 7 per share (B) ₹ 4 per share
(C) ₹ 8 per share (D) ₹ 3 per share (1)

OR

While issuing _____ type of Debentures, company doesn't give any undertaking for the repayment of money borrowed by issuing such debentures.

- (A) Zero Coupon Rate Debentures (B) Non-Convertible Debentures
(C) Secured Debentures (D) Non-Redeemable Debentures
4. Samiksha, Arshiya and Divya were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April 2022, they agreed to share future profits and losses in the ratio of 2: 5: 3. Their Balance Sheet showed a debit balance of ₹ 50,000 in the Profit and Loss Account and a balance of ₹ 40,000 in the Investment Fluctuation Fund. The market value of an investment is ₹ 30,000 against the book value of ₹ 50,000. Partners have decided, not to show revised valued in the balance sheet and to pass an adjusting entry for it.

Which of the following is the correct treatment of the above?

(A)	Samiksha's Capital A/c To Arshiya's Capital A/c To Divya's Capital A/c	Dr.	9,000	6,000 3,000
(B)	Arshiya's Capital A/c To Samiksha's Capital A/c To Divya's Capital A/c	Dr.	5,000	2,000 3,000
(C)	Arshiya's Capital A/c Divya's Capital A/c To Samiksha's Capital A/c	Dr. Dr.	2,000 1,000	3,000
(D)	Arshiya's Capital A/c Divya's Capital A/c To Samiksha's Capital A/c	Dr. Dr.	6,000 3,000	9,000

(1)

OR

Sohan and Mohan are partners sharing profits and losses in the ratio of 2:3 with the capitals of ₹ 5,00,000 and ₹ 6,00,000 respectively. On 1st January 2022, Sohan and Mohan granted loans of ₹ 20,000 and ₹ 10,000 respectively to the firm. Determine the amount of loss to be borne by each partner for the year ended 31st March 2022 if the loss before interest for the year amounted to ₹ 2,500.

- (A) Share of Loss Sohan – ₹ 1,250 Mohan – ₹ 1,250 (B) Share of Loss Sohan – ₹ 1,000 Mohan – ₹ 1,500
(C) Share of Loss Sohan – ₹ 820 Mohan – ₹ 1,230 (D) Share of Loss Sohan – ₹ 1,180 Mohan – ₹ 1,770
5. Vihaan and Mann are partners sharing profits and losses in the ratio of 3:2. The firm maintains fluctuating capital accounts and the balance of the same as on 31st March 2022 is ₹ 4,00,000 and ₹ 4,65,000 for Vihaan and Mann respectively. Drawings during the year were ₹ 65,000 each. As per the partnership Deed, Interest on capital @ 10% p.a. on Opening Capital has been allowed to them. Calculate the opening capital of Vihaan given that the divisible profits during the year 2021-22 was ₹ 2,25,000.
- (A) ₹ 3,30,000 (B) ₹ 4,40,000
(C) ₹ 4,00,000 (D) ₹ 3,00,000 (1)
6. Savitri Ltd. issued 50,000, 8% Debentures of ₹ 100 each at certain rate of premium and to be redeemed at 10% premium. At the time of writing off loss on Issue of Debentures, Statement of Profit and Loss was debited with ₹ 2,00,000. At what rate of premium, these debentures were issued?
- (A) 10% (B) 16%
(C) 6% (D) 4% (1)

OR

Durga Ltd. issued 80,000, 10% Debentures of ₹ 100 each at certain rate of discount and were to be redeemed at 20% premium. Existing balance of Securities Premium before issuing of these debentures was ₹ 25,00,000 and after writing off Loss on Issue of Debentures, the balance in Securities Premium was ₹ 5,00,000. At what rate of discount, these debentures were issued?

- (A) 10% (B) 5%
(C) 25% (D) 15%

7. Attire Ltd, issued a prospectus inviting applications for 12,000 shares of ₹10 each payable ₹ 3 on application, ₹ 5 on allotment and balance on call. Public had applied for certain number of shares and application money was received. Which of the following application money, if received restricts the company to proceed with the allotment of shares, as per SEBI guidelines?
- (A) ₹ 36,000 (B) ₹ 45,000
(C) ₹ 30,000 (D) ₹ 32,400 (1)
8. Amay, Bina and Chander are partners in a firm with capital balances of ₹ 50,000, ₹ 70,000 and ₹ 80,000 respectively on 31st March, 2022. Amay decides to retire from the firm on 31st March, 2022. With the help of the information provided, calculate the amount to be paid to Amay on his retirement. There existed a general reserve of ₹ 7,500 in the balance sheet on that date.
- The goodwill of the firm was valued at ₹ 30,000.
Gain on revaluation was ₹ 24,000.
- (A) ₹ 88,500 (B) ₹ 90,500
(C) ₹ 65,375 (D) ₹ 70,500 (1)

OR

- A, B and C are partners. A's capital is ₹ 3,00,000 and B's capital is ₹ 1,00,000. C has not invested any amount as capital but he alone manages the whole business. C wants 30,000 p.a. as salary, though the deed is silent. Firm earned a profit of ₹ 1,50,000. How much will each partner receive as an appropriation of profits?
- (A) A ₹ 60,000; B ₹ 60,000; C ₹ 30,000 (B) A ₹ 90,000; B ₹ 30,000; C ₹ 30,000
(C) A ₹ 40,000; B ₹ 40,000; C ₹ 70,000 (D) A ₹ 50,000; B ₹ 50,000; C ₹ 50,000

Read the following hypothetical situation, answer question No. 9 and 10.

Puneet and Raju are partners in a clay toys making firm. Their capitals were ₹ 5,00,000 and ₹ 10,00,000 respectively. The firm allowed Puneet to get a commission of 10% on the net profit before charging any commission and Raju to get a commission of 10% on the net profit after charging all commission. Following is the Profit and Loss Appropriation Account for the year ended 31st March 2022.

Dr. Profit and Loss Appropriation Account for the year ended 31st March 2022 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Puneet's Capital A/c (Commission) (----- × 10/100)	44,000	By Profit and Loss A/c
To Raju's Capital A/c (Commission)		
To Profit share transferred to :- Puneet's Capital A/c		
Raju's Capital A/c		
	_____		_____
	_____		_____

9. Raju's commission will be:
- (A) ₹ 40,000 (B) ₹ 44,000
(C) ₹ 36,000 (D) ₹ 36,440 (1)
10. Puneet's share of profit will be :
- (A) ₹ 1,80,000 (B) ₹ 1,44,000
(C) ₹ 2,16,000 (D) ₹ 1,60,000 (1)
11. Choose the correct sequence of the following transactions in context of Division of Profits.
- (i) Guarantee by Firm to Partners
(ii) Guarantee by Partners to Firm
(iii) Transfer of Profits to Profit and Loss Appropriation Account
(iv) Guarantee by Partner to Partner
- (A) (i); (iii); (iv); (ii) (B) (iii); (i); (ii); (iv)
(C) (iii); (ii); (i); (iv) (D) (ii); (iii); (iv); (i) (1)
12. If 10,000 shares of ₹ 10 each were forfeited for non-payment of final call money of ₹ 3 per share and only 7,000 shares were re-issued @ ₹ 11 per share as fully paid up, then what is the amount of maximum possible discount that company can allow at the time of re-issue of the remaining 3,000 shares?

- (A) ₹ 28,000 (B) ₹ 21,000
(C) ₹ 9,000 (D) ₹ 16,000 (1)
13. As per Companies Act 2013, Securities Premium Balance can be utilised for which of the following purpose?
(A) Issuing bonus to existing shareholders to convert partly paid up into fully paid-up bonus shares.
(B) Providing for Premium payable on Redemption of Debentures.
(C) Writing off all Capitalised Expenditures.
(D) Buy Back of Debentures. (1)
14. Ganga and Jamuna are partners sharing profits in the ratio of 2:1. They admit Saraswati for 1/5th share in future profits. On the date of admission, Ganga's capital was ₹ 1,02,000 and Jamuna's capital was ₹ 73,000. Saraswati brings ₹ 25,000 as her share of goodwill and she agrees to contribute proportionate capital of the new firm. How much capital will be brought by Saraswati?
(A) ₹ 43,750 (B) ₹ 37,500
(C) ₹ 50,000 (D) ₹ 40,000 (1)
15. Green and Orange are partners. Green draws a fixed amount at the beginning of every month. Interest on drawings is charged @8% p.a. At the end of the year interest on Green's drawings amounts to ₹ 2,600. Monthly drawings of Green were:
(A) ₹ 8,000 (B) ₹ 60,000
(C) ₹ 7,000 (D) ₹ 5,000 (1)
- OR**
- Girdhar, a partner withdrew ₹ 5,000 in the beginning of each quarter and interest on drawings was calculated as ₹ 1,500 at the end of accounting year 31 March 2022. What is the rate of interest on drawings charged?
(A) 6% p.a. (B) 8% p.a.
(C) 10% p.a. (D) 12% p.a.
16. At the time of dissolution of a firm, Creditors are ₹ 70,000; Firm's Capital is ₹ 1,20,000; Cash Balance is ₹ 10,000. Other assets realised ₹ 1,50,000. Gain/Loss in the realisation account will be:
(A) ₹ 30,000 (Gain) (B) ₹ 40,000 (Gain)
(C) ₹ 40,000 (Loss) (D) ₹ 30,000 (Loss) (1)
17. Nirmala, Divisha and Sara were partners in a firm sharing profits and losses in the 3:4:3. Books were closed on 31st March every year. Sara died on 1st February, 2022. As per the partnership deed Sara's executors are entitled to her share of profit till the date of death on the basis of Sales turnover. Sales for the year ended 31st March 2021 was ₹ 10,00,000 and profit for the same year was ₹ 1,20,000. Sales show a positive trend of 20% and percentage of profit earning is reduced by 2%.
Journalise the transaction along with the working notes. (3)
18. Amay, Anmol and Rohan entered into partnership on 1st July, 2021 to share profits and losses in the ratio of 3:2:1. Amay guaranteed that Rohan's share of profit after charging interest on capital @ 6% p.a would not be less than ₹ 36,000 p.a. Their fixed capital balances are: ₹ 2,00,000, ₹ 1,00,000 and ₹ 1,00,000 respectively. Profit for the year ended 31st March, 2022 was ₹ 1,38,000.
Prepare Profit and Loss Appropriation A/c. (3)
- OR**
- Ajay, Manish and Sachin were partners sharing profits in the ratio 5:3:2. Their Capitals were ₹ 6,00,000; ₹ 8,00,000 and ₹ 11,00,000 as on April 01, 2021. As per Partnership deed, Interest on Capitals were to be provided @ 10% p.a. For the year ended March 31, 2022, Profits of ₹ 2,00,000 were distributed without providing for Interest on Capitals. Pass an adjustment entry and show the workings clearly.
19. Anthony Ltd. issued 20,000, 9% Debentures of ₹ 100 each at 10% discount to Mithoo Ltd. from whom Assets of ₹ 23,50,000 and Liabilities of ₹ 6,00,000 were taken over. Pass entries in the books of Anthony Ltd. if these debentures were to be redeemed at 5% premium. (3)
- OR**
- Random Ltd. took over running business of Mature Ltd. comprising of Assets of ₹ 45,00,000 and Liabilities of ₹ 6,40,000 for a purchase consideration of ₹ 36,00,000. The amount was settled by bank draft of ₹ 1,50,000 and balance by issuing 12% preference shares of ₹ 100 each at 15% premium. Pass entries in the books of Random Ltd.
20. Doremon, Shinchon and Nobita are partners sharing profits and losses in the ratio of 3:2:1. With effect from 1st April, 2022 they agree to share profits equally. For this purpose, goodwill is to be valued at two year's purchase of the average profit of last four years which were as follows:
- | | |
|---------------------------------|---------------------|
| Year ending on 31st March, 2019 | ₹ 50,000 (Profit) |
| Year ending on 31st March, 2020 | ₹ 1,20,000 (Profit) |
| Year ending on 31st March, 2021 | ₹ 1,80,000 (Profit) |
| Year ending on 31st March, 2022 | ₹ 70,000 (Loss) |

On 1st April, 2021 a Motor Bike costing ₹ 50,000 was purchased and debited to travelling expenses account, on which depreciation is to be charged @ 20% p.a by Straight Line Method. The firm also paid an annual insurance premium of ₹ 20,000 which had already been charged to Profit and Loss Account for all the years.

Journalise the transaction along with the working notes. (3)

21. Altaur Ltd. was registered with an authorised Capital of ₹ 4,00,00,000 divided in 25,00,000 Equity Shares of ₹ 10 each and 1,50,000, 9% Preference Shares of ₹ 100 each. The company issued 8,00,000 Equity Shares for public subscription at 20% premium, payable ₹ 3 on application; ₹ 7 on allotment (including premium) and balance on call. Public had applied for 10,00,000 shares. Excess Applications were sent letters of regret.

All the dues on allotment received except on 15,000 shares held by Sanju. Another shareholder Rocky paid his call dues along with allotment on his holding of 25,000 shares. You are required to prepare the Balance Sheet of the company as per Schedule III of Companies Act, 2013, showing Share Capital balance and also prepare Notes to Accounts. (4)

22. Charu, Dhvani, Iknor and Paavni were partners in a firm. They had entered into partnership firm last year only, through a verbal agreement. They contributed Capitals in the firm and to meet other financial requirements, few partners also provided loan to the firm. Within a year, their conflicts arisen due to certain disagreements and they decided to dissolve the firm. The firm had appointed Ms. Kavya, who is a financial advisor and legal consultant, to carry on the dissolution process. In the first instance, Ms. Kavya had transferred various assets and external liabilities to Realisation A/c. Due to her busy schedule; Ms. Kavya has delegated this assignment to you, being an intern in her firm. On the date of dissolution, you have observed the following transactions:

- (i) Dhvani's Loan of ₹ 50,000 to the firm was settled by paying ₹ 42,000.
- (ii) Paavni's Loan of ₹ 40,000 was settled by giving an unrecorded asset of ₹ 45,000.
- (iii) Loan to Charu of ₹ 60,000 was settled by payment to Charu's brother loan of the same amount.
- (iv) Iknor's Loan of ₹ 80,000 to the firm and she took over Machinery of ₹ 60,000 as part payment.

You are required to pass necessary entries for all the above mentioned transactions. (4)

23. OTUA Ltd. was registered with an authorised capital of 2,00,000 equity shares of ₹ 100 each. The company offered 60,000 shares for public subscription at 25% premium. The share was payable as ₹ 40 on application and balance on allotment, with premium. Public had applied for 85,000 shares. Pro-rata allotment was made in the ratio of 5:4 and remaining applications were sent letters of regret.

Mr. Anand holding 4,000 shares failed to pay allotment money and his shares were forfeited. Out of these 3,000 shares were re-issued at a discount of ₹ 20 per share. Pass necessary entries in the books of the OTUA Ltd. (6)

OR

Pass entries for forfeiture and re-issue in both the following cases.

- (a) Vikram Ltd. forfeited 5,000 shares of Rahul, who had applied for 6,000 shares for non-payment of allotment money of ₹ 5 per share and first and final call of ₹ 2 per share. Only application money of ₹ 3 was paid by him. Out of these 3,000 shares were re-issued @ ₹ 12 per share as fully paid.
 - (b) Ratan Ltd. forfeited 3,000 shares of ₹ 10 each (issued at ₹ 2 premium) for non-payment of first call of ₹ 2 per share. Final call of ₹ 3 per share was not yet made. Out of these 2,000 shares were re-issued at ₹ 10 per share as fully paid.
24. X and Y were partners in the profit-sharing ratio of 3: 2. Their balance sheet as at March 31, 2022 was as follows:

Balance Sheet as at March 31, 2022

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		56,000	Plant and Machinery		70,000
General Reserve		14,000	Buildings		98,000
Capital Accounts:			Stock		21,000
X	1,19,000		Debtors	42,000	
Y	<u>1,12,000</u>	2,31,000	(-)Provision	<u>(7,000)</u>	35,000
			Cash in Hand		77,000
		3,01,000			3,01,000

Z was admitted for 1/6th share on the following terms:

- (i) Z will bring ₹ 56,000 as his share of capital, but was not able to bring any amount to compensate the sacrificing partners.
- (ii) Goodwill of the firm is valued at ₹ 84,000.
- (iii) Plant and Machinery were found to be undervalued by ₹ 14,000 Building was to brought up to ₹ 1,09,000.
- (iv) All debtors are good.
- (v) Capitals of X and Y will be adjusted on the basis of Z's share and adjustments will be done by opening necessary current accounts.

You are required to prepare revaluation account and partner's capital account. (6)

OR

P, Q and R were partners in a firm sharing profits in the ratio of 3:2:1 respectively. On March 31st, 2022, the balance sheet of the firm stood as follows:

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		13,000	Cash		4,700
Bills Payable		590	Debtors		8,000
Capital Accounts:			Stock		11,690
P	15,000		Buildings		23,000
Q	10,000		Profit and Loss Account		1,200
R	10,000	35,000			
		48,590			48,590

Q retired on the above-mentioned date on the following terms:

- Buildings to be appreciated by ₹ 7,000.
- A provision for doubtful debts to be made at 5 % on debtors.
- Goodwill of the firm is valued at ₹ 18,000 and adjustment to be made by raising and writing off the goodwill.
- ₹ 2,800 was to be paid to Q immediately and the balance in his capital account to be transferred to his loan account carrying interest as per the agreement.
- Remaining partner decided to maintain equal capital balances, by opening current account.

Prepare the revaluation account and partner's capital accounts.

25. A, B and C were partners sharing P&L in the ratio 5:3:2. A died on 30th June, 2019. Entry for treatment of goodwill after his death was passed as follows:-

Date	Particulars	L. F.	31.03.2020 (₹)	31.03.2019 (₹)
	B's Capital A/c	Dr.	1,80,000	
	C's Capital A/c	Dr.	1,20,000	
	To A's Capital A/c			3,00,000
	(Entry for goodwill treatment passed at the time of death of partner)			

A's profit till date of death was estimated as ₹ 1,20,000, based on the average profits of past three years. Final dues payable to A's executors on the date of death was calculated as ₹ 8,40,000 out of which ₹ 2,40,000 was paid immediately by giving him Furniture valued for the same and balance was to be paid in three equal annual instalments starting from 30 June, 2020, together with interest rate as specified in Section 37 of Indian Partnership Act, 1932.

Pass necessary entry for profit share to be credited to A's Capital and also prepare A's executors account till final settlement. (6)

26. Health2Wealth Ltd. had share capital of ₹ 80,00,000 divided in shares of ₹ 100 each and 20,000, 8% Debentures of ₹ 100 each as part of capital employed.

The company need additional funds of ₹ 55,00,000 for which they decided to issue debentures in such a way that they got required funds after issuing debentures of the same class as earlier, at 10% premium. These debentures were to be redeemed at 20% premium after 4 years. These debentures were issued on 01 October, 2021.

You are required to

- Pass entries for issue of Debentures.
- Prepare Loss on Issue of Debentures Account assuming there was existing balance of Securities Premium Account of ₹ 2,80,000.
- Pass entries for Interest on debentures on March 31, 2022 assuming interest is payable on 30 September and 31 March every year. (6)

Part - B

(Analysis of Financial Statements)

27. Financial statements are prepared on certain basic assumptions (pre-requisites) known as _____.

- Provision of Companies Act, 2013
 - Accounting Standards
 - Postulates
 - Basis of Accounting
- (1)

OR

Which one of the following is correct?

- (i) Quick Ratio can be more than Current Ratio.
 (ii) High Inventory Turnover ratio is good for the organisation, except when goods are bought in small lots or sold quickly at low margins to realise cash.
 (iii) Sum of Operating Ratio and Operating Profit ratio is always 100%.

- (A) All are correct. (B) Only (i) and (iii) are correct.
 (C) Only (ii) and (iii) are correct. (D) Only (i) and (ii) are correct

28. From the following calculate Interest coverage ratio

Net profit after tax ₹ 12,00,000; 10% debentures ₹ 1,00,00,000; Tax Rate 40%

- (A) 1.2 times (B) 3 times
 (C) 2 times (D) 5 times (1)

29. Insurance Claim received by Albert Co. Ltd. of ₹ 5,00,000 for Loss of Machinery due to theft will be recorded in Cash Flow Statement in which of the following manner?

- (A) Added under Operating Activities as Extraordinary Item and Subtracted from Operating Activities also.
 (B) Subtracted under Operating Activities as Extraordinary Item and Added to Operating Activities also.
 (C) Added under Operating Activities as Extraordinary Item and Outflow under Investing Activity also.
 (D) Subtracted under Operating Activities as Extraordinary Item and Inflow under Investing Activities also. (1)

OR

A company issued 20,000; 9% Debentures of ₹ 100 each at 10% Discount. These debentures were to be redeemed at 15% Premium at the end of 5 years. The balance in Securities Premium Account as on the date of Issue was ₹ 3,70,000. How this transaction will be reflected in Cash Flow Statement?

- (A) Added ₹ 1,30,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 20,00,000 under Financing Activities.
 (B) Added ₹ 5,00,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 18,00,000 under Financing Activities.
 (C) Added ₹ 1,30,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 18,00,000 under Financing Activities.
 (D) Added ₹ 5,00,000 under Operating Activities as Loss on Issue of Debentures written off and Inflow of ₹ 20,00,000 under Financing Activities. (1)

30. From the following information find out the inflow of Cash by sale of Office equipment's.

	31st March, 2022	31st March, 2021
Office Equipment	₹ 2,00,000	₹ 3,00,000

Additional Information:

Depreciation for the year 2021-22 was ₹ 40,000.

Purchase of Office Equipment purchased during the year ₹ 30,000.

Part of Office Equipment sold at a profit of ₹ 12,000.

- (A) ₹ 1,00,000 (B) ₹ 1,02,000
 (C) ₹ 90,000 (D) ₹ 1,12,000 (1)

31. Classify the following items under Major heads and Sub-head (if any) in the Balance Sheet of a Company as per schedule III of the Companies Act 2013.

- (i) Current maturities of long term debts
 (ii) Furniture and Fixtures
 (iii) Provision for Warranties
 (iv) Income received in advance
 (v) Capital Advances
 (vi) Advances recoverable in cash within the operation cycle (3)

32. Lala Ltd. and Bala Ltd. use different accounting policies for inventory valuation. These variations leave a big question mark on the cross-sectional analysis and comparison of these two firms was not possible.

Identify the limitation of Ratio Analysis highlighted in the above situation. Also explain any two other limitations of Ratio Analysis apart from the identified above. (3)

33. Determine Return on Investment and Net Assets Turnover ratio from the following information:-

Profits after Tax were ₹ 6,00,000; Tax rate was 40%; 15% Debentures were of ₹ 20,00,000; 10% Bank Loan was ₹ 20,00,000; 12% Preference Share Capital ₹ 30,00,000; Equity Share Capital ₹ 40,00,000; Reserves and Surplus were ₹ 10,00,000; Sales ₹ 3,75,00,000 and Sales Return ₹ 15,00,000. (4)

OR

Debt to Capital Employed ratio is 0.3:1. State whether the following transactions, will improve, decline or will have no change on the Debt to Capital Employed Ratio. Also give reasons for the same.

- (i) Sale of Equipments costing ₹ 10,00,000 for ₹ 9,00,000.
- (ii) Purchased Goods on Credit for ₹ 1,00,000 for a credit of 15 months, assuming operating cycle is of 18 months.
- (iii) Conversion of Debentures into Equity Shares of ₹ 2,00,000.
- (iv) Tax Refund of ₹ 50,000 during the year.

34. **Read the following hypothetical text and answer the given questions on the basis of the same:**

Aashna, an alumnus of CBSE School, initiated her start up Smartpay, in 2015. Smartpay is a service platform that processes payments via UPI and POS, and provides credit or loans to their clients.. During the year 2021-22, Smartpay issued bonus shares in the ratio of 5:1 by capitalising reserves. The profits of Smartpay in the year 2021-22 after all appropriations was ₹ 7,50,000. This profit was arrived after taking into consideration the following items:

Particulars	Amount (₹)
Interim Dividend paid during the year	90,000
Depreciation on Machinery	40,000
Loss of Machinery due to fire	20,000
Insurance claim received for Loss of Machinery due to Fire	10,000
Interest on Non-Current Investments received	30,000
Tax Refund	20,000

Additional Information:

Particulars	31.3.22 (₹)	31.3.21 (₹)
Equity Share Capital	12,00,000	10,00,000
Securities Premium Account	3,00,000	5,00,000
General Reserve	1,50,000	1,50,000
Investment in Marketable Securities	1,50,000	1,00,000
Cash in hand	2,00,000	3,00,000
Machinery	3,00,000	2,00,000
10% Non-Current Investments	4,00,000	3,00,000
Bank Overdraft	2,50,000	2,00,000
Goodwill	30,000	80,000
Provision for Tax	80,000	60,000

(i) Goodwill purchased during the year was ₹ 20,000.

(ii) Proposed Dividend for the year ended March 31, 2021 was ₹ 1,60,000 and for the year ended March 31,2022 was ₹ 2,00,000.

You are required to:

1. Calculate Net Profit before tax and extraordinary items.
2. Calculate Operating profit before working capital changes.
3. Calculate Cash flow from Investing activities.
4. Calculate Cash flow from Financing activities.
5. Calculate closing cash and cash equivalents.

(6)



SOLUTIONS

Sample Question Paper-1

Accountancy (055)

Part - A

(Accounting for Partnership Firms and Companies)

1. Option (A) is correct. (1)

Explanation: Sacrificing ratio of Navya and Radhey = 8,000 : 16,000 = 1 : 2 or $\frac{1}{3} : \frac{2}{3}$

Sacrifice made by Navya in Shreya's favour:

$$= \frac{1}{5} \times \frac{1}{3} = \frac{1}{15}$$

$$\text{Navya's remaining share} = \frac{3}{4} - \frac{1}{15} = \frac{45-4}{60} = \frac{41}{60}$$

$$\text{Sacrifice made by Radhey in Shreya's favour} = \frac{1}{5} \times \frac{2}{3} = \frac{2}{15}$$

$$\text{Remaining shares of Radhey} = \frac{1}{4} - \frac{2}{15} = \frac{15-8}{60} = \frac{7}{60}$$

New profit sharing ratio of Navya, Radhey and Shreya:

$$\frac{41}{60} : \frac{7}{60} : \frac{1}{5} = \frac{41}{60} : \frac{7}{60} : \frac{12}{60} = 41 : 7 : 12$$

2. Option (C) is correct. (1)

Explanation: Commission provided to a partner is an appropriation of profit, hence it is shown in profit and loss appropriation A/c.

3. Option (B) is correct. (1)

Explanation: Amount called up per share (excluding premium)

$$= ₹ 7 - (1 \text{ of premium}) = ₹ 6$$

$$\text{Uncalled capital} = \text{face value of share} - \text{called up values} = 10 - 6 = ₹ 4 \text{ per share}$$

OR

Option (D) is correct.

Explanation: Irredeemable debentures are those debentures that will not be redeemed during the life time of the company. Hence, company doesn't give any under taking for the repayment of money borrowed by issuing such debentures.

4. Option (A) is correct. (1)

Explanation: Debit balance of profit and loss A/c is an accumulated loss of ₹ 50,000

$$\text{Fall in book value of investment, } 50,000 - 30,000 = ₹ 20,000$$

$$\text{Balance of investment fluctuation fund} = 40,000$$

$$\text{Accumulated profit after adjustment of fall in the value of investment} = 40,000 - 20,000 = ₹ 20,000$$

$$\text{Net effect of accumulated loss} = 50,000 - 20,000 = ₹ 30,000$$

$$\text{Sacrifice/Gain of Samiksha} = \frac{5}{10} - \frac{2}{10} = \frac{3}{10} \text{ (Sacrifice)}$$

$$\text{Sacrifice/Gain of Arshiya} = \frac{3}{10} - \frac{5}{10} = \frac{-2}{10} \text{ (Gain)}$$

$$\text{Sacrifice/Gain of Divya} = \frac{2}{10} - \frac{3}{10} = \frac{-1}{10} \text{ (Gain)}$$

So Samiksha's capital A/c will be debited with = $\left(30,000 \times \frac{3}{10}\right) = ₹ 9000$ and Arshiya's and Divya's capital A/c will be credited with ₹ 6,000 and ₹ 3,000 respectively.

OR

Option (D) is correct.*Explanation:* We know that interest on loan is a charge against profit. Hence to be paid irrespective of loss earned.

$$\text{So interest on Sohan's loan} = 20,000 \times \frac{6}{100} \times \frac{3}{12} = ₹ 300$$

$$\text{Interest on Mohan's Loan} = 10,000 \times \frac{6}{100} \times \frac{3}{12} = ₹ 150$$

$$\text{Loss to be borne by partners} = 2,500 + 300 + 150 = ₹ 2,950$$

$$\text{Sohan's share of loss} = 2,950 \times \frac{2}{5} = ₹ 1,180$$

$$\text{Mohan's share of loss} = 2,950 \times \frac{3}{5} = ₹ 1,770$$

5. Option (D) is correct.*Explanation:* Closing capital of Vihan = ₹ 4,00,000

$$\text{His share in profit} = 2,25,000 \times \frac{3}{5} = ₹ 1,35,000$$

$$\text{His capital before distribution of profit} = 4,00,000 - 1,35,000 = ₹ 2,65,000$$

$$\text{His Drawings} = ₹ 65,000$$

$$\text{Capital before drawings} = 2,65,000 + 65,000 = ₹ 3,30,000$$

Interest on capital @ 10%

Opening Capital (before applying interest on capital)

$$= \frac{3,30,000 \times 100}{100 + 10} = \frac{3,30,000 \times 100}{110} = ₹ 3,00,000$$

(1)

6. Option (C) is correct.*Explanation:* Premium on redemption of debentures 10% of 50,00,000 = ₹ 5,00,000

Balance of statement of P&L used to write off loss on issue of debentures = ₹ 2,00,000

It means remaining amount was written off from statement of P & L.

$$5,00,000 - 2,00,000 = ₹ 3,00,000$$

$$\text{Premium\%} = \frac{3,00,000 \times 100}{5,00,000} = 6\%$$

(1)

OR

Option (B) is correct.*Explanation:* Premium of Redemption of debentures = 20% of 80,00,000 = ₹ 16,00,000

Utilisation of securities premium for write off loss on issue of debentures = 25,00,000 - 16,00,000 = ₹ 9,00,000

So, discount issue of debentures = 20,00,000 - 9,00,000 = ₹ 11,00,000

$$\text{Rate of discount} = \frac{11,00,000 \times 100}{80,00,000} = 13.75\%$$

(1)

7. Option (C) is correct.*Explanation:* As per SEBI guidelines.

A minimum 90% subscription of shares is necessary for the allotment of shares.

So minimum no. of shares to be subscribed by public = 90% of 12,000 = 10,800 shares

So, minimum amount to be received on 10,800 shares as application = 10,800 × 3 = ₹ 32,400

Hence, 30,000 is correct answer.

(1)

8. Option (D) is correct.*Explanation:* Amount to be paid to Amay

= Capital + Share in General Reserve + Share in Goodwill + Share in Revaluation Profit

$$= 50,000 + 2,500 + 10,000 + 8,000 = ₹ 70,500$$

(1)

OR

Option (D) is correct.*Explanation:* If deed is silent, partners are not entitled for salary or commission. Hence only profit will be distributed in their profit sharing ratio.

9. Option (C) is correct. (1)

Explanation: Net profit of the firm = $44,000 \times \frac{100}{10} = ₹ 4,40,000$

Net profit after Puneet's commission = $4,40,000 - 44,000 = ₹ 3,96,000$

Commission of Raju = $₹ 3,96,000 \times \frac{10}{110} = ₹ 36,000$

10. Option (A) is correct. (1)

Explanation: Net profit after partner's commission = $₹ 4,40,000 - (44,000 + 36,000)$
= $₹ 4,40,000 - 80,000 = ₹ 3,60,000$

Puneet's share of profit = $3,60,000 \times \frac{1}{2} = ₹ 1,80,000$

11. Option (C) is correct. (1)

12. Option (B) is correct. (1)

Explanation: Maximum possible discount cannot be more than the balance available in share forfeiture A/c.

13. Option (B) is correct. (1)

Explanation: As per the companies Act 2013, Securities Premium Reserve can be utilised only for those purpose which have been mentioned in the Act.

14. Option (C) is correct. (1)

Explanation: Total adjusted capital of Ganga and Jamuna = $1,02,000 + 73,000 + 25,000$
= $₹ 1,75,000 + 25,000 = ₹ 2,00,000$

(Goodwill which will be distributed by the old partners brought in by new partner)

= $₹ 2,00,000$ is for $\frac{4}{5}$ share of firm

Total capital of the firm = $₹ 2,00,000 \times \frac{5}{4} = ₹ 2,50,000$

Capital to be brought in by Saraswati = $₹ 2,50,000 - 2,00,000 = ₹ 50,000$

15. Option (D) is correct. (1)

Explanation: Interest on drawing = $\frac{\text{Drawings} \times \text{interest \%} \times \text{Average period}}{100 \times 12}$

$2,600 = \frac{\text{Drawings} \times 8 \times 6.5}{1200}$

Drawings : $\frac{2,600 \times 1,200}{8 \times 6.5} = ₹ 60,000$

Drawings per month = $\frac{60,000}{12} = ₹ 5,000$

OR

- Option (D) is correct.

Explanation: Interest on drawings = $\frac{\text{Drawing Amount} \times \text{Rate} \times \text{Average Period}}{100 \times 12}$

$1,500 = \frac{(5,000 \times 4) \times \text{Rate} \times 7.5}{100 \times 12}$

$1,500 = \frac{1,500 \times 100 \times 12}{20,000 \times 7.5}$

Rate = 12% p.a.

16. Option (D) is correct.

Memorandum Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	70,000	Cash in Hand	10,000
Capital A/c	1,20,000	Sundry Assets (Balancing figure)	1,80,000
	1,90,000		1,90,000

Realisation A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets	1,80,000	By creditors A/c	70,000
To cash A/c (paid creditors)	70,000	By cash A/c (Assets realized)	1,50,000
		By loss (Bal. fig.)	30,000
	2,50,000		2,50,000

(1)

17.

Journal Entry

(1+2=3)

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
1.02.22	Profit and Loss Suspense A/c To Sara's Capital A/c (Being Sara's share of profit allowed till the date of her death)	Dr.	30,000	30,000

Workings: Profit % to sales turnover for the year ended 31st March, 2021 = $1,20,000/10,00,000 \times 100 = 12\%$.

Estimated sales for the year ended 31st March, 2022 = ₹ 10,00,000 + 20% of ₹ 10,00,000 = ₹ 12,00,000.

Estimated sales till 01st February, 2022 = ₹ 12,00,000 \times 10/12 = ₹ 10,00,000.

Profit percentage 12 - 2 = 10%.

Profit amount till 01st February, 2022 = 10% of ₹ 10,00,000 = ₹ 1,00,000

Sara's share of profit till 1st February, 2022 = $\frac{1,00,000 \times 3}{10} = ₹ 30,000$

18. Dr.

**Profit and Loss Appropriation A/c
for the year ending on 31st March, 2022**

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital:		By Profit and Loss A/c	1,38,000
Amay's Current A/c	9,000		
Anmol's Current A/c	4,500		
Rohan's Current A/c	4,500		
To Partners' Current A/c:			
Amay	53,000		
Anmol	40,000		
Rohan	<u>27,000**</u>		
	1,20,000		
	1,38,000		1,38,000

** Guarantee met for 9 months.

(½ × 6 = 3)

**OR
Journal Entry**

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
1.02.22	Ajay's Capital A/c To Manish's Capital A/c To Sachin's Capital A/c (Adjustment entry passed)	Dr.	52,000	4,000 48,000

(1+2=3)

Working Notes:

Particulars	Ajay		Manish		Sachin		Firm	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Profits taken back	1,00,000		60,000		40,000			2,00,000

Interest on Capital to be credited		48,000		64,000		88,000	2,00,000	
	1,00,000	48,000	60,000	64,000	40,000	88,000	2,00,000	2,00,000
	52,000 (Dr.)		4,000 (Cr.)		48,000 (Cr.)			

19.

**Books of Anthony Ltd.
Journal Entries**

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Assets A/c Dr. Goodwill A/c Dr. To Liabilities A/c To Mithoo Ltd. A/c (Business purchased of Mithoo Ltd. comprising of Assets and Liabilities)		23,50,000 50,000	6,00,000 18,00,000
(ii)	Mithoo Ltd. A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Debentures issued to Mithoo Ltd. at Discount, redeemable at Premium)		18,00,000 3,00,000	20,00,000 1,00,000

(3)

OR

**Books of Random Ltd.
Journal Entries**

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Assets A/c Dr. To Liabilities A/c To Mature Ltd. A/c To Capital Reserve A/c (Business purchased of Mithoo Ltd. comprising of Assets and Liabilities)		45,00,000	6,40,000 36,00,000 2,60,000
(ii)	Mature Ltd. A/c Dr. To Bank A/c To 12% Preference Share Capital A/c To Securities Premium A/c (Debentures issued to Mithoo Ltd. at Discount, redeemable at Premium)		36,00,000	1,50,000 30,00,000 4,50,000
No. of Shares = $34,50,000/115 = 30,000$ shares @ 100 + 15 each				

20.

Journal Entry

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
1.4.20	Nobita's Capital A/c Dr. To Doremon's Capital A/c (Being goodwill adjusted at the time of change in profit sharing ratio)		26,667	26,667

Workings:

- (i) Calculation of gaining ratio and sacrificing ratio:
 Doremón's gain or sacrifice = $3/6 - 2/6 = 1/6$ (sacrifice)
 Shinchan's gain or sacrifice = $2/6 - 2/6 = 0$
 Nobita's gain or sacrifice = $1/6 - 2/6 = -1/6$ (gain)
- (ii) Calculation of goodwill:

Calculation of Normal Profit

Year Ended	Profit/ Loss	Adjustments	Normal Profit
31st March, 2019	50,000	—	50,000
31st March, 2020	1,20,000	—	1,20,000
31st March, 2021	1,80,000	—	1,80,000
31st March, 2022	(70,000)	—	(30,000)
Total			3,20,000

Goodwill = Average Profits × No. of years purchase

Average Profits = Total Normal Profits/Number of years = $3,20,000/4 = 80,000$

Goodwill = $80,000 \times 2 = ₹ 1,60,000$

A's share of goodwill = $1,60,000 \times 1/6 = ₹ 26,667$

(1+2=3)

21.

Books of Altaur Ltd.
Balance Sheet (Extract) as at

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	63,25,000	Nil

Notes to Accounts:

	Amount Cr. (₹)
1. Share Capital	
Authorised Share Capital	
25,00,000 Equity Shares @ ₹ 10 each	2,50,00,000
1,50,000 9% Preference Shares @ ₹ 100 each	1,50,00,000
	4,50,00,000
Issued Share Capital	
8,00,000 Equity Shares @ ₹ 10 each	80,00,000
Subscribed Share Capital	
(i) Subscribed and Fully Paid up	-----
(ii) Subscribed but not Fully Paid up	
8,00,000 Equity Shares @ ₹ 8 each	64,00,000
(-) Calls in Arrears**	(75,000)
	63,25,000

(1+3=4)

22.

Journal Entries in the Books of Charu, Dhvani, Iknoor and Paavni

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Dhwani's Loan A/c To Bank A/c To Realisation A/c (Dhwani's Loan of ₹ 50,000 settled at ₹ 42,000)	Dr.	50,000	42,000 8,000

(ii)	Paavni's Loan A/c To Realisation A/c (Paavni's Loan of ₹ 40,000 settled by giving an unrecorded asset)	Dr.		40,000	40,000
(iii)	Realisation A/c To Loan to Charu A/c (Loan to Charu was settled by payment to Charu's brother Loan)	Dr.		60,000	60,000
(iv)	Iknoor's Loan A/c To Realisation A/c To Bank A/c (Iknoor's Loan of ₹ 80,000 and Machinery was given as part payment and rest through bank)	Dr.		80,000	60,000 20,000

(4)

23.

Books of OTUA Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Bank A/c To Equity Share Application A/c (Application money received on 85,000 shares)	Dr.	34,00,000	34,00,000
(ii)	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Application money transferred to share capital, share allotment and refunded)	Dr.	34,00,000	24,00,000 6,00,000 4,00,000
(iii)	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Allotment received on 56,000 shares)	Dr.	51,00,000	36,00,000 15,00,000
(iv)	Bank A/c Calls in Arrears A/c To Equity Share Allotment A/c (Allotment received on 56,000 shares)	Dr. Dr.	42,00,000 3,00,000	45,00,000
(v)	Equity Share Capital A/c Securities Premium A/c To Share Forfeited A/c To Calls in Arrears A/c (4,000 shares forfeited for non-payment of allotment money)	Dr. Dr.	4,00,000 1,00,000	2,00,000 3,00,000
	Bank A/c Share Forfeited A/c To Equity Share Capital A/c (3,000 shares re-issued @ ₹ 80 per share)	Dr. Dr.	2,40,000 60,000	3,00,000
	Share Forfeited A/c To Capital Reserve A/c (Gain on re-issue of forfeited shares transferred to capital reserve)	Dr.	90,000	90,000

(6)

OR
Books of Vikram Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Share Capital A/c To Share Forfeited A/c To Calls in Arrears A/c (5,000 shares forfeited for non-payment of allotment and call money)	Dr.	50,000	18,000 32,000
(ii)	Bank A/c To Share Capital A/c To Securities Premium A/c (3,000 shares re-issued @ ₹ 12 per share)	Dr.	36,000	30,000 6,000
(iii)	Share Forfeited A/c To Capital Reserve A/c (Gain on re-issue of forfeited shares transferred to capital reserve)	Dr.	10,800	10,800

(b)
Books of Ratan Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
	Share Capital A/c To Share Forfeited A/c To Calls in Arrears A/c (3,000 shares forfeited for non-payment of first call money)	Dr.	21,000	15,000 6,000
	Bank A/c To Share Capital A/c (2,000 shares re-issued @ ₹ 10 per share)	Dr.	20,000	20,000
	Share Forfeited A/c To Capital Reserve A/c (Gain on re-issue of forfeited shares transferred to capital reserve)	Dr.	10,000	10,000

24. Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c:		By Plant and Machinery	14,000
X 19,200		By Buildings A/c	11,000
Y <u>12,800</u>	32,000	By Provisions for Doubtful Debt A/c	7,000
	<u>32,000</u>		<u>32,000</u>

Dr. Partners' Capital Accounts Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Y's Current A/c	—	24,000	—	By Balance b/d	1,19,000	1,12,000	—
To Balance c/d	1,68,000	1,12,000	56,000	By Bank A/c	—	—	56,000
				By Z's Current A/c	8,400	5,600	—
				By General Reserve A/c	8,400	5,600	—
				By Revaluation A/c	19,200	12,800	—
				By X's Current A/c	13,000	—	—
	<u>1,68,000</u>	<u>1,36,000</u>	<u>56,000</u>		<u>1,68,000</u>	<u>1,36,000</u>	<u>56,000</u>

OR

Dr.		Revaluation A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Provision for Doubtful Debts	400	By Building A/c	7,000		
To Partner's Capital A/c:					
P	3,300				
Q	2,200				
R	<u>1,100</u>				
	6,600				
	<u>7,000</u>				<u>7,000</u>

Dr.		Partners' Capital Accounts						Cr.	
Particulars	X	Y	Z	Particulars	X	Y	Z		
To Goodwill A/c	13,500	—	4,500	By Balance b/d	15,000	10,000	10,000		
To Profit & Loss	600	400	200	By Revaluation A/c	3,300	2,200	1,100		
To Cash	—	2,800	—	By Goodwill A/c	9,000	6,000	3,000		
To Q's Loan	—	15,000	—	By R's Current A/c	—	—	1,900		
To P's Current A/c	1,900	—	—						
To Balance c/d	11,300	—	11,300						
	<u>27,300</u>	<u>18,200</u>	<u>16,000</u>		<u>27,300</u>	<u>18,200</u>	<u>16,000</u>		

25.

Journal Entry

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 June 30	Profit and Loss Suspense A/c To A's Capital A/c (Being share of profit provided till the date of his death)	Dr.	1,20,000	1,20,000

Dr.		A's Executors A/c						Cr.	
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount		
2019 June 30	To Furniture A/c		2,40,000	2019 June 30	By A's Capital A/c		8,40,000		
2020 Mar.31	To Balance c/d		6,27,000	2020 Mar.31	By Interest A/c		27,000		
			<u>8,67,000</u>				<u>8,67,000</u>		
2020 June 30	To Bank A/c		2,36,000	2020 Apr. 1	By Balance b/d		6,27,000		
2021 Mar. 31	To Balance c/d		4,18,000	2020 June 30	By Interest A/c		9,000		
			<u>6,54,000</u>	2021 Mar. 31	By Interest A/c		18,000		
			<u>6,54,000</u>				<u>6,54,000</u>		
2021 June 30	To Bank A/c		2,24,000	2021 Apr. 1	By Balance b/d		4,18,000		
2022 Mar. 31	To Balance c/d		2,09,000	2021 June 30	By Interest A/c		6,000		
			<u>4,33,000</u>	2022 Mar. 31	By Interest A/c		9,000		
			<u>4,33,000</u>				<u>4,33,000</u>		
2022 June 30	To Bank A/c		2,12,000	2021 Apr. 1	By Balance b/d		2,09,000		
			<u>2,12,000</u>	2022 June 30	By Interest A/c		3,000		
			<u>2,12,000</u>				<u>2,12,000</u>		

(6)

26. (a)

Books of Health2Wealth Ltd.
Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Bank A/c To Debenture Application and Allotment A/c (Application money received)	Dr.	55,00,000	55,00,000
(ii)	Debenture Application and Allotment A/c Loss on Issue of Debentures A/c To 8% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Debenture issued at premium, to be redeemed at premium)	Dr. Dr.	55,00,000 10,00,000	50,00,000 5,00,000 10,00,000

(b)

Dr. Loss on Issue of Debentures A/c Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2021 1 Oct.	To Premium on Redemption of Debentures A/c	10,00,000	2022 31 Mar.	By Securities Premium A/c By Statement of Profit and Loss A/c	7,80,000 2,20,000
		<u>10,00,000</u>			<u>10,00,000</u>

(c)

Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
31 Mar. 2022	Debenture Interest A/c To Debenture holders A/c (Interest due on debentures)	Dr.	2,00,000	2,00,000
31 Mar. 2022	Debenture holders A/c To Bank A/c (Interest paid to debenture holders)	Dr.	2,00,000	2,00,000
31 Mar. 2022	Statement of Profit and Loss To Debenture Interest A/c (Interest on Debentures charged to Statement of Profit and Loss)	Dr.	2,00,000	2,00,000

(2+2+2=6)

Part - B

(Analysis of Financial statements)

27. Option (C) is correct.

Explanation: Certain fundamental assumptions on the basis of which financial statements are prepared are also known as Postulates. For example: Going concern assumption or postulate.

OR

Option (C) is correct.

28. Option (B) is correct.

(1)

Explanation: Interest coverage Ratio = $\frac{\text{Net profit before interest and tax}}{\text{fixed interest charges}}$

Profit after interest and tax = ₹ 12,00,000

Tax rate = 40%

$$\text{Profit before tax} = \frac{12,00,000 \times 100}{100 - \text{tax rate}} = \frac{12,00,000 \times 100}{60} = ₹ 20,00,000$$

$$\text{Profit before interest and tax} = 20,00,000 + 10,00,000 \text{ (interest)} = ₹ 30,00,000$$

$$\text{Interest coverage ratio} = \frac{30,00,000}{10,00,000} = 3 \text{ Times.}$$

29. Option (D) is correct. (1)

OR

Option (C) is correct.

30. Option (B) is correct. (1)

Explanation:

Dr. Office Equipment A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	3,00,000	By depreciation A/c	40,000
To cash A/c (purchase)	30,000	By cash A/c (Sales) (Bal. fig)	1,02,000
To profit on sale of equipment	12,000	By Balance c/d	2,00,000
	3,42,000		3,42,000

(1)

31.

Item	Heading	Sub – Heading
(i) Current maturities of long term debts	Current Liabilities	Short term borrowings
(ii) Furniture and Fixtures	Non-Current Assets	Property, Plant and Equipments and Intangible Assets Property, Plant and Equipments
(iii) Provision for Warranties	Non – Current Liabilities	Long Term Provisions
(iv) Income received in advance	Current Liabilities	Other Current Liabilities
(v) Capital Advances	Non-Current Assets	Long Term Loans and Advances
(vi) Advances recoverable in cash within the operation cycle	Current Assets	Short Term Loans and Advances

(3)

32. Variations of Accounting Practice as Limitation is highlighted in the given statement.

Two Other Limitations (Any two of the following, with suitable explanation)

(a) Limitations of Accounting Data

(b) Ignores Price-level Changes

(c) Ignore Qualitative or Non-monetary Aspects

(d) Forecasting

(3)

33. Return on Investment = EBIT / Capital Employed × 100

$$= \frac{15,00,000}{1,20,00,000} \times 100 = 12.5\%$$

Capital Employed = 12% Preference Share Capital + Equity Share Capital + Reserves and Surplus

+ 15% Debentures + 10% Bank Loan

$$= 30,00,000 + 40,00,000 + 10,00,000 + 20,00,000 + 20,00,000 = ₹ 1,20,00,000$$

$$\text{EBIT} = \text{Profits after Tax} + \text{Tax} + \text{Interest} = 6,00,000 + 4,00,000 + 5,00,000 = ₹ 15,00,000$$

Net Assets Turnover ratio = Revenue from Operations / Capital Employed

$$= \frac{3,60,00,000}{1,20,00,000} = 3 \text{ times}$$

(4)

OR

(i) Ratio will improve. Reason – Capital Employed will decrease and Debt will remain same

(ii) Ratio will remain same. Reason – Both Debt and Capital Employed will remain same.

(iii) Ratio will decline. Reason – Debt will decrease but Capital Employed will remain same.

(iv) Ratio will decline. Reason – Capital Employed will increase but Debt will remain same.

(4)

34. 1. Net Profit before tax and extraordinary items
 = Net Profit for the year + Interim Dividend + Loss of assets due to fire + Provision for Tax + Proposed Dividend
 – Insurance claim received for Loss due to Fire – Tax refund
 = 7,50,000 + 90,000 + 20,000 + 80,000 + 1,60,000 – 10,000 – 20,000 = ₹ 10,70,000
2. Operating profit before working capital changes
 = Net Profit before tax and extraordinary items + Adjustments for non-cash and non-operating expenses
 and goodwill amortised – Adjustments for non-cash and non-operating incomes
 = 10,70,000 + 40,000 + 70,000** – 30,000 = 11,50,000
 ** Goodwill amortised = Opening goodwill + Goodwill purchased – Closing goodwill
3. Cash flow from Investing Activities = Interest on Non-Current Investments + Insurance claim for loss of assets
 due to fire – Purchase of Investments – Purchase of Machinery – Goodwill purchased
 = 30,000 + 10,000 – 1,00,000 – 1,60,000 – 20,000 = ₹ (2,40,000) Outflow
4. Cash flow from Financing Activities: Raise of Bank overdraft – Interim Dividend Paid – Final Dividend paid
 = 50,000 – 90,000 – 1,60,000 = ₹ (2,00,000) Outflow
5. Closing Cash and Cash Equivalents : Cash in Hand + Investment in Marketable Securities
 = 2,00,000 + 1,50,000 = 3,50,000 (1.5+1.5+1+1+1=6)

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