CBSE
Class XII Accountancy
Sample Paper 5 – Solution

PART – A

Answer 1
Option D: Partners' Current Account

Answer 2
Option B: 6

Answer 3
Option D: The face value and carrying amount of debentures are equal

Answer 4
If the partnership deed does not exist among the partners of a firm, then according to the Partnership Act of 1932, profits and losses are to be shared equally by all the partners of the firm.

Answer 5
Option B: Rs. 2,00,000
The total capital of the firm is Rs. 28,00,000. To increase the capital base to Rs. 40,00,000, Kiran is to bring Rs. 14,00,000 (i.e., Rs. 40,00,000 - Rs. 28,00,000). But Kiran brings in Rs. 14,00,000. Therefore, the excess, i.e., Rs. 2,00,000 is the premium for Goodwill.

Answer 6
Option D: No Entry
Entry for expenses of dissolution will not be passed because the expenses are to be borne and paid by Rajvi.

Answer 7
Option D: 11 : 4 : 5
New Share of Bela = Old Share - Share Sacrifice in favour of Bijoy.

$$=\frac{4}{5}-\frac{1}{4}=\frac{16-5}{20}=\frac{11}{20}$$

$$\text{New Ratio of Bela, Albela and Bijoy}=\frac{11}{20}:\frac{1}{5}:\frac{1}{4}=\frac{11}{20}:\frac{4}{20}:\frac{5}{20}\text{ or }11:4:5$$

Answer 8

Receipts and Payments Account prepared by Not for Profit Organisations is based upon Cash basis of accounting. Accordingly, non-cash expenditure is not shown in Receipts and Payments Account.

Answer 9

Option C: General Reserve Account

After all the debentures have been redeemed, the 'Balance of Debenture Redemption Reserve' will be transferred to 'General Reserve Account'.

Answer 10

Court may pass order for the dissolution of the firm when:

(a) A partner becomes a person of unsound mind, or

(b) Partnership agreement is breached persistently by a partner or partners.

Answer 11

Option C: 3:1

Z is incorrect as until and unless agreed, new profit sharing ratio of the continuing partners remains the same as their old profit-sharing ratio, i.e. 3:1.

Answer 12

Option A: Rs. 50,000 and Rs. 25,000 respectively

Answer 13

Option A: Zero

As per Debenture Redemption Reserve Rules, All India Financial Institutions regulated by RBI and Banking Companies are not required to create any DRR.

Answer 14

Option A: Nil

The securities premium amount must have been received with allotment money and it is only first and final call money that was due and not received. Accordingly, no debit would be done for Securities premium reserve,

Answer 15

Statement showing computation of amount of subscriptions to be credited to Income and Expenditure Account:

Particulars	Rs.
Subscriptions received during 2016-17	42,000
Add: Subscriptions due for year 2016-17	400
Less: Subscriptions for year 2015-16	600
Less: Received in Advance for 2017-18	800
Subscriptions for 2016-17 to be credited to the Income & Expenditure Account.	**41,000**

Working Note:

Subscription due but not received as at march 31, 2017: Rs. 1,000*

*includes subscriptions due not received for year 2015-16, i.e. Rs. 600 [1,200 (Due) – 600 (Received in 2015-16)].

Therefore, subscriptions due for year 2016-17 amounted to Rs. 400 (1,000 – 600).

OR

STATEMENT SHOWING GOODS CONSUMED DURING 2018-19

Particulars	**Amount**	**Amount**
Amount paid for goods during the year		1,00,000
Add: Stock of goods as on 1st April, 2018	50,000	
Creditors for goods as on 31st March, 2019	45,000	95,000
Less: Stock of goods as on 31st March, 2019	40,000	
Creditors for goods as on 1st April, 2018	32,000	72,000
Goods consumed during 2018-19		1,23,000

Answer 16

Calculation of Net Effect of Accumulated Profits, Losses and Reserves:

General Reserves + Contingency Reserve + P&L (Cr.) – Advertisement Suspense A/c (Dr.)

= 1,50,000 + 20,000 + 80,000 – 1,20,000 = 1,30,000

Calculation of Sacrifice & Gain

Sacrifice/Gain of Arun = Old Share – New Share = 5/10 – 2/10 = 3/10 (Sacrifice)

Sacrifice/Gain of Karan = Old Share – New Share = 3/10 – 3/10 = Nil

Sacrifice/Gain of Tarun = Old Share – New Share = 2/10 – 5/10 = -3/10 (Gain)

Share of Arun/Tarun (Sacrificing/Gaining) partners in accumulated profits, losses and reserves:

= 3/10 × 1,20,000 = 36,000

Adjustment Entry:

Tarun's Capital A/c Dr. 36,000

To Arun's Capital A/c 36,000

(Being adjustment made for net accumulated profits, losses and reserves)

Answer 17

Charu's Capital Account

Dr. **Cr.**

Particulars	**Amount Rs.**	**Particulars**	**Amount Rs.**
To Executor A/c	14,812.50	By Balance c/d	7,500
		By Interest on Capital	112.50
		By Profit and Loss Suspense A/c	750

		By Anand's Capital A/c	3,500
		By Bijal's Capital A/c	1,750
		By Reserve Fund	1,600
	15,212.50		**15,212.50**

Working Notes:

WN 1 Calculation of Interest on Charu's Capital

$$\text{Interest on Capital} = 7{,}500 \times \frac{6}{100} \times \frac{3}{12} = 112.50$$

WN2 Calculation of Charu's share in profits

Profit of last financial year (2013-14) = 12,000

$$\text{Charu's share in profits} = 12{,}000 \times \frac{1}{4} \times \frac{3}{12} = 750$$

WN 3 Adjustment of Goodwill

$$\text{Average Profit} = \frac{9{,}500 + 10{,}000 + 12{,}000}{3} = 10{,}500$$

Goodwill of the firm = 10,500 × 2 = 21,000

$$\text{Charu's Share of Goodwill} = 21{,}000 \times \frac{1}{4} = 5{,}250$$

So,

$$\text{Anand will pay} = 5{,}250 \times \frac{2}{3} = 3{,}500$$

$$\text{Bijal will pay} = 5{,}250 \times \frac{1}{3} = 1{,}750$$

WN4 Calculation of Charu's Share in Reserve Fund

$$\text{Charu's Share in Reserve Fund} = 6{,}400 \times \frac{1}{4} = 1{,}600$$

Note : Since, here no information is given regarding the share acquired by Anand and Bijal, therefore, their gaining ratio is same as their new profit sharing ratio i.e. 2:1

OR

- As per Section 4 of the Indian Partnership Act, 1932: "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all."

- Any change in existing agreement of partnership is reconstitution of the firm. Following are the occasions on which the firm is reconstituted:
  1. Change in profit sharing ratio among the partners.
  2. Admission of a new partner.
  3. Retirement of an existing partner.
  4. Death of a partner.
  5. Amalgamation of two or more partnership firms.

Answer 18

Journal

Date	**Particulars**	**L.F.**	**Dr. Rs.**	**Cr. Rs.**
	Guarav's Capital A/c Dr.		1,20,000	
	To Kishor's Capital A/c			60,000
	To Kabir's Capital A/c			60,000
	(Being goodwill adjusted at the time of change in profit sharing ratio)			

Working Note:

WN1 Calculation of Gaining Ratio

Old Ratio = 1:1:1

New Ratio = 1:2:1

Gaining Ratio = New Ratio – Old Ratio

$$\text{Kishor} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12}(\text{sacrifice})$$

$$\text{Guarav} = \frac{2}{4} - \frac{1}{3} = \frac{6-4}{12} = \frac{2}{12}(\text{Gain})$$

$$\text{Kabir} = \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = -\frac{1}{12}(\text{Sacrifice})$$

Only Guarav is gaining, Kishor and Kabir are sacrificing in the ratio of 1:1

WN2: Calculation of Goodwill of the firm

$$\text{Average Profit} = \frac{\text{Sum of years of profit}}{\text{Number of years}}$$

$$= \frac{4,00,000 + 4,90,000 + 7,37,000 - 37,000 + 2,10,000}{5}$$

$$= \frac{18,00,000}{5} = 3,60,000$$

Goodwill is calculated on the basis of two years purchase of last 5 years average profit

Goodwill = 2 × Average Profit

= 2 × 3, 60,000 = 7, 20,000

$$\text{Amount of goodwill to be adjusted} = 7,20,000 \times \frac{1}{12} = 60,000$$

Answer 19

(i) <u>Calculation of Sacrificing Ratio of Umesh and Kartik on Pujit's admission</u>

Old Ratio of Umesh and Kartik = 1:1

New Ratio of Umesh and Kartik and Pujit = 3:2:5

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Umesh Sacrifice} = \frac{1}{2} - \frac{3}{10} = \frac{2}{10}$$

$$\text{Kartik Sacrifice} = \frac{1}{2} - \frac{2}{10} = \frac{3}{10}$$

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

(ii) <u>Calculation of New Profit Sharing Ratio of Umesh, Kartik, Pujit and Harshal on Harshal's admission</u>

Old Ratio of Umesh, Kartik and Pujit = 3:2:5

Harshal was admitted for $1/10^{th}$ share, which was acquired by him equally from Umesh, Kartik and Pujit

Sacrificing Share

$$\text{Umesh} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{10}$$

$$\text{Kartik} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{Pujit} = \frac{1}{3} \times \frac{1}{10} = \frac{1}{30}$$

$$\text{New Profit Share} = \text{Old Share} - \text{Sacrificing Share}$$

$$\text{Umesh} = \frac{3}{10} - \frac{1}{10} = \frac{8}{30}$$

$$\text{Kartik} = \frac{2}{10} - \frac{1}{10} = \frac{5}{30}$$

$$\text{Pujit} = \frac{5}{10} - \frac{1}{30} = \frac{14}{30}$$

$$\text{Harshal} = \frac{1}{10} \text{ or } \frac{3}{30}$$

Therefore, New Profit Sharing Ratio of Umesh, Kartik, Pujit and Harshal $= 8:5:14:3$

(iii) Calculation of New Profit Sharing Ratio of Uday, Kaushal and Hari on Govind's death

Old Ratio of Uday, kaushal, Govind and Hari = 8:5:14:3

Pujit died and his share $\left(\frac{14}{30}\right)$ is acquired by Uday and Hari equally

Share Acquired

$$\text{Umesh} = \frac{1}{2} \times \frac{14}{30} = \frac{14}{60}$$

$$\text{Harshal} = \frac{1}{2} \times \frac{14}{30} = \frac{14}{60}$$

New Profit Share = Old Share + Share Acquired

$$\text{Umesh} = \frac{8}{30} + \frac{14}{60} = \frac{30}{60}$$

$$\text{Harshal} = \frac{3}{30} + \frac{14}{60} = \frac{20}{60}$$

$$\text{Kartik} = \frac{5}{30} \text{ or } \frac{10}{60}$$

Therefore, New Profit Sharing Ratio of Umesh, kartik and Harshal = 30 : 10 : 20 or 3 : 1 : 2

Answer 20

In the books of Sakshi Club

Income and Expenditure Account

for the year ended 31st March 2017

Dr. **Cr.**

Expenditure		Rs.	Income		Rs.
			By Subscription (5,000 members × Rs. 50)		2,50,000
To Municipal Taxes	4,000		By Interest Accrued on Investment (2,00,000 × 6/100 ×5/12)		5,000
Add: Prepaid in 2015-16	1,000				
Less: Prepaid in 2016-17	(1,000)	4,000			
To Salaries	60,000		By Profit from Drama:		
Add: Outstanding	5,000	65,000	Proceeds	95,000	
To Expenses		7,500	Less: Drama Expenses	(45,000)	50,000
To Newspapers		15,000	By Sale of Waste Paper		4,500
To Charity		35,000	By Donations		54,000
To Electricity Charges		14,500			
To Surplus (Balancing Fig.)		2,22,500			
		3,63,500			**3,63,500**

Balance Sheet

as on 01st April 2016

Liabilities	Rs.	Assets	Rs.
		Subscription Outstanding (4,000+5,000)	9,000
Capital Fund (Balancing Fig.)	6,12,500	Municipal Taxes Prepaid	1,000
		Building	5,00,000
		Cash and Bank	1,02,500
	6,12,500		**6,12,500**

Balance Sheet
as on 31st March 2017

Liabilities		Rs.	Assets		Rs.
Advance Subscriptions		6,000	Subscriptions Outstanding		
Salaries Outstanding		5,000	2016-17 (2,50,000-2,05,000)	45,000	
Capital Fund	6,12,500		2015-16 (arrears)	5,000	50,000
Add: Surplus	2,22,500	8,35,000	Prepaid Municipal Taxes		1,000
			Building		5,00,000
			Investments	2,00,000	
			Add: Accrued Interest	5,000	2,05,000
			Cash at Bank		90,000
		8,46,000			**8,46,000**

Answer 21

9% Debentures A/c

Dr. **Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2010-11	To Balance c/d		1,00,00,000	2010-11	By Debenture Application A/c		95,00,000
					By Loss on Issue of Debentures A/c		5,00,000
			1,00,00,000				**1,00,00,000**
2011-12	To Balance c/d		1,00,00,000	2011-12	By Balance b/d		1,00,00,000
			1,00,00,000				**1,00,00,000**
2012-13	To Debenture holder's A/c		10,00,000	2012-13	By Balance b/d		1,00,00,000
	To Balance c/d		90,00,000				
			1,00,00,000				**1,00,00,000**
2013-14	To Debenture holder's A/c		20,00,000	2013-14	By Balance b/d		90,00,000
	To Balance c/d		70,00,000				
			90,00,000				**90,00,000**

2014-15	To Debenture holder's A/c To Balance c/d		30,00,000 40,00,000	2014-15	By Balance b/d		70,00,000
			70,00,000				**70,00,000**
2015-16	To Debenture holder's A/c		40,00,000	2015-16	By Balance b/d		40,00,000
			40,00,000				**40,00,000**

OR

Revaluation Account

Dr. **Cr.**

Particulars		Amount Rs.	Particulars	Amount Rs.
To Building A/c		1,500	By Land A/c	15,000
To Revaluation Profit A/c			By Creditors A/c	3,000
Pratik	2,750			
Deep	5,500			
Harshit	8,250	16,500		
		18,000		**18,000**

Partner's Capital Account

Dr. **Cr.**

Particulars	Pratik Rs.	Deep Rs.	Harshit Rs.	Particulars	Pratik Rs.	Deep Rs.	Harshit Rs.
To Harshit's Capital A/c	12,500			By Balance b/d	50,000	25,000	12,500
				By Revaluation Profit A/c	2,750	5,500	8,250
				By General Reserve A/c	2,500	5,000	7,500
				By Pratik's Capital A/c			12,500
To Balance c/d	42,750	35,500	40,750				
	55,250	**35,500**	**40,750**		**55,250**	**35,500**	**40,750**

Balance Sheet
as on 31 March 2015

Liabilities		Amount Rs.	Assets		Amount Rs.
Capital					
Pratik	42,750		Land	25,000	
Deep	35,500		Add :Increase	15,000	40,000
Harshit	40,750	1,19,000	Building	25,000	
			Less : Dep	1,500	23,500
Creditors	25,000				
Less : Written off	3,000	22,000	Plant		50,000
			Bank		7,500
Bills payable		15,000	Stock		20,000
			Debtors		15,000
		1,56,000			**1,56,000**

Working Notes

Old Ratio	New Ratio
1:2:3	1:1:1

Sacrificing Ratio of Pratik = Old Ratio – New Ratio $= \frac{1}{6} - \frac{1}{3} = \boxed{-\frac{1}{6}} \Rightarrow$ Gaining

Sacrificing Ratio of Deep = Old Ratio – New Ratio $= \frac{2}{6} - \frac{1}{3} = \frac{0}{6}$

Sacrificing Ratio of Harshit = Old Ratio – New Ratio $= \frac{3}{6} - \frac{1}{3} = \boxed{\frac{1}{6}} \Rightarrow$ Sacrificing

Pratik will compensate Harshit, since he is gaining

Pratik's Capital A/c	Dr.	12,500	
To Harshit's Capital A/c			12,500

Answer 22

In the Books of Golden Ltd
Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Machinery A/c Dr.		60,000	
	To Vendor			60,000
	(Being machinery purchased)			

	Vendor Dr. To Equity Share Capital A/c (Being issued 6,000 shares to the vendor of machinery)			60,000	60,000
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 8,000 shares)			16,000	16,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Being amount of application transferred to Share Capital)			16,000	16,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being amount due on share allotment)			8,000	8,000
	Bank A/c (8,000 – 750) Dr. To Equity Share Allotment A/c (Being amount received on share allotment)			7,250	7,250
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being amount due on share first call)			16,000	16,000
	Bank A/c (16,000 – 2,500 – 1,500) Dr. To Equity Share First Call A/c (Being amount received on share first call)			12,000	12,000
	Equity Share Capital A/c Dr. To Equity Share forfeiture A/c To Equity Share Allotment A/c To Equity Share first call A/c (Being 750 shares forfeited)			3,750	1,500 750 1,500

OR

In the books of Ruby Ltd
Journal Entry

Date	Particulars		L.F.	Dr. Rs.	Cr. Rs.
	Bank A/c To Equity Share Application and Allotment A/c (Being amount received on application for 10,000 shares along with first call money on 500 shares)	Dr.		10,50,000	 10,50,000
	Equity Share Application and Allotment A/c To Equity Share Capital A/c To Securities Premium A/c To Calls-in-Advance A/c (Being amount of application transferred to Share Capital and securities premium)	Dr.		10,50,000	 5,00,000 5,00,000 50,000
	Equity Share First Call A/c To Equity Share Capital A/c To Securities Premium A/c (Being amount due on first call)	Dr.		10,00,000	 5,00,000 5,00,000
	Bank A/c (10,00,000 – 50,000 – 20,000) Calls – in – Advances A/c To Equity Share First Call A/c (Being amount received on share first call)	Dr. Dr.		9,30,000 50,000	 9,80,000
	Equity Share Capital A/c Securities Premium A/c To Equity Share Forfeiture A/c To Equity Share First Call A/c (Being 300 shares forfeited)	Dr. Dr.		30,000 15,000	 15,000 30,000
	Bank A/c Equity Share Forfeiture A/c To Equity Share Capital A/c (Being forfeited shares were reissued for Rs.28,000)	Dr. Dr.		28,000 2,000	 30,000
	Equity Share Forfeiture A/c To Capital Reserve A/c (Being excess amount on forfeiture is transferred to capital reserve)	Dr.		13,000	 13,000

Working Notes:

WN1: Calculation of Amount received on Application

Application amount received on 10,000 shares	=	10,00,000
Shareholders of 500 shares paid in advance (500 × 100)	=	50,000
Total amount	=	10,50,000

Answer 23

Revaluation Account

Dr. **Cr.**

Particulars		Amount Rs.	Particulars	Amount Rs.
To Profit transferred to :			By Provision for Bad debts A/c	2,000
Charmi's Capital A/c	1,200			
Hemal's Capital A/c	800	2,000		
		2,000		**2,000**

Partner's Capital Account

Dr. **Cr.**

Particulars	Charmi Rs.	Hemal Rs.	Vrinda Rs.	Particulars	Charmi Rs.	Hemal Rs.	Vrinda Rs.
To Current A/c	5,400	3,600		By Balance b/d	30,000	20,000	
				By General Reserve A/c	2,400	1,600	
				By Workmen Compensation Fund A/c	1,800	1,200	
				By Investment Fluctuation Fund	3,600	2,400	
				By Revaluation A/c (Profit)	1,200	800	
				By Cash A/c			20,000
To Balance c/d	36,000	24,000	20,000	By Premium for Goodwill A/c	2,400	1,600	
	41,400	**27,600**	**20,000**		**41,400**	**27,600**	**20,000**

Working Notes:

WN1

Calculation of New Profit Sharing Ratio

Old Ratio $= 3:2$

Let the total profit of the firm $= 1$

Remaining profit share of the firm $= 1 - \frac{1}{4} = \frac{3}{4}$

So,

Charmi's New Share $= \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$

Hemal's New Share $= \frac{2}{3} \times \frac{3}{4} = \frac{6}{20}$

$\therefore$ New Profit Sharing Ratio $= \frac{9}{20} : \frac{6}{20} : \frac{1}{4} = 9:6:5$

WN2

Calculation of Sacrificing Ratio

Old Ratio = 3:2

New Ratio = 9:6:5

Sacrificing Ratio = Old Ratio – New Ratio

Charmi $= \frac{3}{5} - \frac{9}{20} = \frac{3}{20}$

Hemal $= \frac{2}{5} - \frac{6}{20} = \frac{2}{20}$

$\therefore$ Sacrificing Ratio $= 3:2$

WN3

Distribution of Goodwill

Charmi will get $= 4{,}000 \times \frac{3}{5} = 2{,}400$

Hemal will get $= 4{,}000 \times \frac{2}{5} = 1{,}600$

WN4

Adjustment of Capital

Total Capital of the firm = Vrinda's Capital × Reciprocal of her share

$$= 20{,}000 \times \frac{4}{1} = 80{,}000$$

New Profit Sharing Ratio = 9:6:5

Charmi's New Capital $= 80{,}000 \times \frac{9}{20} = 36{,}000$

Hemal's New Capital $= 80{,}000 \times \frac{6}{20} = 24{,}000$

Vrinda's New Capital $= 80{,}000 \times \frac{5}{25} = 20{,}000$

OR

Revaluation Account

Dr. Cr

Particulars	Amount Rs.	Particulars		Amount Rs.
To Stock A/c	22,200	By Land and Building A/c		36,400
To Furniture A/c	46,600	By Loss transferred to:		
To B/R Discounted	18,000	Olive	25,200	
		Rajni	16,800	
		Suhas	8,400	50,400
	86,800			86,800

Partner's Capital Account

Dr. **Cr.**

Particulars	Olive Rs.	Rajni Rs.	Suhas Rs.	Henry Rs.	Particulars	Olive Rs.	Rajni Rs.	Suhas Rs.	Henry Rs.
To Revaluation A/c (Loss)	25,200	16,800	8,400		By Balance b/d	3,58,000	3,00,000	2,62,000	
To Rajni's Current A/c		9,200			By General Reserve A/c	24,000	16,000	8,000	
To Suhas's Current A/c			1,16,600		By Cash A/c				1,00,000
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	By Premium for Goodwill	15,000	10,000	5,000	
					By Olive's Current A/c	78,200			
	4,75,200	3,26,000	2,75,000	1,00,000		4,75,000	3,26,000	2,75,000	1,00,000

Working Notes:

WN1:

Calculation of New Profit Sharing Ratio

Old Ratio = 3:2:1

Let the total profit of the firm = 1

$$\text{Remaining profit share of the firm} = 1 - \frac{1}{10}$$

So,

$$\text{Olive's New Share} = \frac{3}{6} \times \frac{9}{10} = \frac{27}{60}$$

$$\text{Rajni's New Share} = \frac{2}{6} \times \frac{9}{10} = \frac{18}{60}$$

$$\text{Suhas's New Share} = \frac{1}{6} \times \frac{9}{10} = \frac{9}{10}$$

$$\text{Henry's Share} = \frac{6}{6} \times \frac{1}{10} = \frac{6}{60}$$

WN2:

Calculation of Sacrificing Ratio

Old Ratio = 3:2:1

New Ratio = 9:6:3:2

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Olive} = \frac{3}{6} - \frac{9}{20} = \frac{30-27}{60} = \frac{3}{60}$$

$$\text{Rajni} = \frac{2}{6} - \frac{6}{20} = \frac{20-18}{60} = \frac{2}{60}$$

$$\text{Suhas} = \frac{1}{6} - \frac{3}{20} = \frac{10-9}{60} = \frac{1}{60}$$

WN3:

Henry's share of Goodwill

$$3,00,000 \times \frac{1}{10} = 30,000$$

This will be credited to Olive, Rajni and Suhas in sacrificing ratio

WN4: Distribution of Goodwill

$$\text{Olive will get} = 30,000 \times \frac{3}{6} = 15,000$$

$$\text{Rajni will get} = 30,000 \times \frac{2}{6} = 10,000$$

$$\text{Suhas will get} = 30,000 \times \frac{1}{6} = 5,000$$

WN5:

Adjustment of Capital

Total Capital of the firm = Henry's Capital × Reciprocal of her share

$$= 1,00,000 \times \frac{10}{1} = 10,00,000$$

New Profit Sharing Ratio = 9:6:3:2

$$\text{Olive's New Capital} = 10,00,000 \times \frac{9}{20} = 4,50,000$$

$$\text{Rajni's New Capital} = 10,00,000 \times \frac{6}{20} = 3,00,000$$

$$\text{Suhas's New Capital} = 10,00,000 \times \frac{3}{2} = 1,50,000$$

$$\text{Henry's New Capital} = 10,00,000 \times \frac{2}{20} = 1,00,000$$

PART – B

Answer 24
Option C: Provision for Employees Benefits

Answer 25
"Sale of marketable securities at par" will result into no flow of cash as marketable securities are part of cash equivalent.

Answer 26
Option A: 12.32%
Operating Profit Ratio = 100 – Operating Ratio = 100 – 87.68 = 12.32

Answer 27
Option A: Rs.23, 00,000
Cash Flow from Operating Activities = Net Profit of the company = Rs.23, 00,000.

Answer 28
Option C: Internal Analysis
Internal Analysis is a detailed and accurate type of analysis done by the management of the enterprise to determine the financial position and operational efficiency of the organisation. Since, management has access of complete information, they perform an extensive type of analysis which is more detailed and accurate.

Answer 29
Option B: will decline
Both total current assets and total current liabilities will decline by the same amount but the incidence of decline would be more on current liabilities. Thus, it will lead to decline in the current ratio.

Answer 30

(a)

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{90,000}{60,000} = 1.5:1$$

Note:

Current Assets = Total Assets – Non-current Assets

= Rs. 2,00,000 – Rs. 1,10,000 = Rs. 90,000

Current Liabilities = Total Assets – Shareholders' Funds – Non Current Liabilities

= Rs. 2,00,000 – Rs. 1,05,000 – Rs.35,000 = Rs. 60,000.

(b)

$$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operationals}}{\text{Workings Capital}}$$

$$= \frac{2,10,000}{30,000} = 7\ \text{Times}$$

Note:

Working Capital = Current Assets – Current Liabilities

= Rs. 90, 000 – Rs. 60,000 = Rs. 30,000

OR

Quick Ratio or Liquid Ratio can be calculated as follows:

Liquid/Quick Ratio = Liquid or Quick Assets/Current Liabilities

= 2, 70,000/ 1, 50,000 = 1.8:1

Working Notes:

Current Liabilities = Total Outside Liabilities – Long term debts

= 5, 50,000 – 4, 00,000 = 1, 50,000

Current Assets = Working Capital + Current Liabilities

= 3, 00,000 + 1, 50,000 = 4, 50,000

Liquid Assets = Current Assets – Inventories

= 4, 50,000 – 1, 80,000 =2, 70,000

Answer 31

COMMON - SIZE STATEMENT OF PROFIT AND LOSS for the years ended 31st March, 2016

Particulars	Absolute Amount (Rs.)	(%) of Revenue from Operations
I. **Revenue from Operations (Total Revenue)**	25,00,000	100.00
Other Income (Interest on Investment)	60,000	2.40
Total Revenue	**25,60,000**	**102.40**
II. **Expenses:**		

(a) Cost of Materials Consumed	7,80,000	31.20
(b) Other Expenses	5,80,000	23.20
Total Expanses	**13,60,000**	**54.40**
III. **Net Profit before Tax (I - II)**	12,00,000	48.00
Less: Income Tax	6,00,000	24.00
IV. **Net Profit after Tax**	**6,00,000**	**24.00**

OR

Particulars	Amount	Amount
I. Revenue from Operations		
Interest on Loans		5,00,000
Dividend		90,000
		5,90,000
II. Other Income		
Gain on Sale of Furniture	55,000	
Miscellaneous Income	15,000	70,000
Total Revenue (I+II)		6,60,000

Answer 32

CASH FLOW STATEMENT for the year ended 31st March, 2019

Particulars		Rs.	Rs.
(A) Cash Flow from Operating Activities			
Net Profit before Tax (WN 1)		25,500	
Adjustments:			
Add: Depreciation on Fixed Assets		12,700	
Operating Profit before Working Capital Changes		38,200	
Less: Increase in Current Assets:			
Inventories (Stock)	(2,000)		
Trade Receivables (Debtors)	(1,500)	(3,500)	
		34,700	
Add: Increase in Current Liabilities:			
Trade Payables		2,300	
Cash Flow from Operating Activities			37,000
(B) Cash Flow from Investing Activities			
Purchase of Fixed Assets (WN 2)		(49,000)	
Cash Used in Investing Activities			(49,000)

(C) Cash Flow from Financing Activities		
Issue of Shares	20,000	
Payment of Interim Dividend	(7,000)	
Cash Flow from Financing Activities		13,000
(D) Net Increase in Cash and Cash Equivalents (A + B + C)		1,000
Add: Opening Balance of Cash and Cash Equivalents		2,000
(E) Closing Balance of Cash and Cash Equivalents		**3,000**

Working Notes:

1. Calculation of Net Profit Before Tax:	**Rs.**
Net profit as per Statement of Profit and Loss (Rs.15,000 - Rs.9,000)	6,000
Add: Transfer to general Reserve	12,500
Interim Dividend paid during the year	7,000
Net Profit before Tax	**25,500**

FIXED ASSETS ACCOUNT

Particulars	Rs.	Particulars	Rs.
To Balance b/d	48,700	By Depreciation A/c	12,700
To Bank A/c (Purchases- Balancing Figure)	49,000	By Balance c/d	85,000
	97,700		**97,700**