Part B.

Question-18

Ans:- It will lead to no flow of cash as it is a part of cash and cash equivalents.

1

Question-19

Ans:- (c) Decrease in general reserve.

1

Question-20

(a) Ans:-

	Items	Major Heading	Sub-heading
1.	Term loan from bank	Non current liab.	long term borrowings
2.	Proposed Dividend	current liability	short term provisions
3.	Provident fund	Non current liab.	Other N.C. liability
4.	Call-in-advance	current liability	Other current liab.
5.	call-in-arrears	Shareholder's funds	Subscribed capital
6.	Share application money ~~pen~~ due for refund.	Current Liab. ~~Shareholder's fund~~	Other Current Liab. ~~Share app. money pending allotment~~

3

(b) Analysis of financial statement is useful as it determines the capital investment of business and the rate of return. It also helps to analyse whether to issue more of debt or equity.

Question-21.

Solⁿ:

Common size Income Statement
for the year ending 2013.

Particulars	2013	% 2013.
I. INCOMES		
Revenue from Operations (8,20,000 - 20,000).	8,00,000	100%.
TOTAL	800000	100%.
II. EXPENSES		
Purchase of stock in trade	520000	65%.
Change in inventories of stock in trade	40000	5%.
Finance cost	40,000	5%.
Other expenses.	32000	4%.
Depreciation	24,000	3%.
Employee benefit expenses	80,000	10%.
TOTAL	736000	92%.
III. PROFIT BEFORE TAX.	64,000	8%.

4/4

Net Profit ratio = $\dfrac{\text{Profit before interest \& Tax}}{\text{Revenue from Operations}} \times 100$

$= \dfrac{64{,}000}{8{,}00{,}000} \times 100$

$= 8\%$

Question-22

Soln: (a) Debt - equity ratio = $\dfrac{\text{Debt}}{\text{Equity}}$

Debt =	Long term borrowings		1,00,000
	Add long term provisions		50000
			1,50000
Equity =	Total assets		
	(Non-current assets	180000	
	Add current assets	45000	2,25000
	Less Total Debts		
	Debt	150000	
	Add current liabilities	25000	(175000) = 50000

(a) Debt To Equity ratio $= \dfrac{\text{Debt}}{\text{Equity}}$

$= \dfrac{150{,}000}{50000}$

$= 3:1.$

(b) Total assets To Debt ratio $= \dfrac{\text{Total assets}}{\text{Debt}}$

$= \dfrac{2{,}25{,}000}{1{,}50{,}000}.$

$= 1.5:1$

4/4

(c) Proprietary ratio $=$ $\cancel{\dfrac{\text{Total assets}}{\text{Equity}} \times 100}$ $\dfrac{\text{Equity}}{\text{Total assets}} \times 100$

$=$ $\cancel{\dfrac{2{,}25{,}000}{50{,}000} \times 100}$ $\dfrac{50{,}000}{2{,}25{,}000} \times 100$

$= 22.37.$

Ques :- 23

Soln :-

Cash flow Statement
for the year ended 2013.

Particulars			Amt (₹)
CASH FLOW FROM OPERERATING ACTIVITIES.			
Net difference in the balance of P/L A/C			40,000
Add : Interim dividend		15,000	
Preference dividend		15,000	30,000
			70,000
Add : Depreciation		25,000	
Interest on debentures		10,000	
Interest on investments		(8000)	
Depreciation on furniture		5000	32,000
Operating profit before working capital changes			102,000
Add Decrease in trade receivables	5000		
Provision for doubtful debts	5000		
Increase in trade payables.	15000	25000	
Less Increase in inventory	(13,000)		
Decrease in outstanding expenses	(5,000)	(18,000)	7,000
Net cash flow from operating activities (A).			109,000

Particulars		Amount (₹)
CASH FLOW FROM INVESTING ACTIVITIES.		
Purchase of plant and machinery	(1,12,000)	
Purchase of investments	(20,000)	
Interest on investments	8,000	(124,000)
Net cash used in investing activities (B).		(124,000)
CASH FLOW FROM FINANCING ACTIVITIES.		
Issue of debentures	1,00,000	
Securities premium reserve	10,000	
Interest on debentures	(10,000)	
Preference dividend paid	(15,000)	
Interim dividend paid	(15000)	
Bank overdraft	5000	75000
Net cash flow from financing activities (c).		75000
Net increases in cash and cash equivalents		60,000
Add opening balance of cash		20,000
Closing balance of cash.		80,000

Working Note 1

Interim Dividend = $\frac{15}{100} \times 1,00,000 = \cancel{₹30000}$ ₹15,000

Working Note 2

Preference Dividend = $\frac{15}{100} \times 1,00,000 =$ ₹15,000.

Working Note 3

Interest on debentures = $\frac{10}{100} \times 1,00,000 =$ ₹10,000.

Working Note 4

Interest on investments $= \frac{10}{100} \times 80{,}000 = ₹8{,}000$

Working Note 5

Dr. **Plant and Machinery A/C** Cr.

Particulars	Amt (₹)	Particulars	Amt (₹)
Balance b/d	1,60,000	Depreciation A/C	25,000
Bank A/C (purchases)	1,12,000		
		Balance c/d	2,47,000
	2,72,000		2,72,000

Part-A.

Question-1

Ans:- (d) No interest on partner's loan.

1

Question-2.

ROI < Interest on long term loans.

Ans:- The decision is not wise as issue through long term loans. is costly and hence against business ethics.

Question-3

Ans:- (c) ₹4500, ₹500.

1

Question-4.

Ans:- securities premium can be utilised to ~~issue shares on premium~~. ~~Sec 78~~ Sec-52(1).

- Issue of Bonus' shares
- share issue expenses
- Preliminary expenses written off.
- Discount on issue of ~~debenture~~ shares.

~~Question-5~~.

Question -5

Soln:

JOURNAL

Date	Particulars		L.F.	Amt Dr (₹)	Amt Cr (₹)
(c)	Share forfeiture A/c	Dr.		100	
	Capital reserve A/c	Cr.			100
	(Being profit reissue)				

1

Question -6

Ans:- (a) $\frac{8}{45}$ gain

1

~~Quest~~

Question 7

Ans:-

Basis	Over Subscription	Under Scription
Meaning	Oversubscription means that the no. of shares applied are more than the shares issued.	Underscription refers to a situation where no. of shares applied are less than the no. of shares alloted.
Accounting Treatment	The excess applicants are either rejected or pro-rata allotment is done.	In this case, all the entries are passed with the no. of shares applied.

3

3

Question-8

Sol^n: Capital employed = ₹4,00,000.

Average profit = 75000
less Insurance claim (15000)
60000

~~Capitalised value~~

Normal profit = Capital employed × $\frac{\text{Rate}}{100}$

= ₹400000 × $\frac{12}{100}$

= ₹48000

Super profit = Average profit less Normal profit

60,000	₹60000.
48,000	~~(₹8000)~~
₹12,000	~~₹52000~~.

Goodwill on the basis on capitalization method :- $\frac{12,000 \times 100}{12}$ = ₹1,00,000.

= Super profit × $\frac{100}{\text{Rate}}$ = ~~52000 × $\frac{100}{2}$ = ₹26,00,000~~

Question - 9

Notes To Accounts.

1. Share capital

Particulars		Amount (₹)
Authorised capital		
50,000 shares @ ₹10 each		500,000
Issued capital		
30,000 shares @ ₹10 each		3,00,000
Subscribed capital		
Subscribed and not fully paid up.		
28000 shares @ ₹8 each	2,24000. ~~22,40,000~~.	
Less call-in-arrears.	(3000)	
	2,21000	
Add share forfeited.	6,000	2,27000

3/3

No of shares alloted	30000
Less shares forfeited	(2,000)
	28,000

Soln:

Balance Sheet
as at __/__/__

Particulars	Note No.	Amount (₹)
1. EQUITY AND LIABILITIES		
1. Shareholders funds		
(a) Share capital	1	2,27,000
TOTAL		2,27,000

Question - 10

Soln:

In the books of Raghav Ltd.

JOURNAL

Date	Particulars		L.F.	Amt Dr (₹)	Amt Cr (₹)
	Plant and machinery A/c	Dr.		3,00,000	
	Building A/c	Dr.		4,40,000	
	Stock A/c	Dr.		4,00,000	
	Sundry debtors A/c	Dr.		3,00,000	
	Sundry liabilities A/c	Cr.			2,00,000
	Krishna Traders	Cr.			11,40,000
	Capital reserve A/c	Cr.			1,00,000
	(Being business purchased)				
	Krishna Traders A/c	Dr.		3,00,000	
	Loss on issue of debentures A/c	Dr.		15000	
	9% Debentures A/c	Cr.			3,00,000
	Premium on redemption of debentures A/c	Cr.			~~15000~~ 15,000
	(Being 3000 debentures issued at par, repaid at premium).				

Date	Particulars		L.F.	Amt Dr (₹)	Amt Cr (₹)
	Krishna Traders	Dr.		8,40,000	
	Share capital A/C	Cr			800,000
	Securities premium A/C	Cr			40,000
	(Being 8000 shares issued in consideration other than cash)				
	No of shares = $\frac{8,40,000}{105}$ = 8000				

3/3

Question - 11

Muskan : Aayushi : Reserve.
3 : 2 : 1

1. Profit share = $\frac{12,600}{3} \times \frac{2}{5} \times \frac{5}{12}$

= ₹700.

2. Goodwill = 3×4200
$= ₹12,600$

Aayushi's share $= ₹12,600 \times \frac{2}{5}$
$= ₹5040$

3. Reserve $= ₹30,000 \times \frac{2}{5}$
$= ₹12,000$

Soln:

Dr. Aayushi's capital A/C Cr.

Particulars	Amt (₹)	Particulars	Amt (₹)
Aayushi's executors A/C.	77,740	Balance b/d	60000
		Profit and loss suspense A/C	700
		Muskan's capital A/C	5040
		Reserve	12,000
	77,740		77,740

4/4

2. Goodwill $= 3 \times 4200$

$= ₹12,600$

Aayushi's share $= ₹12,600 \times \frac{2}{5}$

$= ₹5040$

3. Reserve $= ₹30,000 \times \frac{2}{5}$

$= ₹12,000$

Sol^n^:

Dr. Aayushi's capital A/C Cr.

Particulars	Amt (₹)	Particulars	Amt (₹)
Aayushi's executors A/C.	77,740	Balance b/d	60000
		Profit and loss suspense A/C	700.
		Muskan's capital A/C	5040
		Reserve	12,000
	77,740.		77,740

4/4

Dr. **Aayushi's executors A/C** Cr.

Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)
2015			2015		
31 Dec	Balance c/d	77,740	31 May	Aayushi's capital A/C	77,740
		77,740			77,740

Question - 12

Sol^n: Dr. **Revaluation A/C** Cr.

Particulars		Amt (₹)	Particulars	Amt (₹)
Profits Transfer			Machinery A/C	60000
A's capital A/C	30,000			
B's capital A/C	18,000			
C's capital A/C	12,000	60,000		
		60000		60000

Dr. Partner's capital A/c Cr.

Particulars	A	B	C	Particulars	A	B	C
Goodwill A/c	20000	12000	8000	Balance b/d	1,40000	1,00000	60000
C's capital A/c	25000	5000		A's capital A/c			25000
				B's capital A/c			5000
Cash A/c			94000	Revaluation A/c	30000	18000	12000
Balance c/d	2,11000	105,500		Cash A/c	86000	~~8~~4500	
	2,56000	1,22500	102000		2,56000	1,22500	102000

Dr. Cash A/c Cr.

Particulars	Amt (₹)	Particulars	Amt (₹)
Balance b/d	12000	C's capital A/c	94000
A's capital A/c	86000	Balance c/d	8500
B's capital A/c	4500		
	102,500		102500

64/64

Balance Sheet
as at 1 April, 15

Liabilities		Amt (₹)	Assets	Amt (₹)
Bills payable		42,000	Bank	8500
Creditors		50,000	Bills receivable	20,000
Capital A/cs			Debtors	50,000
A	2,11000		Stock	90,000
B.	105,500	316,500	Plant and machinery	240,000
		4,08,500		408,500

Working Note 1:

A : B : C
5 : 3 : 2.

A : B.
2 : 1.

A's gain $= \frac{2}{3} - \frac{5}{10} = \frac{5}{30}$.

B's gain $= \frac{1}{3} - \frac{3}{10} = \frac{1}{30}$

GR.
A : B
5 : 1.

Working Note 2 :

Goodwill of C	=	₹ 94000
	Less	₹ 64000
		₹ 30,000

A : B

5 : 1

₹ 25,000 ₹ 5,000

Good

Working Note 3 :

Total capital of the firm.

A	₹ 125000
B	₹ 101,000
C	₹ 94,000
	3,20,000
Less cash available	(12,000)
	3,08,000
Add minimum cash required	8,500
	₹ 3,16,500

A ₹ 2,11,000

2:1

B ₹ 1,05,500