

Q 9.

Dr.

Machinery A/c.

Cr.

Particulars	Amount (in ₹)	Particulars	Amount (in ₹)
To balance b/d	3,25,000	By Depreciation	25,000
To bank A/c. (Purchases) (bal. fig)	40,000	By bank A/c (sale)	7,500
		By statement of P&L A/c. (Loss on sale)	7,500
		By balance c/d	3,25,000
	<u>3,65,000</u>		<u>3,65,000</u>

Soln:- In the books of Virat Ltd.

Cash flow Statement
for the year ended 31st March 2015.

Particulars	Amount (in ₹)
A. CASH FLOW FROM OPERATING ACTIVITIES:	
Net differences in the balances of Reserves & Surplus.	50,000
Add Depreciation	25,000
Less Loss on sale of Machinery.	7,500
Interest on Debentures.	<u>8,000</u>
	40,500
Operating profit before changes in working capital.	90,500
Add Increase in trade payables (Current Liab.)	50,000
Less Increase in Inventories (Current Assets)	<u>(87,500)</u>
	(37,500)
Net cash from operating Activities (A)	<u>53,000</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of Machinery.	(40,000)
Sale of Machinery.	7,500
Purchases of Investment	<u>(22,500)</u>
	(55,000)
Net cash used in Investing Activities (B)	<u>(55,000)</u>

Particulars	Amount (in ₹)
C. CASH FLOW FROM FINANCING ACTIVITIES.	
Issue of share capital	50,000
Redemption of Preference share capital	(60,000)
Issue of 8% Debentures	20,000
Interest paid on Debentures	(8,000)
Increase in cash credit	5,000
	<u>7,000</u>
Net cash from financing Activities. (C).	7,000
Net Increases in cash and cash equivalent (A+B+C)	5,000
Add opening balance of cash and cash equivalent	15,000
Closing balance of cash and cash equivalent.	<u>20,000</u>

Ques :- 10 (a) GOODWILL.

Soln:-

I year.	Profit	₹ 50,000.	
	Less Abnormal gain	(20,000)	₹ 30,000
II year.	Profit	₹ 70,000.	
	Less Insurance charges.	(₹ 10,000)	₹ 60,000
III year.	Profit	₹ 50,000.	
	Add Abnormal Loss:	(₹ 20,000)	₹ 70,000
IV year.	Loss.		(₹ 3,000)
V year.	Profit	₹ 10,000	
	Add Capital exp. recorded as revenue exp.	₹ 50,000	
		<u>₹ 60,000</u>	
	Less Depreciation	(₹ 5,000)	₹ 55,000
			<u>₹ 2,12,000</u>

$$\text{Average Profit} = \frac{\text{₹ } 2,12,000}{5} = \text{₹ } 42,400$$

$$\begin{aligned} \text{Goodwill} &= \text{Average Profit} \times \text{No. of years purchases} \\ &= \text{₹ } 42,400 \times 3 \\ &= \text{₹ } 1,27,200 \end{aligned}$$

$$\boxed{\text{Goodwill} = \text{₹ } 1,27,200}$$

Ques:- 10, (b) CHANGE IN PSR.

Soln:- X:Y:Z X:Y:Z
5:3:2 2:5:3

$$\text{SR} \rightarrow X = \frac{5}{10} - \frac{2}{10} = \frac{3}{10}$$

$$Y = \frac{3}{10} - \frac{5}{10} = \frac{-2}{10}$$

$$Z = \frac{2}{10} - \frac{3}{10} = \frac{-1}{10}$$

Goodwill	₹ 52,600
General Reserve	₹ 24,000
Profit & Loss (Dr.)	(₹ 4,000)
Revaluation (Profit)	₹ 27,400
	<u>₹ 1,00,000</u>

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Particulars.	L F	Amount (in ₹)	
		Dr.	Cr.
Y's capital A/c _____	Dr.	20,000	
Z's capital A/c _____	Dr.	10,000	
To X's capital A/c.			30,000
(Being adjustment entry passed for change in PSR.)			

Ques:- 1(a) Fundamental Partnership.

Soln:-

Profit & Loss A/c.			
for the year ending 31 st March, 2015.			
Dr.	Particulars	Amount (in ₹)	Cr. Amount (in ₹)
	To Repairs on Machinery (10,000 - 20%)	8,000	By Profits
	To Net profit transfer to P/L Appropriation a/c.	55,750	By A's current A/c. (Rent charge)
			By B's current A/c. (Personal travelling exp.)
		<u>63,750</u>	<u>63,750</u>

Profit & Loss Appropriation A/c.			
for the year ending 31 st March, 2015.			
Dr.	Particulars	Amount (in ₹)	Cr. Amount (in ₹)
	To Interest on capital		By Profit & Loss A/c. (Profits)
	A's Current A/c 3,750		By Interest on Drawings
	B's Current 2,000		A's Current 500
	C's Current 1,500	7,250	B's Current (190+60) 250
	To Profit transfer:-		C's Current 350
	A's Current 24,800		1,100
	B's Current 12,400		
	C's Current 12,400	49,600	
		<u>56,850</u>	<u>56,850</u>

Ques:- 1(b)

Soln:-

Profit & Loss Adjustment A/c.

Dr.		Cr.	
Particulars.	Amount (in ₹)	Particulars.	Amount (in ₹)
To Interest on drawing @ 5%.		By Profits	
A 1,600		A 40,000	
B 1,200	2,800	B 40,000	80,000
To Interest on Capital @ 5% p.a.		By Interest on Capital @ 6%.	
A 10,000		A 12,000	
B 5,000	15,000	B 6,000	18,000
To B's Salary	9,600	By A's Salary	16,800
To B's Commission	1,000	By Interest on drawing @ 6% p.a.	
To Profit transfer:		A 960	
A 58,720		B 720	1,680
B 29,360	88,080		1,16,480
	1,16,480		1,16,480.

Soln:-

Statement Showing Adjustment

Particulars	A		B	
	Dr.	Cr.	Dr.	Cr.
Profits wrongly transf (1:1)	40,000		40,000.	
Interest on capital @ 6%.	12,000		6,000.	
Salary wrongly	16,800.			
Interest on drawings @ 5%.		1,600		1,200
Interest on drawings @ 6% p.a.	960		720.	
Interest on capital @ 5% p.a.		10,000		5,000
Salary correctly				9,600
Commission				1,000
Profit correctly transf (2:1)		58,720		29,360.
		560		
		560	560	
		(Cr.)	(Dr.)	

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Particulars	L A	Amount (in ₹)	
		Dr.	Cr.
B's capital A/c _____	Dr.	560	
To A's capital A/c.			560
(Being adjustment entry passed for correction in Interest on capital, Interest on drawings, salary commission and profit sharing ratio.)			

Ques:- 2. Admission

$$\text{Vijay : Ajay} \\ 3 : 2$$

$$\text{Naresh} \rightarrow \frac{3}{10}$$

$$\text{Vijay : Ajay : Naresh} \\ 4 : 3 : 3$$

$$\text{Vijay's sacrifice} = \frac{3}{5} \times \frac{1}{3} = \frac{1}{5}$$

$$\text{SR} \rightarrow \text{Vijay : Ajay}$$

$$\text{Ajay's sacrifice} = \frac{1}{10}$$

$$2 : 1$$

$$\begin{aligned} \text{Profits} &= 48,00,000 \\ &93,00,000 \\ &\underline{1,38,00,000} \end{aligned}$$

$$\text{Average profit} = \frac{2,79,00,000}{3} = ₹ 93,00,000$$

$$\text{Less Normal profit } ₹ 63,00,000$$

$$\text{Share profit } ₹ 30,00,000 \\ \times 2$$

$$\text{Firm's C/L} \quad \underline{₹ 60,00,000}$$

$$\text{Naresh's share} = 60,00,000 \times \frac{3}{10} = ₹ 18,00,000$$

Cash
60%Non Cash
40%

$$10,80,000$$

$$7,20,000$$

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Particulars.	L. F.	Amount (in ₹)	
		Dr.	Cr.
Vijay's capital A/c _____ Dr.		60,000	
Ajay's capital A/c _____ Dr.		40,000	
To Goodwill A/c.			1,00,000
(Being book value of goodwill is in OPSR of 3:2)			
Naresh's Loan A/c _____ Dr.		30,00,000	
To Naresh's capital A/c.			30,00,000
(Being loan transfer to capital.)			
Bank A/c _____ Dr.		10,80,000	
To Premium A/c.			10,80,000
(Being incoming partner brings his share of glw in cash partially.)			
Premium A/c _____ Dr.		10,80,000	
Naresh's current A/c _____ Dr.		7,20,000	
To Vijay's capital A/c			12,00,000
To Ajay's capital A/c.			6,00,000.
(Being incoming partner's share of glw transfer in sacrificing ratio of 2:1)			
Workmen compensation fund A/c _____ Dr.		1,00,000	
Investment fluctuation fund A/c _____ Dr.		50,000	
To Vijay's capital A/c			90,000
To Ajay's capital A/c			60,000
(Being share of reserves transf in OPSR)			

Particulars	L F	Amount (in ₹)	
		Dr.	Cr.
Vijay's capital A/c _____ Dr.		60,000	
Ajay's capital A/c _____ Dr.		40,000	
To Advertisement Suspense A/c.			1,00,000
(Being undistributed Loss transfr in O.P.S.R.)			
Land and Building A/c _____ Dr.		5,00,000	
Accrued Income A/c _____ Dr.		1,00,000	
Bad Debts Recovered A/c _____ Dr.		4,00,000	
To Revaluation A/c.			10,00,000
(Being change in value of Assets & Liab. recorded.)			
Revaluation A/c _____ Dr.		7,00,000	
To Stock A/c			7,00,000
(Being change in value of Assets recorded.)			
Revaluation A/c _____ Dr.		3,00,000	
To Vijay's capital A/c			1,80,000
To Ajay's capital A/c.			1,20,000
(Being profit on revaluation of Assets & Liabilities transfr in O.P.S.R. of 3:2)			