केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur

ACCOUNTANCY

Class - XII

Question Bank Term- II 2021-22

केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur

MESSAGE FROM DUPUTY COMMISSIONER

It gives me immense pleasure to bring out the study material for 2nd Term in different subject of Classes X and XII for Raipur Region. All of us know that in the 1st Term Examination questions were objective but in 2nd Term questions will be subjective so once again to get our children acquainted and familiarized with the new scheme of examination and types of questions, it is of utmost significance that an extensive study material should be provided to our children. This question bank is in complete consonance with CBSE Circular Number 51 and 53 issued in the month of July 2021. It will help students to prepare themselves better for the examination. Sound and deeper knowledge of the Units and Chapters is must for grasping the concepts, understanding the questions. Study materials help in making suitable and effective notes for quick revision just before the examination.

Due to the unprecedented circumstances of COVID-19 pandemic the students and the teachers are getting very limited opportunity to interact face to face in the classes. In such a situation the supervised and especially prepared value points will help the students to develop their understanding and analytical skills together. The students will be benefitted immensely after going through the question bank and practice papers. The study materials will build a special bond and act as connecting link between the teachers and the students as both can undertake a guided and experiential learning simultaneously. It will help the students develop the habit of exploring and analyzing the ***Creative & Critical Thinking Skills***. The new concepts introduced in the question pattern related to case study, reasoning and ascertain will empower the students to take independent decision on different situational problems. The different study materials are designed in such a manner to help the students in their self-learning pace. It emphasizes the great pedagogical dictum that *'everything can be learnt but nothing can be taught'*. The self-motivated learning as well as supervised classes will together help them achieve the new academic heights.

I would like to extend my sincere gratitude to all the principals and the teachers who have relentlessly striven for completion of the project of preparing study materials for all the subjects. Their enormous contribution in making this project successful is praiseworthy.

Happy learning and best of luck!

Vinod Kumar
(Deputy Commissioner)

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Kendriya Vidyalaya Sangathan Regional Office Raipur

Our Patorn

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COMPILE BY: MR. G SHRIVASTAVA

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Pattern of the Question Paper and Syllabus of Accountancy (055)
TERM – II (2021-22)

S. N.	Name of the Chapter/Unit	Marks
PART: A		
01	Accounting for Not-for-Profit Organisation	10
02	Accounting for Partnership Firm: Retirement & Death of a partner Accounting for Dissolution of Partnership Firm	12
03	Company Accounts: Accounting for Debentures	8
PART: B		
04	Analysis of Financial Statements: Comparative & Common Size Statements Cash Flow Statement	10
Project – Work (Term – II)		
TOTAL MARKS		**50**

- **Question Paper will be contained 12 questions for 40 marks.**
- **The paper will be of 02 hours duration and questions of different formats (i.e. case-based / situation-based, open ended – short answer / long answer type)**
- **04 questions will be asked for two marks each.**
- **04 questions will be asked for three marks each.**
- **04 questions will be asked for five marks each.**
- **There is no overall choice in the question paper. However, an internal choice may be given in 03 questions of three marks and 01 question of five marks.**

Expected area / topics from which questions will be asked

Accounting for Not-for-Profit Organisation

1. Not-for-profit organizations: concept Meaning, Features and Examples
2. Receipts and Payments Account: features and preparation.
3. Income and Expenditure Account: features and preparation
   (a) Calculation of subscription & its account to be shown in Income & Expenditure Account
   (b) Calculation of consumable item to be shown in Income & Expenditure Account
   (c) Treatment for Fund based accounting and its impact into financial statements of NPO
4. Preparation of income and expenditure account and balance sheet from the given receipts and payments account with additional information.
   (a) Calculation of Capital Fund at the beginning of accounting year
   (b) Preparation of Income & Expenditure Account and Balance Sheet

Accounting for Partnership Firm: Retirement & Death of a Partner

1. Effect of retirement / death of a partner on change in profit sharing ratio,
2. Treatment of goodwill on retirement / death of a partner,
3. Treatment for revaluation of assets and reassessment of liabilities on retirement / death of a partner,
4. Adjustment of accumulated profits and reserves on retirement / death of a partner and
5. Preparation of balance sheet.
6. Calculation of deceased partner’s share of profit till the date of death.

Accounting for Partnership: Dissolution of Partnership Firm

1. Meaning of dissolution of partnership and partnership firm,
2. Types of dissolution of a firm.
3. Settlement of accounts: Journal entries and Preparation of –
   (a) Realization account
   (b) Capital accounts of partners and

    (c) Cash/bank a/c

Company Accounts: Accounting for Debentures

1. Journal entries for issue of debentures with terms of redemption
    (a) Issue of debentures at par to be redeemed at par
    (b) Issue of debentures at par to be redeemed at premium
    (c) Issue of debentures at discount to be redeemed at par
    (d) Issue of debentures at discount to be redeemed at premium
    (e) Issue of debentures at premium to be redeemed at par
    (f) Issue of debentures at premium to be redeemed at premium
2. Journal entries for issue of debentures for consideration other than cash
    (a) For the purchase consideration of an asset
    (b) For the purchase consideration of a running business
    (c) Sweat Issue
3. Issue of Debentures as collateral security – Meaning and features
4. Calculation & Journal entries for interest on debentures.
5. Calculation & Journal entries for Writing off discount / loss on issue of debentures.

Analysis of Financial Statements of a company: Comparative and Common Size Statement

Tools for Financial Statement Analysis: Comparative statements, common size statements.

(a) Preparation of Comparative Statement of Profit & Loss and Comparative Balance Sheet
(b) Preparation of Common Size Statement of Profit & Loss and Common Size Balance Sheet

Cash Flow Statement

1. Cash Flow Statement: meaning, objectives
2. Cash Flow Statement: preparation - as per AS 3 (Revised) and under Indirect method only.
   Adjustments relating to –
   (a) Depreciation / amortization, profit / loss on sale of assets including investment,
   (b) Sale & Purchase of non-current asset,
   (c) Dividend (both final & interim) and Tax.

- Bank overdraft and cash credit to be treated as short-term borrowings.
- Current investments to be taken as Marketable securities unless otherwise specified.
- Previous years' Proposed Dividend to be given effect, as prescribed in AS-4. Current years' will be accounted for the next year after it is declared by the shareholders.

Accounting for Not-for-Profit Organisation

Meaning: there are certain organizations which are formed not to earn profits but to render services to its members and to the public. Such organisations include clubs, hospitals, libraries, schools etc. The main source of income of these organizations is membership subscriptions, donations and grants etc.

As the main aim of these organisations is not to earn profits, they do not prepare Trading and Profit and loss account. But still they have to maintain proper accounts. This is also a legal requirement and they would also like to know whether their current incomes are sufficient to meet their current expenses. For this purpose, they prepare an "Income and Expenditure Account. A Balance sheet is also prepared to show the financial position of the organisation on the last date of the accounting year.

Characteristics of not for profit organisations

- (i) Provide services either free of cost or at nominal rates and not to earn profits.
- (ii) Usually managed by trusts or its members.
- (iii) Surplus or deficit not distributed by members.

FINANCIAL STATEMENTS OF NOT FOR PROFIT ORGANISATIONS

1. The Receipt and payment account
2. The Income and expenditure account
3. The Balance Sheet

Receipt and Payment account: This account is merely a summary of the transactions appearing in the cash book. All the receipts and payments are entered in this account just like cash book. It is a real account and hence the rule of real account is followed and non-cash items will be ignored.

Income and Expenditure account: It is similar to profit and loss account and is prepared to ascertain whether the current incomes are in excess of current expenditure or vice-versa. It is a nominal account and only revenue nature items are to be recorded. All items of capital nature will be ignored. All items related to previous years and future years are excluded while preparing it.

Balance Sheet: It is prepared from the balances remaining after the transfer of all revenue incomes and expenditure to the Income and Expenditure Account to show the financial position of the organisation.

Distinction between Income and Expenditure account

Basis of difference	Income and Expenditure	Receipt and Payment account
Nature	It is like as profit and loss account.	It is the summary of the cash book.
Nature of items	It records income and expenditure of revenue nature only.	It records receipts and payments of revenue as will as capital nature.
Period	Incomes and expenditure items relate only to the current period.	Receipts and payments may also relate to preceding and succeeding periods.
Debit side	Debit side of this account records expenses and losses.	Debit side of this account records the receipts.
Credit side	Credit side of this account records incomes and gains	Credit side of this account records the expenses.
Depreciation	Includes depreciation	Does not include depreciation
Opening bal.	There is no opening balance	There is opening balance
Closing balance	Represents excess of income over expenditure or vice versa	Balance is cash in hand and bank balance.

Some important items relating to not for profit organisations

Subscription: it is the main source of income of a non profit entity. It will appear on the debit side of receipt and payment account and current year subscription will be posted to the credit side of income and expenditure account.

Entrance fees: It is received from the new members apart from the amount of annual subscription. Will be treated revenue nature item .

Donation: it may be classified as specific donation and general donation. If specific, to be shown in liabilities otherwise general donation and will be treated as revenue nature item.

Legacy: it is the amount which a non profit entity receives as per the will of a deceased person. It appears on the debit side of receipt and payment account and due to capital nature will be shown in liabilities side of balance sheet.

Sale of old assets: It appears on the debit side of receipt and payment account. It is a capital nature receipt and as such should not be transferred to Income and expenditure account. However the profit or loss on the sale of an asset must be taken to the Income and Expenditure account.

Payment of Honorarium: The amount paid to persons who are not the employees of the institution is called honorarium and is debited to the income and expenditure account.

Preparation of Income and Expenditure Account

Income and Expenditure Account to be prepared with reference to Receipts and Payments Account and Additional information. Receipts and Payments Account consisted Revenue as well as Capital nature of receipts and payments BUT Income and Expenditure is a nominal account and prepared on accrual base of accounting therefore, **ONLY Revenue nature of Receipts and Revenue nature of Payments will be taken** from Receipts and Payments Account and adjustments be made to follow accrual base of accounting, for the preparation of Income and Expenditure Account.

Receipts and Payments Account (As on ______)

Receipts	Amt. in ₹	Payments	Amt. in ₹
Balance b/d **(to be shown on Assets side of opening Balance Sheet)** Cash Bank **Revenues Receipts** **(to be shown in Income side of Income & Expenditure A/c)** * Subscriptions * **Legacy** * Sale of Newspaper etc. * Entrance/**Admission Fees** * Locker Rent/Rent of Hall * Interest etc. * **Donation** *** Govt Grant** **Capital Receipts** **(to be shown on the Liability side of Balance Sheet** * Life Membership Fees * Donation for Specific use * Govt Grant for Specific use * Sale of Asset		**Revenue Expenses**: **(to be shown in Expenditure side of Income & Expenditure A/c)** * Honorarium / Salary * Electricity Bill * Insurance * Interest on loan * News Papers etc. * Rent & Taxes etc. **Capital Expenditure**: **(to be shown on the Assets side of Balance Sheet)** * Purchase of any Asset * Investments Balance c/d: **(to be shown on Assets side of closing Balance Sheet)** Cash 50,000 Bank 40,500 Fixed Deposit 1,15,000 (@ 7% p.a. on 31-03-2019)	

Short Answer type–I questions carrying 2 marks each.

Q.1 Explain the following terms (i) Honorarium (ii) Legacy

Q.2 Following information has been provided by M/s Harshit Health Care. You are required to calculate the amount of medicines consumed during the year 2020-21:

Stock of medicines as on April 1, 2020 Creditors for medicines as on April 1,2020 Stock of medicines as on March 31,2021 Creditors for medicines as on March31, 2021 Cash purchases of medicines during the year 2020-21 Credit purchases of medicines during the year2020-21	1,50,000 35,000 1,00,000 42,000 20,000 60,000

Ans. 1,30,000

Q3 Show how you would deal with the following items in the final account of a club:

Details	**Debit Amount (Rs)**	**Credit Amount (Rs)**
Prize fund		80,000
Prize fund Investment	80,000	
Income from Prize Fund Investment		8,000
Prizes awarded	6,000	

SOLUTION:

Liabilities		**Amount**	**Assets**	**amount**
Prize Fund	80,000		Prize Fund Investments	80,000
Add Income from Investment	8,000			
	88,000			
Less: Prizes awarded	(6,000)	82,000		

Q.4 On the basis of the information given below, calculate the amount of stationery to be debited to the income and expenditure account of Health Sports Club for the year ended 31st March, 2021.

	1st April, 2020 (Rs.)	31st March, 2021 (Rs.)
Stock of stationery	8,000	6,000
Creditors for stationery	4,000	5,000

Stationery purchased during the year ended 31st March, 2021 was Rs.50,000.

Ans.

Purchases of stationery during the year 2020-21	50,000	
(+) Stock in the beginning	8,000	
		58,000
(-) Stock at the end	(6,000)	

Amount to be debited to income and expenditure account 52,000

Note- Creditors for stationery will be ignored because stationery purchased (and not the amount paid for stationery) during the year is given in the question.

Q.5 How are the following items dealt while preparing income and expenditure account for the year ended 31st March 2021 and the balance sheet as at the date

Particulars	As at 01/04/2020	As at 01/04/2021
Salaries Due	3500	5000
Salaries paid in advance	4200	2700

during the year 2020-2021 salary paid Rs. 37,000

Ans. Salaries A/c

Particulars	Amt.(Rs.)	Particualrs	Amt. (Rs.)
To Bal b/d(Op p/p)	4200	By Balance b/d (Op. O/s)	3500
To Rec. & Payment a/c	37000	By Income & Exp. A/c	40000
To Balance c/d (Cl. O/s)	5000	By Bal c/d (Cl. p/p)	2700

Income & Expenditure a/c

Expenditure	Amt	Income	Amt
To Salaries	40000		

Short answer type–II questions carrying 3 marks each

Q.6 As per Receipt and Payment Account for the year ended on March 31, 2020, the subscription received were Rs. 2, 50,000. Additional information given is as follows:

1. Subscription outstanding on 1.4.2019 Rs. 50,000.
2. Subscription outstanding on 31.3.2020 Rs. 35,000.
3. Subscription received in advance as on 1.4.2019 Rs. 25,000.
4. Subscription received in advance as on 31.3.2020 Rs. 30,000.

Ascertain the amount of income from subscription for the year 2019-20 .

Solutions-

Details	Amount (Rs)
Subscriptions Received as per Receipt and Payment A/c	2,50,000
Add. Subscription outstanding on 31.3.2020	35,000
Add. Subscription received in advance on 1.4.2019	25,000
	3,10,000
Less: Subscription outstanding on 1.4.2019	50,000
	2,60,000
Less: Subscription received in advance on 31.3.2020	30,000
Income from subscription for the year 2019-20	**2,30,000**

Q.7 From the following information calculate the amount of 'Sports Material' to be debited to Income and Expenditure Account of Young Football Club for the year ended 31st March, 2018.

₹

Opening Stock of Sports Material	21,000
Closing Stock of Sports Material	24,000
Opening Creditors of Sports Material	23,500
Closing Creditors of Sports Material	27,000

During the year the creditors for sports material were paid ₹ 1,10,000.

Ans. calculation of Sports Material to be shown in Income & Expenditure A/c

Particulars	Amount (₹)
Opening Stock of Sports Materials	21,000
Add: Closing Creditors of Sports Material	27,000
Creditors Paid during the year	1,10,000
Less: Opening Creditors of Sports Material	23,500
Closing Stock of Sports Material	24,000
Amount to be debited to Income & Expenditure A/c	1,10,500

Q.8 (a) Show the following information in financial statements of a ‘ Not-for-Profit’ Organisation:

Details	Amount (Rs.)
Match Expenses Match Fund Donation for Match Fund Sale of Match tickets	16,000 8,000 5,000 7,000

(b) What will be the effect, if match expenses go up by Rs. 6,000 other things remaining the same?

Ans. Balance Sheet As on ……….

Liberties	Amt.(Rs)	Assets	Amt(Rs.)
Match fund 8,000 Add: Donation 5,000 (Specific) Add: Sale of Match Tickets 7,000 20,000 Less: Match Expenses (16,000)	4000		

(b) If match expenses go up by Rs. 6,000, the net balance of the match fund becomes negative i.e. Debit exceeds the Credit, and the resultant debit balance of Rs. 2,000 shall be charged to the Income and Expenditure Account of that year.

Q.9 Read the following case study and answer the question no. (i) to (iii) on the basis of the same. Following is the receipts and payments account of Sears Club, Noida as on 31st March, 2020.

Receipts and Payments Account of Sears Club

Dr for the year ended 31st March, 2020 Cr

Receipts	Amt.(Rs.)	Payments	Amt.(Rs.)

To Balance b/d	20,000	By Stationery	23,400
To Subscriptions		By 12% Investments	8,000
2018-19 40,000		By Electricity Expenses	10,600
2019-20 94,000		By Expenses on Lectures	30,000
2020-21 7,200	1,41,200	By Sports Equipment	59,000
To Donations for Building	40,000	By Books	40,000
To Interest on Investment	800	By Balance c/d	50,000
To Government Grant	17,400,		
To Sale of Old Furniture	1600		
(Book value Rs. 4,000)			
	2,21,000		2,21,000

Additional Information

(a) The club has 200 members each paying an annual subscription of Rs.1,000. Rs. 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.

(b) Stock of stationery on 1st April, 2019 was Rs. 3,000 and 31st March, 2020 was Rs. 4,000.

(i) Loss on the sale of old furniture is ....

(a) Rs. 1,600 (b) Rs. 5,600 (c) Rs. 2,400 (d) Insufficient data

(ii) Stationery consumed during the year was ....

(a) Rs. 30,400 (b) Rs. 16,400 (c) Rs. 22,400 (d) Rs. 26,400

(iii) The total annual subscription of the firm will be

(a) Rs. 25,000 (b) Rs. 2,00,000 (c) Rs. 50,000 (d) Rs. 1,00,000

Ans. i. Ans. (c) 4,000 – 1,600 = Rs. 2,400
ii Ans. (c) 3,000 + 23,400 – 4,000 = Rs. 22,400
ii. Ans. (b) 200 members Rs.1,000 each = Rs. 2,00,000

long answer type questions carrying 5 marks each

Q.10

From the following Receipts and Payments Account and additional information of Swachh Bharat Club, New Delhi for the year ended 31st March, 2018, prepare Income and Expenditure Account and Balance Sheet. (CBSE 2019)

Receipts and Payments Account of Swachh Bharat Club for the year ended 31st march, 2018

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
		By Campaign Expenses	1,30,000
To Balance b/d		By Office rent	40,000
Cash 20,000		By Salary	10,000
Bank 40,000	60,000	By Furniture hire rent	12,000
		By Advertisement	15,000
To Subscriptions	1,80,000	By Fixed deposit	2,00,000
To Sale of old		(On 1.8.2017 @12% p.a)	
furniture (book value ₹ 3,000)	2,000		
To Life Membership fees	30,000	By Balance c/d	
To Government grants	2,00,000	Cash 25,000	
		Bank 40,000	65,000
	4,72,000		**4,72,000**

Additional Information:

Assets on 1.4.2017 were : Books ₹ 50,000; Computers ₹ 75,000. Liabilities and Capital fund on 1.4.2017 were : Creditors ₹ 60,000; Capital fund ₹ 1,28,000.

Ans.

Income & Expenditure A/c of Swachh Bharat Club

Dr. **Cr.**

Expenditure	**Amount (₹)**	**Income**	**Amount (₹)**
To Campaign Expenses	1,30,000	By Accrued Interest on Fixed Deposit	16,000
To Office Rent	40,000	By Subscriptions	1,80,000
To Salary	10,000	By Government grants	2,00,000
To Furniture hire rent	12,000		
To Advertisement	15,000		
To Loss on sale of Furniture (3,000 – 2,000)	1,000		
To Surplus transferred to Capital Fund	1,88,000		
	3,96,000		**3,96,000**

Balance Sheet
As at 31st March, 2018

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Capital Fund	1,28,000		Books	50,000
Add: Surplus as per I&E A/c	1,88,000		Computers	75,000
Add: Life Membership fees	30,000	3,46,000	Fixed Deposit	2,00,000
Creditors		60,000	Cash in hand	25,000
			Cash at Bank	40,000
			Accrued Interest on Fixed deposit	16,000
		4,06,000		**4,06,000**

Balance Sheet
As at 1st April, 2017

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Capital Fund	1,28,000	Books	50,000
Creditors	60,000	Computers	75,000
		Furniture (Balancing fig.)	3,000
		Cash in hand	20,000
		Cash at Bank	40,000
	1,88,000		**1,88,000**

Q. 11 From the trial balance and other information given below for a school, prepare Income and Expenditure Account for the year ended on 31.3.2006 and a balance sheet:

Debit balances	Amount	Credit balances	Amount
Building	6,25,000	Admission fees	12,500
Furniture	1,00,000	Tuition fees received	5,00,000
Library books	1,50,000	Creditors for supplies	15,000
Investment @ 12%	5,00,000	rent for the school hall	10,000
Salaries	5,00,000	Miscellaneous receipts	30,000
Stationary	40,000	Govt. grant	3,50,000
General expenses	18,000	General fund	10,00,000
Sports expenses	15,000	Donation for library books	62,500
cash at bank	50,000	Sale of old furniture	20,000
cash in hand	2,000		
	20,00,000		20,00,000

Additional information:

(i) Fees yet to be received for the year are Rs. 25,000.
(ii) Salaries yet to be paid amount to Rs. 30,000.
(iii) Furniture costing Rs. 40,000 was purchased on October 1, 2005.
(iv) The book value of the furniture sold was Rs. 50,000 on April 1,2005.
(v) Depreciation is to be charged @ 10% p.a. on furniture, 15% p.a. on library books, and 5% on building.

(Ans. Surplus 2,79,750 Closing Balance sheet Total 14,05,250)

CBSE 2020

From the following Receipts and Payments Account of Shesha Sport and Entertainment Club, Chandigarh, prepare Income and Expenditure Account for the year ending 31st March, 2019:

Receipts	Amt. in ₹	Payments	Amt. in ₹
Balance b/d (Bank)	5,000	Salaries	60,000
Subscriptions:	1,00,000	Upkeep of Ground	6,000
2017-18 10,000		Investments @ 10% p.a.	90,000
2018-19 70,000		(01-07-2018) **	
2019-20 20,000		Electricity Charges	7,000
Entrance Fee	20,000	Balance c/d (Bank)	6,000
Donations	10,000		
Sale of Waste Paper	4,000		
Endowment Fund	30,000		
	1,69,000		1,69,000

Additional Information:

(a) On 31st March, 2019, Salaries outstanding amounted to ₹ 10,000. Salaries paid in the year 2018-19 included ₹ 8,000 for the year 2017-18.
(b) Subscriptions outstanding were ₹ 6,000.
(c) On 1st April, 2018, the club owned Land & Building valued at ₹ 5,00,000.

Solution: **Income and Expenditure Account** (for the year ended 31.03.2019)

Expenditure		Amt. in ₹	Income		Amt. in ₹
Salaries:	60,000	62,000	Subscriptions:		76,000
Less: O/s 2017-18 paid			Received	70,000	
(8,000)			Add: Outstanding	6,000	
Add: O/s on 31.03.2019	10,000	6,000	Entrance Fee		20,000
Upkeep of Ground		7,000	Donations		10,000

Electricity Charges	41,750	Sale of Waste Paper	4,000
Surplus (excess of Income)		Accrued Int. on Investments (for 9 months)	6,750
	1,16,750		1,16,750

Question (12) The following is the account of cash transactions of the Nari Kalayan Samittee for the year ended December 31st, 2016:

Receipts	Amt. in ₹	Payments	Amt. in ₹
Balance from last year	2,270	Rent	6,600
Subscriptions	32,500	Electric charges	3,200
Life membership fee	3,250	Lecturer's fee	730
Donation	2,500	Office expenses	1,480
Profit from entertainment	7,250	Printing & Stationery	1,050
Sale of old Books *	750	Legal fee	1,870
(book value ₹ 1,000)		Books	6,500
Interest	350	Furniture	8,600
		Expenses on Nukar Drama	1,300
		Cash in hand	8,040
		Cash at bank	9,500
	48,870		48,870

You are required to prepare an Income and Expenditure Account after the following adjustments:

(a) Subscription still to be received are ₹ 750 but subscription include ₹ 500 for the year 2017.

(b) In the beginning of the year the Samittee owned building ₹ 20,000 and furniture ₹ 3,000 and books ₹ 2,000.

(c) Provide depreciation on furniture @ 5% (including purchase), books @ 10% and building @ 5%.

Solution: **Income and Expenditure Account** (for the year ended 31.12.2016)

Expenditure	Amt. in ₹	Income	Amt. in ₹
Rent	6,600	Subscriptions: 32,500	32,750
Electric charges	3,200	Add: O/s 750	
Lecturer's fee	730	Less: Advance for 2017 (500)	
Office expenses	1,480	Donation	2,500
Printing & Stationery	1,050	Profit from entertainment	7,250
Legal Fee	1,870	Interest	350
Expenses on Nukar Drama	1,300		
Loss on sale of Books	250		
Depreciation:	2,330		
On Furniture 580			
On Books 750			
On Building 1,000			
Surplus (excess of Income)	24,040		
	42,850		42,850

Question (13): From the following Receipt and Payment Account of Jan Kalyan Club, prepare Income and Expenditure Account and Balance Sheet for the year ending December 31, 2020.

Receipts	Amt. in ₹	Payments	Amt. in ₹
Cash in hand	6,800	Salaries	24,000
Subscription	60,200	Travelling expenses	6,000
Donation	3,000	Stationery	2,300
Sale of Furniture	4,000	Rent	**16,000**
(book value ₹ **6,000**)		Repair	700
Entrance fee	800	Books	**6,000**
Life membership fee	7,000	Building	30,000
Interest on Investment	5,000	Cash in hand	1,800
(@ 5% for full year)			

	86,800		86,800

Additional Information:

Particulars	As on 01.01.2020	As on 31.12.2020
Subscription received in advance	1,000 +	3,200 -
Outstanding Subscription	2,000 -	3,700 +
Stock of Stationery	1,200	800
Books	**13,500**	**16,500**
Furniture	**16,000**	**8,000**
Outstanding Rent	1,000 -	2,000 +

Solution: **Income and Expenditure Account** (for the year ended 31.12.2016)

Expenditure		Amt. in ₹	Income		Amt. in ₹
Salaries		24,000	Subscription	60,200	59,700
Travelling expenses		6,000	Add: Advance in 2019	1,000	
Stationery	2,300	2,700	Add: O/s on 31.12.2020	3,700	
Add: Op. Bal.	1,200		Less: Advance in 2020	(3,200)	
Less: Cl. Bal.	(800)		Less: O/s for 2019	(2,000)	
Rent	16,000	17,000	Donation		3,000
Add: O/s on 31.12.20	2,000		Entrance fee		800
Less: O/s on 01.01.20	(1,000)		Interest on Investment		5,000
Repair		700			
Depreciation:		5,000			
Books	**3,000**				
Furniture	**2,000**				
Loss on sale of furniture		2,000			
Surplus (excess of Income)		11,100			
		68,500			68,500

Balance Sheet (as on 31.12.2020)

Liabilities		Amt. in ₹	Assets	Amt. in ₹
Advance Subscription		3,200	Cash in hand	**1,800**
O/s Rent		2,000	O/s Subscription	3,700
Capital Fund	**1,37,500**	1,48,600	Stationery	800
Add: Surplus	11,100		Books	16,500
Life membership fee		7,000	Furniture	8,000
			Investments	1,00,000
			Building	30,000
		1,60,800		1,60,800

Calculation of Capital Fund as on 01.01.2020

Assets at the beginning – Liabilities at the beginning = Capital Fund

Assets = Cash in hand **6,800** + O/s Subscription **2,000** + Stationery **1,200** + Books **13,500** + Furniture **16,000** + Investments **1,00,000** = **1,39,500**

Liabilities = Advance Subscription **1,000** + O/s Rent **1,000** = **2,000**

Capital Fund = 1,39,500 – 2,000 = 1,37,500.

Accounting for Partnership: Retirement & Death of a partner

Brief Note on Retirement of a Partner

Retirement of a partner means retiring from the firm, i.e., ceasing to be a partner of the firm. Retirement of a partner is one of the modes of reconstituting the firm under which an old partnership comes to an end and a new one between the continuing partners (i.e. partners other than the outgoing partner) comes into existence, however, the firm continues its business.

On the retirement or death of a partner, the existing partnership deed comes to an end, and in its place, a new partnership deed is framed, whereby the remaining partners continue to do their business on changed terms and conditions.

Adjustments required at the Time of Retirement of a Partner

* Adjustment in profit sharing ratio.

* Adjustment for goodwill.

* Adjustment of profit/loss arising on the revaluation of assets and reassessment of liabilities.

* Adjustment of accumulated profits, reserves and losses.

* Computation of amount due to retiring partner and payment to retiring partner.

* Adjustment of capitals (if agreed).

New Profit Sharing Ratio

After retirement of a partner, the new ratio in which the continuing partners (i.e. partners other than the outgoing partner) decides to share the future profits and losses, is known as new profit sharing ratio.

New Ratio =Old Share + Acquired Gaining Share

Gaining Ratio

The ratio in which the continuing partners acquire the outgoing (retired or deceased) partners’ share is called as gaining ratio. This ratio is calculated by taking out the difference between new profit share and old profit share.

Gaining Ratio =New Share -Old Share

Treatment of Goodwill

At the time of retirement or death of a partner, his share of profits is taken by the continuing partners. The continuing partners then compensate the retiring or deceased partner in the form of goodwill contributed in their gaining ratio.

Gaining Partners’ Capital/Current A/c Dr
To Retiring Partners’ Capital/Current A/c

Goodwill Already Appearing in Books

Any goodwill already appearing in the books (balance sheet) will be immediately written off (debited) to old partners’ capital accounts in old profit sharing ratio. Here, the word ‘old partners’ includes the retiring partner.

All Partners’ Capital/Current A/c Dr (In old ratio)
To Goodwill A/c (With existing book value of goodwill)

Hidden Goodwill

Sometimes the firm agrees to settle the retiring or deceased partners’ account by payment of a lumpsum amount. If such amount is in excess of his capital and share in reserves/revaluation of assets and reassessment of liabilities, etc, the excess will be treated as his share of goodwill.

Settlement of the Amount Due to the Retiring Partner

The amount due to the retiring partner is either paid off immediately or is transferred to his loan account. The retiring partners’ loan account will appear in the books of the new firm as a liability until it is paid off finally. The following journal entries are passed in this regard

Accounting Treatment

1. If the amount is paid in lumpsum
   Retiring Partners’ Capital A/c Dr
   To Cash/ Bank A/c
2. In case the amount is paid in instalments
   a. For amount due transferred to retiring partners’ loan account
      Retiring Partners’ Capital A/c Dr
      To Retiring Partners’ Loan A/c
   b. On interest being provided
      Interest on Loan A/c Dr
      To Retiring Partners’ Loan A/c
   c. On payment of installment with interest
      Retiring Partners’ Loan A/c Dr
      To Cash/Bank A/c

3. If payment is partly paid in cash and the remaining amount is to be treated as loan

Retiring Partners' Capital A/c Dr
To Cash/ Bank A/c
To Retiring Partners' Loan A/c

Death of a Partner

The partnership comes to an end immediately, whenever a partner dies although the firm may continue with the remaining partners. The deceased partner is entitled to get his share in the firm as per the provision of a partnership agreement. His share in the firm is calculated in the same manner as in the case of a retiring partner.

Accounting Treatment of Deceased Partner's Share in Profits

If a partner dies on any date after the date of the balance sheet, then his share of profits is calculated from the beginning of the year to the date of death on the basis of time or sales. When share of profit is calculated on the basis of time, it may be on the basis of previous years' profit or average profit of past years.

1. On the Basis of Time Profit from the date of last balance sheet to the date of death

$$= \frac{\text{Number of Days or Months from the Date of Last Balance Sheet to the Date of Death}}{\text{365 Days or 12 Months}}$$

× Previous Year's Profits or Average Profits of a Given Number of Past Years

2. On the Basis of Sales Profit from the date of last balance sheet to the date of death

$$= \frac{\text{Sales from the Date of the Last Balance Sheet to the Date of Death}}{\text{Previous Year's Sales or Average Sales of a Given Number of Past Years}}$$

× Previous Year's Profits of Average Profits of a Given Number of Past Years

Accounting Treatment

1. Through Profit and Loss Suspense Account This method is used when the new profit sharing ratio of continuing partners does not differ from their old profit sharing ratio.

i. In case of profit

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

ii. In case of loss

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

2. Through Capital Transfer In case, the new profit sharing ratio of continuing partners differs from their old profit sharing ratio, outgoing partner's share of profit must be adjusted through capital accounts of gaining partners only.

(i) In case of profit

Gaining Partners' Capital A/c Dr (Gaining ratio)
To Deceased Partner's Capital A/c (Share of profit)

(ii) In case of loss

Deceased Partner's Capital A/c Dr (Share of loss)
To Gaining Partners' Capital A/c (Gaining ratio)

Short Answer type–I questions carrying 2 marks each.

Q.1 X, Y and Z are partner having capital of Rs. 1,00,000, Rs. 50,000 and Rs.25,000 respectively. At the time of Y retirement Goodwill has been valued at Rs. 2,36,000 in comparison of Rs. 18,000 already recorded into books. Record the necessary journal entries.

Ans.	I.	X' Cap. A/c Dr.	6000	
		Y's Cap. A/c Dr.	6000	
		Z's Cap. A/c Dr.	6000	
		To Goodwill a/c		18000
	ii.	X's Cap. a/c	6000	
		Z's Cap. A/c	6000	
		To Y Cap.		12000

Q.2 Kavi, Ravi, Kumar and Guru were partners in a firm sharing profit in the ratio of 3 : 2 : 2 : 1. On 1st February, 2017, Guru retired and the new profit sharing ratio decided between Kavi, Ravi and Kumar was 3 : 1 : 1. On Guru's retirement, the goodwill of the firm was valued at Rs.3,60,000. Showing your working notes clearly, pass necessary journal entry in the books of the firm for the treatment of goodwill on Guru's retirement. **(All India 2017)**

(Hint- Kavi's Capital A/c Dr 81,000,To Ravi's Capital A/c 18,000,
To Kumar's Capital A/c 18,000, To Guru's Capital A/c 45,000)

Q.3 M, N and O are partners in the ratio of 3:3:3. N retired on 1.1.2002. On retirement the treatment of goodwill of the firm is valued at Rs 24000. Record necessary journal entries for the treatment of goodwill assuming that the new profit sharing ratio among M and O is 3:1.

Ans. N's capital A/C Dr. 9000
To N's capital A/C 9000
(N's share of goodwill adjusted through M's capital A/C)

Workings:

M's gain = ¾ - 3/8 = (6-3)/8= 3/8
O's gain = ¼ - 2/8 = (2-2)/8 = 0

Since only M has gained from the retirement of N, the whole amount of N's share of goodwill is to be debited to M's capital A/C

N's share of goodwill = 24000 x 3/8 = 9000

Q.4 Giri, Hari and Teri were partners in the ratio 4:3:2. Hari retired on 31.12.2002 and surrendered 2/3 of his share in favor of Giri and 1/3 of his share in favor of Teri. Calculate new profit sharing ratio and gaining ratio.

(Hint-Gaining Ratio 2:1)

Q.5 K, V and N are partners sharing profits in the ratio of 2:2:1. Books are closed on 31st December every year. On 1st May, 2003, N died. According to the agreement, his profits up to the date is to be calculated on the basis of the average profits of last 3 years. Net profits for the last 3 years were Rs. 18,000, Rs. 20,000 and Rs. 16,000 respectively. Calculate N's share of profits till the date of death and pass necessary journal entry.

Ans. Profit of the firm till the date of death = $\frac{18{,}000 \text{ x } 4}{12}$ = 6000

N's share of profit = $\frac{6000 \text{ x } 1}{5}$ = 1200

Journal entry:

P/L suspense A/C Dr. 1200
To N's capital A/C 1200
(Being profit till date of death transferred to N's capital A/C)

Q.6 X, Y and Z are partners sharing profits in the ratio of 3:2:1. Y dies on 31st March, 2003. Accounts are closed on 31st December. Sales for the year 2002 amounted to Rs. 500000. Sales of Rs. 140000 amounted between the period from 1st January 2003 to 31st March 2003. The profits for the year 2002 amounted to Rs. 60000. Calculate Y's share of profit and pass the necessary journal entry.

(Hint: Y's share of profit Rs. 5600.)

Short answer type–II questions carrying 3 marks each

Q.7 What are the various matters that need adjustments at the time of retirement of a partner?

Q.8 Vikas, Vishal and Vaibhav were partners in a firm sharing profits in the ratio of 2:2:1. The firm closes its books 31 st March every year. On 31-12-2015 Vaibhav died. On that date his Capital account showed a credit balance of Rs 3,80,000 and Goodwill of the firm was valued at 1,20,000. There was a debit balance of Rs 50,000 in the profit and loss account. Vaibhav's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was Rs 75,000. Pass necessary journal entries in the books of the firm on Vaibhav's death.

Ans.

Journal

Date	Particulars		L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Vikas's Capital A/c	Dr.		12,000	
	Vishal's Capital A/c	Dr.		12,000	
	To Vaibhav's Capital A/c				24,000
	(Adjustment of goodwill done in gaining ratio)				
	Vikas's Capital A/c	Dr.		20,000	
	Vishal's Capital A/c	Dr.		20,000	
	Vaibhav's Capital A/c	Dr.		10,000	
	To Profit and Loss A/c				50,000
	(Debit balance in P&L A/c written-off among all partners in old ratio)				
	Profit and Loss Suspense A/c	Dr.		11,250	
	To Vaibhav's Capital A/c				11,250
	(Vaibhav's share of profit up to date of death dispensed through P&L Suspense A/c)				
	Vaibhav's Capital A/c	Dr.		4,05,250	
	To Vaibhav's Executor's A/c				4,05,250
	(Amount due to Vaibhav transferred to his Executor's A/c)				

Q. 9 Sandeep, Mandeep and Amandeep were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2016 Mandeep died. The partnership deed provided that on the death of a partner his executors will be entitled to the following :

(1) Balance in his capital account and interest @ 12% p.a. on capital. On 1-4-2016 the balance in Mandeep's Capital account was Rs 1,00,000.

(2) His share in the profits of the firm in the year of his death which will be calculated on the basis of rate of net profit on sales of the previous year which was 25%. The sales of the firm till 30th September, 2016 were Rs 9,00,000.

(3) His share on the goodwill of the firm. The goodwill of the firm on Mandee's detah was valued at Rs 1,50,000.

The partnership deed also provided that the following deductions will be made from the amount payable to the executor of the deceased partner:

(1) His drawing in the year of his death. Mandeep's drawings till 30th September, 2016 were Rs 4,000.

(2) Interest on drawing @ 6% per annum which calculated as Rs 120.

The accountant of the firm prepared Mandeep's Capital Account to be presented to the executor of Mandeep but in a hurry he left in incomplete. Mandeep's capital Account prepared by Accountant of the firm is shown below

Dr. Mandeep's Capital Account Cr.

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2016			2016		

Sep. 30	....	4,000	April 1	....	1,00,000
Sep. 30	....	–	Sep. 30	....	6,000
Sep. 30	....	–	Sep. 30	....	90,000
			Sep. 30	....	40,000
			Sep. 30	....	20,000
		2,56,000			2,56,000

You are required to complete Mandeep's Capital Account.
Ans.

Dr. Mandeep's Capital Account Cr.

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2016 Sep. 30	Drawings A/c	4,000	2016 April 1	Balance b/d	1,00,000
Sep. 30	Interest on Drawings A/c	120	Sep. 30	Interest on Capital A/c	6,000
Sep. 30	Mandeep's Executor's A/c	2,51,880	Sep. 30	Profit and Loss Suspense A/c	90,000
			Sep. 30	Sandeep Capital A/c	40,000
			Sep. 30	Amandeep's Capital A/c	20,000
		2,56,000			2,56,000

Q.10 Harihar, Hemang and Harit were partners with fixed capitals of ₹3,00,000, ₹ 2,00,000 & ₹ 1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Harit died on 31st May, 2020, whereas the firm closes its books of accounts on 31st March every year. According to their partnership deed, Harit's representatives would be entitled to get share in the interim profits of the firm on the basis of sales. Sales and profit for the year 2019-20 amounted to ₹8,00,000 and ₹3,20,000 respectively and sales from 1st April, 2020 to 31st May 2020 amounted to ₹ 1,50,000. The rate of profit to sales remained constant during these two years. You are required to:
(i) Calculate Harit's share in profit.
(ii) Pass journal entry to record Harit's share in profit.

Ans. (i) Ratio of Profit to sales= 3,20,000/8,00,000 X 100 = 40%
Profit upto the date of death= 1,50,000 X 40% = ₹60,000
Profit sharing Ratio = 3:2:1
Harit's Share of Profit = 60,000 X 1/6 = ₹10000
Alternative: Harit's Share of Profit = 3,20,000/8,00,000 X 1,50,000 X 1/6=₹10000

Journa

Profit & Loss Suspense A/c	10000	
To Harit's Current A/c		10000

(Being Harit's share in profit transferred to his current account)

Q.11 Monu, Nigam and Shreya were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. The firm closes its books on 31st March every year. As per the terms of partnership deed on the death of any partner, the share of goodwill of the deceased partner will be calculated on the basis of 50% of the net profits credited to the partners' capital acount during the last four completed years before death. Monu died on 1st July, 2015. The profits for last four years were

Years	Profits(Rs.)
2011-12	97,000
2012-13	1,05,000
2013-14	30,000
2014-15	84,000

His share of profit in the year of his death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2015 amounted to Rs. 21,00,000. From 1st April, 2015 to 30th June, 2015 the firm's sales were Rs. 2,00,000. Pass necessary journal entries relating to the amount of goodwill and profit to be transferred to Monu's capital account. Also show your workings clearly. **(All India (C) 2016)**

(Hint: Nigam's Capital A/c Dr 59,250,Shreya's Capital A/c Dr 19,750 To Monu's Capital A/c 79,000)

<u>long answer type questions carrying 5 marks each</u>

Q.12 X, Y and Z were partners in a firm sharing profit's in the ratio of 5:3:2. On 31-3-2015 their Balance Sheet was as follows:

Balance Sheet of X, Y and Z on 31st March, 2015

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Creditors		21,000	Land and Building		62,000
Investment			Motor Vans		20,000
Fluctuation Fund		10,000	Investments		19,000
P & L Account		40,000	Machinery		12,000
Capitals:			Stock		15,000
X	50,000		Debtors	40,000	
Y	40,000		Less: Provision	3,000	37,000
Z	20,000	1,10,000	Cash		16,000
		1,81,000			1,81,000

On the above date Y retired and X and Z agreed to continue the business on the following terms :

(1) Goodwill of the firm was valued at Rs 51,000.

(2) There was a claim of Rs 4,000 for Workmen's Compensation.

(3) Provision for bad debts was to be reduced by Rs 1,000.

(4) Y will be paid Rs 8,200 in cash and the balance will be transferred in his loan account which will be paid in four equally yearly instalments together with interest @ 10% p.a.

(5) The new profit sharing ratio between X and Z will be 3:2 .

Prepare Revaluation Account, Partners' Capital Accounts of the reconstituted firm.

Ans.

Revaluation Account

Particulars	Amt. in Rs	Particulars	Amt. in Rs
Claim for Workmen Compensation	4,000	Provision for doubtful Debts	1,000
		Capital A/cs: (loss on Rev.) X 1,500 Y 900 Z 600	3,000
	4,000		4,000

Partners' Capital Account

Dr. **Cr.**

Particulars	**X**	**Y**	**Z**	**Particulars**	**X**	**Y**	**Z**
Revaluation A/c	1,500	900	600	Balance b/d	50,000	40,000	20,000

Y’s Capital A/c	5,100		10,200	IFF	5,000	3,000	2,000
Cash A/c		8,200		P&L A/c	20,000	12,000	8,000
Y’s Loan A/c		61,200		X’s Capital		5,100	
Balance c/d	68,400		19,200	Z’s Capital		10,200	
	75,000	**70,300**	**30,000**		**75,000**	**70,300**	**30,000**

Q.14 Nikita, Mankrit and Pulkit were partners in a firm sharing profits and losses in the ratio 4 : 3 : 2. Their balance sheet as on 31st March, 2019 was as follows:

Balance Sheet of Nikita, Mankrit and Pulkit as on 31st March 2019

Liabilities		Amt. in Rs	Assets	Amt. in Rs
Capital A/cs:		9,00,000	Plant & Machinery	6,40,000
Nikita	4,00,000		Stock	2,30,000
Mankrit	3,00,000		Sundry Debtors	1,40,000
Pulkit	2,00,000		Cash at Bank	40,000
General Reserve		90,000		
Creditors		60,000		
		10,50,000		10,50,000

Mankrit died on 31st July, 2019. According to the partnership deed, the executors of the deceased partner are entitled to:

(a) Balance of partner's capital account

(b) Salary @ ₹ 6,000 per quarter.

(c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death calculated on the basis of average of three completed years' profits before death.

Profits for 2016-17, 2017-18 and 2018-19 were ₹ 80,000, ₹ 90,000 and ₹ 1,00,000 respectively.

(d) Mankrit withdrew ₹ 6,000 on 15th May, 2019.

Prepare Mankrit's capital account to be rendered to her executors.

Solution: **Mankrit’s Capital Account**

Particulars	Amt. in Rs	Particulars	Amt. in Rs
Drawings	6,000	Balance b/d	3,00,000
Mankrit’s Executor A/c	4,18,000	Salary	24,000
		Nikita’s Capital A/c	40,000
		Pulkit’s Capital A/c	20,000
		Profit & Loss Suspense A/c	10,000
		General Reserve	30,000
	4,24,000		4,24,000

Working Notes:

(1) Calculation of Mankrit’s share of goodwill

Average Profit for the last three years = (80,000 + 90,000 + 1,00,000) / 3

= ₹ 90,000

Goodwill of the firm = Average Profits of the last three years × Number of Years’ Purchase

= ₹ (90,000 × 2) = ₹1,80,000

Mankrit’s share of goodwill = ₹ (1,80,000 × 3/9) = ₹ 60,000

Gaining Ratio among the partners will be same as obtained by cancelling = 2 : 1

Mankrit’s share.

(2) Calculation of Mankrit’s Share of Profit

Average Profits of last three years = ₹ 90,000

Profits till the date of death = ₹ (90,000 × 4/12) = ₹ 30,000

Mankrit’s Share of Profits = ₹ (30,000 × 3/9) = ₹10,000

Question: (15) X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2019, was as follows:

Liabilities	Amt. in ₹	Assets	Amt. in ₹
Capitals:	5,00,000	Machinery	4,70,000
X: 2,00,000		Investments	1,10,000
Y: 1,80,000		Debtors: 1,20,000	1,10,000
Z: 1,20,000		Less: Prov. for D/D 10,000	
Workmen’s Compensation Fund	60,000	Stock	1,40,000
Employees’ Provident Fund	1,10,000	Cash	30,000
Creditors	1,90,000		
	8,60,000		8,60,000

On 1st April, 2019, Z retires from the firm on the following terms:

1. Provision for doubtful debts was to be maintained at 10% on debtors.
2. Stock was undervalued by ₹ 10,000.
3. An old customer, whose account was written off as bad, paid ₹ 15,000.
4. 20% of the Investments were taken by X at book value.
5. Claim on account of workmen’s’ compensation amounted to ₹ 70,000.
6. Creditors included a sum of ₹ 27,000 which was not likely to be claimed.
7. Goodwill valued at ₹ 60,000.

Pass necessary Journal entries on retirement of Z. **OR** Prepare Revaluation Account, Partners Capital Accounts, and the Balance Sheet of the reconstituted firm.

Solution: **Journal entries**

Date	Particulars	L.F.	Dr. (`)	Cr. (`)
	X’s Capital A/c Dr.		22,000	
1.	Investments A/c			22,000
	(Being investments taken by partner)			
	Revaluation A/c Dr.		12,000	
	To Provision for d/d/ A/c			2,000
2.	To Provision for WC A/c			10,000
	(Being loss on revaluation)			
	Stock A/c Dr.		10,000	
3.	Cash A/c Dr.		15,000	
	Creditor A/c Dr.		27,000	
	To Revaluation A/c			52,000
	(Being gain on revaluation)			
	Revaluation A/c Dr.		40,000	
4.	To X’s Capital A/c			20,000
	To Y’s Capital A/c			13,333

	To Z's Capital A/c			6,667
	(Being gain on revaluation transferred in 3:2:1)			
5.	X's Capital A/c Dr.		6,000	
	Y's capital A/c Dr.		4,000	
	To Z's Capital A/c			10,000
	(Being share of goodwill adjusted in gaining ratio i.e. 3:2)			
6.	Z's Capital A/c Dr.		1,36,667	
	To Z's Loan A/c			1,36,667
	(Being balance of capital transferred to loan a/c)			

OR

Revaluation Account

Particulars	Amt. in ₹	Particulars	Amt. in ₹
Prov. for WC	10,000	Stock	10,000
Prov. for d/d	2,000	Creditor	27,000
Capital A/cs	40,000	Cash A/c	15,000
X 20,000		(Bad debts Recovery)	
Y 13,333			
Z 6,667			
	52,000		52,000

Capital Accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
Z's Capital	6,000	4,000		Balance b/d	2,00,000	1,80,000	1,20,000
Investments	22,000			X's Capital			6,000
Z's Loan A/c			1,36,667	Y's Capital			4,000
Balance c/d	1,92,000	1,89,333		Revaluation A/c	20,000	13,333	6,667
	2,20,000	1,93,333	1,36,667		2,20,000	1,93,333	1,36,667

Balance Sheet (After reconstitution)

Liabilities	Amt. in ₹	Assets	Amt. in ₹
Workmen Compensation Fund	60,000	Investments 1,10,000	88,000
Prov. for Workmen Comp.	10,000	Less: Taken by X (22,000)	
Employees Provident Fund	1,10,000	Debtors	1,08,000
Creditors 1,90,000	1,63,000	1,20,000	
Less: Not likely to claim (27,000)		Less; Prov. for d/d (12,000)	
Capital A/cs:		Machinery	4,70,000
X 1,92,000	3,81,333	Stock 1,40,000	1,50,000
Y 1,89,333		Add: Undervalued 10,000	
Z's Loan A/c	1,36,667	Cash 30,000	45,000
		Add: Bad debts Rec. 15,000	
	8,61,000		8,61,000

Calculation of share of profits of Deceased Partner and Accounting treatment

(from the last balance sheet date to date of death)

Profits of deceased partner to be calculated in the following circumstances:

(a) On the basis of previous year or average of last few years profits

(b) On the basis of the proportion between sales turnover in death year with the sales turnover and profits of the previous year.

Example: (1) Ajay, Bijay and Chetna were partners in a firm for sharing profits/losses in 3:2:1 ratio. Bijay died on January 1st, 2021. His share of profits for the intervening periods to be calculated on the basis of average profits of last three years. Profits of the previous three years are 2017-18: ₹ 90,000; 2018-19: ₹ 1,00,000 and 2019-20: ₹ 1,10,000. Calculate the share of profits of Bijay on his death and make necessary Journal entry for it.

Solution: **Journal Entry**

Date	Particulars	L.F.	Dr.	Cr.
2021 Jan. 01	Profit and Loss Suspense A/c Dr. To Bijay's Capital A/c (Being share of profit allowed on the death of Bijay)		37,500	37,500

Working: Share of profits of Bijay = Average Profits x Intervening periods x shares of Bijay
Average Profits = (90,000 + 1,00,000 + 1,10,000) / 2 = 3,00,000 / 2 = 1,50,000.
Intervening periods = 9 months (i.e. April 2019 to December 2019); Bijay's share = 2/6.
Share of profits of Bijay = 1,50,000 x 9/12 x 2/6
= 37,500.

Example: (2) Dinakar, Navita and Vani were partners sharing profits and losses in the ratio of 3:2:1. Navita died on 30th June, 2017. Her share of profit for the intervening period was based on the sales during that period, which were ₹ 6,00,000. The rate of profit during the past years had been 10% on sales. The firm closed its books on 31st March every year. Calculate Navita's share of profit. (CBSE 2019)

Solution: Share of profits of Navita = Average Profits x Intervening periods x shares of Navita
Estimated profits of the firm for the year 2017-18 = 10% of 6,00,000 = ₹ 60,000.
Intervening periods = 3 months (from 1st April to 30th June 2017); Navita's share = 2/6.
Navita's share of profits = 60,000 x 3/12 x 2/6; = ₹ 5,000.

Accounting for Dissolution of Partnership Firm

Dissolution of Partnership: A Partnership (Agreement) gets terminated in case of Change in existing profit-sharing ratio among partners; Admission of a new partner; Retirement of a partner; Death of a partner; Insolvency of a partner; Completion of the venture; Expiry of the period of partnership.

Dissolution of Partnership Firm: The dissolution of a firm implies the discontinuance of partnership business and separation of economic relations between the partners.

On dissolution of the firm, the firm closes its business altogether and realizes all its assets and pays all its liabilities.

Dissolution of the Firm takes place in any of the following ways:

1. **Dissolution by Agreement**: with the Consent of all partners OR accordance with a Contract between the partners.
2. **Compulsory Dissolution**: when all or all, except one partner, become insolvent OR business becomes illegal OR some event has taken place which makes it unlawful for the partners to carry on the business.
3. **On the happening of certain Contingencies**: expiry of the term OR completion of venture OR term of death of a partner OR adjudication of a partner as an insolvent.
4. **Dissolution by Notice**: partnership at will – when any one of the partner gives a notice.

Dissolution by Court: At the suit of a partner, the court may order for dissolution of the firm – when a partner becomes insane OR a partner becomes permanently incapable of performing his duties as a partner OR a partner is guilty of misconduct which is likely to adversely affect the firm OR any ground, the court regards for dissolution of the firm.

Settlement of Accounts (as per Partnership Act 1932 Section – 48)

1. Treatment of Losses: Losses, including deficiencies of capital, shall be paid –
    - **a)** First, out of profits,
    - **b)** Next, out of capital of partners, and
    - **c)** Lastly, if necessary, by the partners individually in their profits sharing ratio.
2. **Application of Assets**: The assets of the firm, including any sum contributed by the partners to make up deficiencies of capital, shall be applied in the following manner order:
    - **a)** Payment of third party's debts of the firm,
    - **b)** Payment to partner's dues, other than their capital (i.e. partner's loans),
    - **c)** Payment to partners proportionately on account of their capitals,
    - **d)** The residue, if any, shall be divided among the partners in their profit sharing ratio.

Private property of any partner shall be applied first in payment of his private debts and the surplus, if any, may be utilized for the payment of the firm's debts, in case the firm's liabilities exceed to the firm's assets.

REALISATION ACCOUNT

The Realisation Account is prepared to record the transactions relating to sale & realization of assets and settlement of creditors.

Any profit or loss arising act of this process is shared by partners in their profit-sharing ratio.

Accounting Treatment on Dissolution

	Transaction	Journal Entry
1	To Transfer of Assets (Except Cash & Bank balance)	Realization A/c Dr. To Land& Building A/c To Machinery A/c To Debtors A/c etc.
2	To Transfer of Liabilities (Except Capitals, Partner's Loan)	Creditors A/c Dr. Bank Loan A/c Dr. Provision for Doubtful Debts Dr. Partner's Mrs./Mr. Loan A/c Dr. To Realization A/c

When there is ask to show journal entries from the given information than your need to pass journal entries **(Except the above entries)** as under:

3	To Transfer Accumulated Profits	General Reserve A/c Dr. W C F A/c Dr. (Unclaimed part of WCF) Profit & Loss A/c Dr. (If Cr. Balance is there) To Partner's Capitals A/c
4	To Transfer Accumulated Losses	Partner's Capitals A/c Dr. To Profit & Loss A/c (If Dr. balance is there) To Profit & Loss Suspense A/c
5	To Realize from sale of Recorded & Unrecorded Assets	Bank A/c Dr. To Realization A/c
6	To Take over asset by a Partner	Partner's Capital A/c Dr. To Realization A/c
7	To Take over asset by a Creditors	NO ANY ENTRY WILL BE PASSED
8	To Take over liability by a Partner	Realization A/c Dr. To Partner's Capital A/c
9	To Settle Recorded/Unrecorded Liabilities by payment	Realization A/c Dr. To Bank A/c

10	To close Partners' Current A/c (If Credit balance)	Partner's Current A/c Dr. To partner's Capital A/c
	To close Partners' Current A/c (If Debit balance)	Partner's Capital A/c Dr. To Partner's Current A/c
11	Realization Expense (Paid by firm)	Realization A/c Dr. To Bank A/c
12	Realization Expense (Paid by a Partner)	Realization A/c Dr. To Partner's Capital A/c
13	**When a partner agreed to undertake dissolution work on remuneration.**	
(a)	For agreed remuneration to such partner	Realization A/c Dr. To Partner's Capital A/c
(b)	If payment made by Firm	Partner's Capital A/c Dr. To Bank A/c
(c)	If the partner himself pays realization expenses (privately)	No any entry will be passed
14	Gain or Loss on Realization transfer to Capital A/c	Realization A/c Dr. To Partners' Capital A/c
		Partners' Capital A/c Dr. To Realization A/c
15	To pay Partner's Loan	Partner's Loan A/c Dr. To Bank A/c
16	For Settlement of Partners' Capital Account	
(a)	If there is Debit Balance	Bank A/c Dr. To Partner's Capital A/c
(b)	If there is Credit Balance	Partner's Capital A/c Dr. To Bank A/c

Q.1. Pass journal entries for the following transactions.

(I) Realization expenses amounted to Rs. 40,000.

(II) Realization expenses amounted to Rs. 20,000 were paid by a partner.

(III)) Realization expenses amounted to Rs. 20,000 were paid by the firm on behalf of a partner.

(IV) A partner was paid remuneration (including expenses) of Rs. 30,000 to carry out dissolution of the firm. Actual expenses were Rs. 40,000.

(V) Dissolution expenses were Rs. 32,000. Out of the said expenses, Rs. 12,000 to be borne by the firm and the balance by a partner, Rs. 32,000 are paid by the firm.

(VI) Dissolution expenses were Rs. 32,000. Out of the said expenses, Rs. 12,000 to be borne by the firm and the balance by a partner. The expenses were paid by a partner.

(VII) Realization expenses of Rs. 20,000 were to be borne and paid by a partner.

Ans.

Date	**Particulars**	**LF**	**Amount (Dr.)**	**Amount (Cr.)**
(I)	Realisation A/c Dr. To Bank/ Cash A/c (Being the dissolution expenses paid)		40,000	40,000
(II)	Realisation A/c Dr. To partner's capital A/c (Being the dissolution expenses paid by the partner credited to his capital account)		20,000	20,000
(III)	Partner's capital A/c Dr. To cash/Bank A/c		20,000	20,000

	(Being the dissolution expenses paid by the firm on behalf of the partner debited to his capital account)			
(IV)	Realisation A/c Dr. To partner's Capital A/c (Being the remuneration to partner credited to his capital account)		30,000	30,000
(V)	Realisation A/c Dr. Partner's Capital A/c Dr. To cash/bank A/c (Being the dissolution expenses paid by the firm. Firm's share of expenses debited to realization account and balance to partner's capital account)		12,000 20,000	32,000
(VI)	Realisation A/c Dr. To partner's capital A/c (Being the realisation expenses paid by the partner credited to his capital account)		12,000	12,000
(VII)	No entry will be passed			

Q. 2. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Tony and Rony after the various assets (other than cash) and external liabilities have been transferred to Realisation Account.

(I) An unrecorded asset of Rs 2,000 and cash Rs 3,000 were paid for liability of Rs 6,000 in full settlement.

(II) 100 shares of Rs 10 each have been taken over by partners at market value of Rs 20 per share in their profit sharing ratio, which is 3:2.

(III) Stock of Rs 30,000 was taken over by a creditor of Rs. 40,000 at a discount of 30% in full settlement.

(IV) Expenses of realization Rs. 4000 were to be borne by Rony. Rony used the firm,s cash for paying these expenses.

Ans.

Date	Particulars	LF	Amount	Amount
(I)	Realisation A/c Dr. To Cash A/c (Being amount paid for settlement of liability)		3,000	3,000
(II)	Tony's capital A/c Dr. Rony's capital A/c Dr. To Realisation A/c		1,200 800	2,000
(III)	No entry will be passed			
(IV)	Rony's Capital A/c Dr. To Cash A/c		4,000	4,000S

Q.3 Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm

(1) Expenses of dissolution were Rs 9,000.

(2) Expenses of dissolution Rs 3,400 were paid by a partner Vishal

(3) Shiv a partner, agreed to do the work of dissolution for a commission of Rs 4,500. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs 3,900 were paid from the firm's bank account.

(4) Naveen, a partner agreed to look after the dissolution work for which he was allowed a remuneration of Rs 3,000. Naveen also agreed to bear the dissolution expenses. Actual expenses on dissolution Rs 2,700 were paid by Naveen.

(5) Vivek, a partner was appointed to look after the dissolution work for a remuneration of Rs. 7,000. He agreed to bear the dissolution expenses. Actual dissolution expenses Rs 6,500 were paid by rishi, another partner on behalf of Vivek.

(6) Gaurav, a partner was appointed to look after the work of dissolution for a commission of Rs. 12,500. He agreed to bear the dissolution expenses. Gaurav took furniture of Rs 12,500 as his commission. The furniture had already been transferred to realization account.

Ans.

Date	Particulars	LF	Amount	Amount
(1)	Realisation A/c Dr. To Cash/bank A/c (Being dissolution expenses paid)		9,000	9,000
(2)	Realisation A/c Dr. To Vishal's Capital A/c (Being dissolution expenses paid by Vishal)		3,400	3,400
(3) (a)	Realisation A/c Dr. To Shiv's Capital A/c (being remuneration given to Shiv for dissolution work)		4,500	4,500
(3) (b)	Shiv's capital A/c Dr. To Bank A/c (Being dissolution expenses paid by firm on behalf of the partner)		3,900	3,900
(5) (a)	Realisation A/c Dr. To Vivek's Capital A/c (Being partner Vivek remunerated for dissolution expenses)		7,000	7,000
(5) (b)	Vivek's Capital A/c Dr. To Rishi's Capital A/c (being dissolution expenses paid by Rishi on behalf of Vivek)		6,500	6,500
(6) (a)	Realisation A/c Dr. To Gaurav's Capital A/c (Being remuneration given to Gaurav)		12,500	12,500
(6) (b)	Gaurav,s Capital A/c Dr. To Realisation A/c (Being furniture taken over by Gaurav as remuneration)		12,500	12,500

Q.4. Ankit, Bobby and Kartik were partners in affirm sharing profits in the ration 4:3:3. The firm was dissolved on 31st March 2021. **.** Pass the necessary journal entries for the following transactions after the various assets (other than cash) and external liabilities have been transferred to Realisation Account.

(1) The firm had stock of Rs 80,000. Ankit took over 50% stock at a discount of 20% while the remaining stock was sold at a profit of 30% on cost.

(2) A liability under a suit for damages included in creditors was settled at Rs 32,000 as against only Rs. 13,000 provided in the books. Total creditors of the firm were Rs 50,000.

(3) Bobby;s sister loan was paid off along with interest of Rs. 2,000.

(4) Kartik's Loan of Rs. 12,000 was settled at Rs. 12,500.

Ans.

Date	**Particulars**	**LF**	**Amount**	**Amount**

(1)	Ankit's capital A/c Dr. Bank/cash A/c Dr. To Realisation A/c (Being stock taken over by Ankit, remaining sold at a profit)		32,000 52,000	 84,000
(2)	Realisation A/c (37,000+32,000) Dr. To Bank/cash A/c (Being payment made to creditors)		69,000	 69,000
(3)	Realisation A/c Dr. To Cash/bank A/c (Being Bobby's sister loan paid along with interest))		22,000	 22,000
(4)	Kartik's Loan A/c Dr. Realisation A/c Dr. To Bank/Cash A/c (Being Kartik Loan settled)		12,000 500	 12,500

Q. 5 Rakesh Ram and Rohan were partners sharing profits in the ratio of 5:3:2. On 31st March 2021, their Balance sheet was as follows.

Liabilities		**Amount**	**Assets**		**Amount**
Sundry Creditors		70,000	Land and Building		3,50,000
Rohan's loan		20,000	Stock		3,00,000
Mrs. Rohan's Loan		20,000	Debtors	2,00,000	
Capital:			Less: Provision for doubtful		
Rakesh	4,00,000		Debts	10,000	1,90,000
Ram	3,00,000		Cash		70,000
Rohan	1,00,000	8,00,000			
		9,10,000			**9,10,000**

The firm was dissolved on the above date on the following terms:

Land and Building and stock were sold for Rs. 6,00,000. Debtors were realized at 10% less than the book value. Mrs Rohan's loan was settled by giving her an unrecorded computer of Rs 22,000. Rakesh paid off one of the creditors Rs 20,000 in settlement of Rs 30,000. Rohan's loan was fully settled at Rs 18,500. Prepare realisation account.

Ans.

Particulars	**Amount**	**Particulars**	**Amount**
To land and building A/c To Stock A/c To Debtors A/c To Rakesh Capital A/c To Cash : Creditors A/c	3,50,000 3,00,000 2,00,000 20,000 40,000	By Provision for doubtful debts By Sundry Creditors A/c By Mrs. Rohan Loan A/c By Cash Land and building 6,00,000 Debtors 1,80,000 By loss on Realisation Rakesh 15,000 Ram 10,000 Rohan 5,000	10,000 70,000 20,000 7,80,000 30,000
	9,10,000		**9,10,000**

Q.6 Prem and Suresh were partners in a firm sharing profits in the ratio of 7:8. On 1st April, 2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realization account, you are given the following information:

(i) Raman, a creditor accepted land valued at Rs 7,00,000 and paid Rs. 3,00,000 to the firm.
(ii) Gopal, a second creditor for Rs 1,05,000 accepted Rs 90,000 in cash and investment of Rs 14,000 in full settlement of his account.
(iii) Hari, a third creditor amounting to Rs. 75,000 accepted stock of the book value of Rs. 60,000 for Rs. 45,000 and the balance was paid to him by cheque.
(iv) Loss on dissolution was Rs. 45,000.

Pass the necessary journal entries for the above transactions on the dissolution of the partnership firm
Ans.

Date	**Particulars**	**LF**	**Dr.**	**Cr.**
(i)	Cash/Bank A/c Dr. To Realisation A/c (Being payment received from creditor)		3,00,000	3,00,000
(ii)	Realisation A/c Dr. To Cash A/c (Being partial payment made to creditor)		90,000	90,000
(iii)	Realisation A/c Dr. To Bank A/c (Being partial payment made to creditor)		30,000	30,000
(iv)	Prem's Capital A/c Dr. Suresh's Capital A/c Dr. To Realisation A/c (being loss on realization transferred to partners' capital accounts)		21,000 24,000	45,000

Q.7 J K and L were partners in a firm sharing profits in the ratio of 4:5:1. On 31st March 2018 their firm was dissolved. On this date the balance sheet showed a balance of Rs. 1,34,000 in debtors account and a balance of Rs 14,000 in provision for Bad Debts Account. Both the account were closed by transferring their balance balances to Realisation Account. Rs 4,000 of the debtors beame bad and nothing could be realized from them on dissolution. K agreed to look after the dissolution work foe which he was allowed a remuneration of Rs. 16,000. K also agreed to bear dissolution expenses for which he was allowed a lump sum payment of Rs. 4,000.Actual dissolution expenses were Rs. 6,500 and the same were paid from the firm's cash. Loss on dissolution amounted to 37,000.

Pass the necessary journal entries for the above transactions on the dissolution of the partnership firm.
Ans.

Date	**Particulars**	**LF**	**Dr.**	**Cr.**
	Bank A/c Dr. To Realisation A/c (Being payment received from debtors)		1,30,000	1,30,000
	Realisation A/c Dr. To K's capital A/c (Being remuneration paid for dissolution work)		16,000	16,000
	Realisation A/c Dr. To K's capital A/c (Being amount credited for dissolution work)		4,000	4,000
	K's capital A/c Dr. To Bank A/c (Being dissolution expenses paid by firm on behalf of the partner)		6,500	6,500
	J's Capital A/c Dr.			

	K's Capital A/c Dr.		14,800	
	L's capital A/c Dr.		18,500	
	To Realisation A/c		3,700	
	(being loss on realization transferred to partners' capital accounts)			37,000

Q.8 Arnab, Ragini and dhrupad are partners sharing profits in the ratio of 3:1:1. On 31st March 2021 they decided to dissolve their firm. On that date their balance sheet was as under:

Balance Sheet (As at 31st March,2021)

Liabilities	Amount	Assets	Amount
Creditors	60,000	Bank	50,000
Arnab's Brother's Loan	95,000	Debtors 1,70,000	
Dhrupad's Loan	1,00,000	(-) Provision for bad debts	1,50,000
Investment Fluctuation Fund	50,000	20,000	1,50,000
Capital /cs		Stock	2,50,000
Arnab 2,75,000		Investments	3,00,000
Ragini 2,00,000		Building	50,000
Dhrupad 1,70,000	6,45,000	Profit and loss A/c	
	9,50,000		**9,50,000**

The assets were realized and the liabilities were paid as under

(i) Arnab agreed to pay his brother's loan.
(ii) Investments realized 20% less
(iii) Creditors were paid 10% less
(iv) Building was auctioned for Rs 3,55,000. Commission on auction was Rs 5,000.
(v) 50% of the stock was taken over by Ragini at market price which was 20% less than the book value and the remaining was sold at market price.
(vi) Dissolution expenses were Rs. 8,000. Rs 3,000 were to be borne by the firm and the balance by dhrupad. The expenses were paid by him.

Prepare realization account, bank account and partners' capital account

Ans.

Realisation Account

Particulars	**Amount**	**Particulars**	**Amount**
To Sundry Assets A/c		By Sundry Liabilities a/c	
Debtors 1,70,000		Creditors 60,000	
Stock 1,50,000		Arnab's Brother Loan 95,000	
Investment 2,50,000		Investment Fluctuation	
Building 3,00,000	8,70,000	Fund 50,000	2,05,000
To Arnab's Capital (Brother's Loan)	95,000	By provision for doubtful debts	20,000
		By bank A/c (Assets Realised)	
To Bank A/c (creditor) (60,000-10%)	54,000	Stock (75,000-20%) 60,000	
		Investment 2,00,000	
To dhrupad's Capital A/c (Expenses)	3,000	Building (3,55,000-5,000) 3,50,000	6,10,000
		By Ragini's capital A/c (stock) 50% (75,000-15000)	60,000
		By Loss on realization Transferred to partners capital A/c	
		Arnab 76,200	
		Ragini 25,400	
		Dhrupad 25,400	1,27,000

	10,22,000		**10,22,000**

Partners' Capital Account

Particulars	Arnab	Ragini	Dhrupad	Particulars	Arnab	Ragini	Dhrupad
To Profit and loss A/c	30,000	10,000	10,000	By Balance b/d	2,75,000	2,00,000	1,70,000
To Realisation A/c (Stock)	-----	60,000	-----	By Realization A/ (Loan)	95,000	-----	------
To Realisation A/c (Loss)	76,200	25,400	25,400	By Realization A/ (Expenses)	----	------	3,000
To Bank A/c (Final Payment)	2,63,800	1,04,600	1,37,600				
	3,70,000	2,00,000	1,73,000		3,70,000	2,00,000	1,73,000

Bank Account

Particulars	**Amount**	**Particulars**	**Amount**
To Balance b/d	50,000	By Arnab's capital A/c	2,63,000
To Realization A/c (Stock)	60,000	By Ragini's capital A/c	1,04,000
To Realization A/c	2,00,000	By Dhrupad's Capital A/c	1,37,600
(Investment)	3,50,000	By Dhrupad Loan A/c	1,00,000
To Realization A/c (Building)		By Realisation A/c	54,000
	6,60,000	(Creditor)	**6,60,000**

Q.9 P and Q were partners in a firm sharing profits in the ratio of 3:2. On 31.03.2011 their Balance Sheet was as follows:

Liabilities	**₹ Amount**	**Assets**	**₹ Amount**
Capitals: P: ₹ 80,000 Q: ₹ 70,000	1,50,000	Goodwill Land & Building Stock	80,000 80,000 60,000
Creditors	50,000	Debtors	40,000
Workmen Compensation Fund	80,000	Bank	20,000
	2,80,000		2,80,000

The firm was dissolved on 01.04.2011 and the assets & liabilities were settled as follows:

(a) Creditors agreed to take over Land & Building at a valuation of their full claim.

(b) Stock was taken over by Q at ₹ 50,000 for cash.

(c) Bad debts proved ₹ 5,000.

(d) Goodwill was found valueless.

(e) Workmen compensation claim was ₹ 80,000.

Pass necessary Journal Entries for dissolution of the firm. (CBSE 2012)

Ans. **Journals**

Date	Particulars	LF	Dr.(₹)	Cr.(₹)
1.4.2011	Creditors A/c Dr.		50,000	--------
	Workmen Compensation Fund Dr.		80,000	--------
	To Realization A/c		-------	1,30,000
	(Being liabilities transferred)			
	Realization A/c Dr.		2,60,000	--------
	To Goodwill		-------	80,000
	To Land & Building		-------	80,000
	To Stock		-------	60,000
	To Debtors		-------	40,000
	(Being assets transferred)			
	Bank A/c Dr.			
	To Realization A/c		85,000	--------

	(Being realized from assets)		---------	85,000
	Realization A/c Dr. To Bank A/c (being Workmen compensation claims paid off)		80,000 --------	-------- 80,000
	P's Capital A/c Dr. Q's Capital A/c Dr. To Realization A/c (Being loss on dissolution transferred)		75,000 50,000 -------	--------- --------- 1,25,000
	P's Capital A/c Dr. Q's Capital A/c Dr. To Bank A/c (Being balance of partner's capital paid off)		5,000 20,000 ---------	-------- -------- 25,000

Question with incomplete information/missing figures

1. At the time of dissolution of a firm, Realisation expenses of Rs 3,000 were paid by the firm on behalf of Wilson, a partner. You are required to fill in the blanks.

Date	Particulars	LF	Dr (Rs.)	Cr. (Rs.)
	……………………………….. **………………………………..** (Being the dissolution expenses paid by the firm on behalf of Wilson)		**……….**	**………….**

Ans. Wilson's capital A/c Dr Rs. 3,000

To Cash/Bank A/c Rs. 3,000

2. At the time of dissolution of a partnership firm, a creditor for Rs. 2,40,000 accepted machinery valued at Rs 3,00,000 and paid to the firm balance amount. You are required to complete the following journal entry:

Date	Particulars	LF	Dr. (Rs.)	Cr. (Rs.)
	…………………………………………………… ………………………………………………….. (Being the amount received from a creditor after adjusting the value of machinery)		…………..	……………

Ans. Bank A/c Dr. Rs. 60,000

To realization A/c Rs. 60,000

3. **Realisation Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs)
To Stock A/c	10,000	By Provision for doubtful debts	5,000
To Debtors A/c	25,000	A/c	16,600
To plant and machinery A/c	40,000	By Sundry Creditors A/c	3,400
To bank A/c :		By Bills payable A/c	15,000
Sundry creditors 16,000		By Mortgage Loan A/c	
Bills payable 3,400		By Bank A/c assets realized :	
Mortgage loan 15,000	34,400	Stock	
To Bank A/c (outstanding repairs)	400	6,700	52,200
To Bank A/c (Expenses)	620	Debtors	6,200
		12,500	
		Plant & Machinery 36,000	
		By Bank A/c Unrecorded assets	…………
	1,10,420	realized	
		By…………..	**1,10,420**

Partners' Capital Accounts

Particulars	**Bora**	**Singh**	**Ibrahim**	**Particulars**	**Bora**	**Singh**	**Ibrahim**
To……………..	……….	……….	………..	By Balance b/d	22,000	18,000	10,000
To……………..	………..	………..	………..	By General Reserve	2,500	1,500	500
	24,500	**19,500**	**10,500**		**24,500**	**19,500**	**10,500**

Bank Account

Particulars	**Amount**	**Particulars**	**Amount**
To Balance b/d	19,500	By Realisation A/c	34,400
To Realisation A/c (assets realized)	55,200	(liabilities)	400
To………………	………	By Realisation A/c	
		(unrecorded liabilities)	………..
		By …………………	………..
		By …………………	………..
		By…………………	
		By …………………	…………
	80,920		**80,920**

Ans.

Realisation Account

Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs)**
To Stock A/c	10,000	By Provision for doubtful debts	5,000
To Debtors A/c	25,000	A/c	16,600
To plant and machinery A/c	40,000	By Sundry Creditors A/c	3,400
To bank A/c :		By Bills payable A/c	15,000
Sundry creditors 16,000		By Mortgage Loan A/c	
Bills payable 3,400		By Bank A/c assets realized :	
Mortgage loan 15,000	34,400	Stock 6,700	
To Bank A/c (outstanding repairs)	400	Debtors 12,500	52,200
To Bank A/c (Expenses)	620	Plant & Machinery 36,000	6,200
		By Bank A/c (Unrecorded assets)	
		By Loss transferred to partners	**9,000**
		capital A/c Bora 5,000	
		Singh 3,000	
	1,10,420	**Ibrahim 1,000**	**1,10,420**

Partners' Capital Accounts

Particulars	Bora	Singh	Ibrahim	Particulars	Bora	Singh	Ibrahim
To Realisation A	5,000	3,000	1000	By Balance b/d	22,000	18,000	10,000
To Realisation A	19,500	16,500	9,500	By General Reserve	2,500	1,500	500
	24,500	19,500	10,500		24,500	19,500	10,500

Bank Account

Particulars	**Amount**	**Particulars**	**Amount**
To Balance b/d	19,500	By Realisation A/c	34,400
To Realisation A/c (assets realized)	55,200	(liabilities)	400
		By Realisation A/c	
To **Realisation A/c**	**6,220**	(unrecorded liabilities)	620

(Unrecorded assets)	 **80,920**	By ………………… By ………………… By………………… By …………………	19,500 16,500 9,500 **80,920**

Case Based Questions:

Case I. Komal and Ayushman were partners in a firm. The firm was involved in the activity of dumping hazardous chemicals into the river. The court intervened and after several constant warning to the firm against this dumping, it ordered the dissolution of the firm.

At the time of dissolution, the building having book value Rs. 25,00,000 was auctioned for Rs. 30,00,000 and the actioners' commission amounted to Rs. 1,00,000.

Komal's brother has granted a loan for Rs. 80,000 to the firm as the firm needed working capital to meet its operating expenses. Komal agreed rto pay off her brother's loan. Ayushman has also granted a loan to the firm amounting to Rs. 33,000.

At the time of dissolution, the stock was showing the book value worth Rs. 1,50,000. Ayushman took over part of stock at Rs. 40,000 (being 20% less than book value). Balance stock realized at 50%. All the assets and liabilities (except cash/bank a/c and partners' loan) have been transferred to Realisation Account.

(i) State any two ground on the basis of which court may order for dissolution of the firm.
(ii) Differentiate between Dissolution of partnership and dissolution of a partnership firm on the basis of court intervention.'
(iii) Where and at what amount Building will be recorded at the time of its realization in the realization account?
(iv) How will you close the Ayushman's loan account at the time of dissolution?
(v) Calculate the amount realized by the balance stock?
(vi) How will you settle the loan granted by Komal,s brother Rs. 80,000 who she has agreed to pay?

Ans. **(i) (a)** A partner becomes a person of unsound mind.
(**b**) A partner is found to be guilty of misconduct.

(ii)

Basis	**Dissolution of partnership**	**Dissolution of partnership firm**
Court's intervention	The court does not intervene because partnership is dissolved by mutual agreement.	The firm can be dissolved by court's order.

(iii) Rs. 30,00,000 will be credited to Realisation Account and auctioneer's commission Rs 1,00,000 will be debited to it.

(iv) Ayushman loan account will be closed by transferring it to Bank Account as follows:

Particulars	**Amount**	**Particulars**	**Amount**
To Bank A/c	33,000	By balance b/d	33,000

(v) Book value of stock taken over by Ayushman= 40,000x 100/80 = Rs 50,000

Balance stock realized = 1,50,000-50,000 = 1,00,000
50% of Rs 1,00,000
Thus, the balance stock realized Rs. 50,000.

(vi) For the settlement of Komal's brother loan Rs. 80,000 which she has agreed to pay, realization account will be debited and Komal's Account will be credited by Rs. 80,000.

Case II.

After completing their education, three neighbor's Elina, Ferry and Gauri established a partnership firm of manufacturing and selling ' Khadi Sarees' and 'Khadi Kurtas' The firm made profit for consecutive three years. However, during next two years, the firm made huge losses. On detailed analysis, it was observed that Elina and Ferry were involved in dereliction of duties. Further on discussion among the partners, both of them refused to perform their duties and hence it was decided to dissolve to the firm.

Elina, Ferry and Gauri were partners in a firm sharing profits in the ratio of 2:1:1. On 30th September, 2021 their firm was dissolved. On the date of dissolution, the balance sheet of the firm was as follows:

Balance Sheet (As at 31st March, 2021)

Liabilities	**Amount**	**Assets**	**Amount**
Capital Accounts:		Gauri's Capital Account	500
Elina		Profit and Loss account	10,000
1,30,000	2,30,000	Land & Building	1,00,000
Ferry	45,000	Furniture	50,000
1,00,000	17,000	Machinery	90,000
Creditors		Debtors	36,500
Outstanding Expenses		Bank	5,000
	2,92,000		**2,92,000**

The firm was dissolved on the following terms:
Ferry was appointed to undertake the process of dissolution for which he was allowed a remuneration of Rs 5,000. Ferry agreed to bear the dissolution expenses.
The land and building was sold through a property dealer at a price of 110% of the book value. A commission of 1% on the selling price of land and building was paid to the property dealer.
Creditors were payable on an average of 3 months from the date of dissolution. On discharging the creditors on the date of dissolution, they were allowed a discount of 5%.
On the basis of the above information, you are to suggest the answer of the following questions along with passing the journal entries in the following cases.

(i) Distinguish between Reconstitution of partnership and Dissolution of partnership firm on the basis of closure of books?

(ii) What will be the amount realized from the land and building?

(iii) What amount will be payable to the creditors?

(iv) What will be treatment of the dissolution expenses?

Ans. (i)

Base	**Dissolution Of partnership**	**Dissolution Of partnership firm**
Closure of books	Closure of books is not required since the business is not terminated	All the books of accounts are closed since the business is terminated.

(ii) The amount realized from the land and building will be calculated as follows:

Rs. 1,10,000 (sale) – Rs. 1,100 (Commission) = Rs. 1,08,900

Following journal entry will be passed

Bank A/c	Dr.	1,08,900	
To Realisation A/c			1,08,900

(Being land and building realized)

(iii) The amount to be paid to the creditors will be calculated as follows:

Discount to the creditors = Rs. 45,000 x5% = Rs. 2,250

Amount to be paid = Rs. 45,000- Rs. 2,250 = 42,750

Following journal entry will be passed:

Realisation A/c Dr. 42,750
To bank A/c 42,750
(Being creditors paid at a discount of 5%)

(iv)For the treatment of dissolution expenses, following journal entry will be passed)

Realisation A/c Dr. 5,000
To Ferry's capital A/c 5,000
(Being remuneration paid to Ferry for undertaking dissolution process)

Questions for practices

1. A and B, were partners sharing profits and losses in the ratio of 4:3, decided to dissolve the partnership firm as at 31-03-15. From the information given below, complete Realisation a/c, Partner's Capital A/c and Bank A/c:

Realisation Account

Liabilities	**Amount**	**Assets**	**Amount**
To Sundry Assets A/c:	1,34,730	By Provisions for doubtful debts	500
Machinery 76,000		By sundry creditors	22,650
Stock 34,000		By Bank A/c-assets realized	
Investments 30,000		By Loss on Realisation transferred to Capital a/c :	
Debtors 5.730		A __________	
To Bank A/c-Creditors	1,800	B 9720	
To A's Capital A/c-Expenses			
	1,70,740		1,70,740

Partner's capital Account

Liabilities	**A**	**Amount**	**Assets**	**A**	**B**
To Realization A/c		9,720	By______________	....	....
To Bank A/c	1,12,070		By_______________	....	
			By Bank A/c	....	7,650
	1,25,030	9,720		1,25,030	9,720

Bank Account

Liabilities	**Rs.**	**Assets**	**Rs.**
To_________	....	By____________	....
To realization A/c (assets realized)	1,24,910	By A's capital A/c	1,12,070
To B's capital A/c	7,650		
	1,35,220		1,35,220

2. J, K and L decided to dissolve their partnership firm on 31st march, 2012. Their balance sheet on the day stoodasunder:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals:J 10,000		Land	45,000
K 10,000		Furniture	5,000

L 10,000	30,000	Stock	4,000
J's Loan A/c	12,000	Debtors	5,000
Creditors	18,000	Bank	1,000
	60,000		60,000

Land was sold for the 15% above the book value while furniture was realized Rs. 450 less. Stock was realized in full while debtors worth Rs. 300 proved bad. Expenses of Realisation were Rs. 600. Record the above transactions by passing necessary journal entries

(**Profit on realization Rs. 5,400)**

3. Ramesh and Mahesh were in partnership sharing profits and losses in the ratio of 3:1. They agreed to dissolve the firm. The assets realized Rs. 1, 50,000. The liabilities of the firm were as follows:

   Creditors Rs. 90,000; Loan from Ramesh Rs. 40000, Ramesh's capital Rs. 20,000 and Mahesh's Capital Rs. 30,000.

   Show through the accounts the distribution of cash realized

   (**Realisation loss Rs. 30,000; Ramesh brings in Rs. 2,500 and Mahesh is paid Rs. 22,500; Total of cash A/c Rs. 1, 52,500)**
4. What journal entries would be passed for the following transactions on the dissolution of a firm, aftervarious assets (other than cash) and third parties liabilities have been transferred to Realisation A/c?
   1). Loan of Rs. 10,000 advanced by a partner to the firm repaid on the dissolution of the firm
   2). X, a partner takes over an unrecorded asset (typewriter) at Rs.300
   3). Undistributed balance (debit) of profit and loss account Rs. 30,000. The firm has three partners X, Y and Z.
   4). The assets of the firm realized Rs. 1, 25,000.
   5). Y who undertakes to carry out the dissolution proceeding is paid Rs. 2,000 for the same.
   6). Creditors paid Rs.28, 000 in full settlement of their account of Rs.30,000.
5. A and B sharing profits and losses in the ratio of 5:2, for the following transactions on the dissolution of a firm, after various assets and third party liabilities have been transferred to Realisation account:
   1) Bank loan Rs.12, 000 is paid.
   2) Stock worth Rs.6, 000 is taken over by partner B.
   3) Expenses on dissolution amounted to Rs.1, 500 and were paid by partner A.
   4) A typewriter completely written off in the books of accounts was sold forRs.200.
   5) Loss on Realisation is of Rs. 14,000.
   6) There was a balance of Rs. 21,000 in the general reserve account on the date ofdissolution.
   7) B also agrees to take over the creditor of Rs. 30,000 for Rs.20,000.
   8) A, one of the partners has given loan to the firm of Rs. 10, 000. It was paid back tohim at the time of dissolution.
   9) Profit and loss account balance of Rs. 56,000 appeared on the assets side of thebalance sheet.
   10) Deferred revenue advertising expenditure appeared at Rs.28,000.
   11) An unrecorded investment realized Rs. 7,000. Pass journal entries in the booksof A and B at the time of dissolution of the firm.

6. X, Y and Z are in partnership sharing in 7:5:8. They decided to dissolve the partnership. At the date of dissolution their creditors amounted to Rs. 20,000, cash being Rs.1000 and in the course of dissolution a contingent liability of Rs. 2,650 not brought into the accounts matured and to be met. Their capitals stood at Rs. 12,000; Rs. 10,000; and18,000 respectively. X had lent to the firm in addition to capital Rs. 14,000. The asset realizes. Rs.44,150. Prepare the Realisation account and the partner's capital accounts. Also show the cash account.

(Realisation Loss Rs. 31500 Total of cash A/c Rs. 45,150)

7. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. On 30th June, 2015, they agreed to dissolve the partnership, they appointed Y to realize the assets and distribute the proceeds. Y is to receive 5% commission on the sale of assets (except cash) as his remuneration and is to bear all expenses of Realisation. Their balance sheet was as follows:

Balance Sheet

Liabilities		**Rs.**	**Assets**	**Rs.**
Sundry creditors		15,275	Cash at bank	3,740
Reserve fund		12,000	Sundry debtors	20,000
Profit and loss A/c		1,500	Stock	42,200
Capital accounts:			Plant and Machinery	61,000
X	70,000			
Y	30,000			
Z	20,000	1,20,000	Goodwill	15,000
Current accounts		16,625	Current a/c - Z	23,460
X	12,500			
Y	4,125			
		165400		165400

Y reports the result of Realisation as follows:

Sundry Debtors Rs. 12,000, Stock Rs. 18,250, Plant and Machinery at 25% less than book value. Goodwill was valueless. Creditors were paid in full and the expenses of Realisation amounted to RS. 380 Which Y, met personally. Prepare necessary Ledger Accounts.

(Realisation loss Rs. 66,000.Final Payment to X Rs. 56,250; Y Rs. 20,425.Cash broughtin by Z Rs. 12,210. Total of Bank A/cRs.91,950)

8. X, Y and Z carrying on business as a partnership firm decided to dissolve the firm on 30.6.2011 when their balance sheet was as follows:

Balance Sheet

Liabilities		**Rs.**	**Assets**	**Rs.**
Creditors		34,000	Cash	25,000
Capitals:			Stock	62,000
X	1,20,000		Debtors	37,000
Y	90,000		Tools	8,000
Z	60,000	2,70,000	Car	12,000
			Machinery	60,000
			Buildings	1,00,000
		3,04,000		3,04,000

The partnership deed provided that profits will be divided in the ratio of 3:2:1 respectively among X, Y and Z. Assets realized as follows: Stock Rs. 40,000, Tools Rs. 5,000. Machinery Rs.78,000, Buildings Rs. 84,000. Car Rs. 25,000, Goodwill Rs. 60,000, Debtors Rs. 59,000. Creditors were settled

at a discount of Rs. 720. There was unrecorded asset valued at Rs. 3,000, which was handed over to X for Rs. 2,000.Prepare Realisation account, cash account andpartner's capital accounts.
(Realisation profit Rs. 74,720.Final payment to X Rs. 1, 55,360; Y Rs. 1, 14, 907, Z Rs. 72, 453.Total of cash a/c Rs. 3, 76,000)

Accounting for Debentures

“Debenture is an acknowledgement of debt, issued by a company containing fixed rate of interest with maturity and other terms and condition”.

Issue of Debentures as Collateral (Secondary) Security

“Issue of debentures by a company against the bank loan as mortgage other than the primary security is called – issue of debenture as collateral security”.

A. If the company going to make entry for issue of debenture as collateral security

Debenture Suspense A/c	Dr.	XXXX	
To --% Debenture A/c		XXXX	

B. If the company decide that not to make any entry for the issue of debenture as collateral security then -------)

“Company must show for the issue of such debentures just below to Bank Loan (in the particular column) in the balance sheet of company, with description of debentures.”

Issue of Debenture other than cash for purchase consideration

A company can issue its debentures other than cash for purchase consideration of ----

1. Purchase of an Asset
2. Purchase of a Business

(A) Issue at Par to be Redeemed at Par

Example: 12% 5,000 Debentures of ₹ 100 each issued.

Bank A/c (5,000 x 100)	Dr.	5,00,000	
To Debenture Appl. & Allot. A/c			5,00,000
Debenture Appl. & Allot. A/c	Dr.	5,00,000	
To 12% Debenture A/c			5,00,000

(B) Issue at Par to be Redeemed at Premium

Example: 12% 5,000 Debentures of ₹ 100 each issued to be redeemed at 5% premium

Bank A/c (5,000 x 100)	Dr.	5,00,000	
To Debenture Appl. & Allot. A/c			5,00,000
Debenture Appl. & Allot. A/c	Dr.	5,00,000	
Loss on Issue of Deb. A/c	Dr.	25,000	
To 12% Debenture A/c			5,00,000
To Prem. on Red. A/c			25,000

(C) Issue at Discount to be Redeemed at Par

Example: 12% 5,000 Debentures of ₹ 100 each issued at 10% discount.

Bank A/c (5,000 x **90**)	Dr.	4,50,000	
To Debenture Appl. & Allot. A/c			4,50,000
Debenture Appl. & Allot. A/c	Dr.	4,50,000	
Discount on Issue A/c	Dr.	50,000	
To 12% Debenture A/c			5,00,000

(D) Issue at Discount to be Redeemed at Premium

Example:12% 5,000 Debentures of ₹ 100 each issued at 10% discount to be redeemed at 5% Prem.

Bank A/c (5,000 x **90**)	Dr.	4,50,000	
To Debenture Appl. & Allot. A/c			4,50,000
Debenture Appl. & Allot. A/c	Dr.	4,50,000	
Loss on Issue A/c (50,000 + 25,000)	Dr.	75,000	
To 12% Debenture A/c			5,00,000
To Prem. on Red. A/c			25,000

(E) Issue at Premium to be Redeemed at Par

Example: 12% 5,000 Debentures of ₹ 100 each issued at 15% premium.

Bank A/c (5,000 x 115)	Dr.	5,75,000	
To Debenture Appl. & Allot. A/c			5,75,000
Debenture Appl. & Allot. A/c	Dr.	5,75,000	
To 12% Debenture A/c			5,00,000
To Securities Prem. Res. A/c			75,000

(F) Issue at Premium to be Redeemed at Premium

Example: 12% 5,000 Debentures of ₹ 100 each issued at 15% premium to be redeemed at 5% Prem

Bank A/c (5,000 x 115)	Dr.	5,75,000	
To Debenture Appl. & Allot. A/c			5,75,000
Debenture Appl. & Allot. A/c	Dr.	5,75,000	
Loss on issue A/c	Dr.	25,000	
To 12% Debenture A/c			5,00,000
To Securities Prem. Res. A/c			75,000
To Prem. on Red. A/c			25,000

Q. Pass Journal entries for the issue of debentures from the following transaction:

(i) A Ltd. issued 15000; 8% Debentures of ₹ 100 each at discount of 5% to be repaid at par at the end of 5 years.

(ii) A Ltd. Issues 10% Debentures of ₹ 100 each for the total nominal value of ₹ 80,00,000 at a premium of 5% to be redeemed at par.

(iii) A Ltd. Issues ₹ 50,00,000; 9% Debentures of ₹ 100 each at par but redeemable at the end of 10 years at 105%.

(iv) A Ltd. Issued ₹ 40,00,000, 12% debentures of ₹ 100 each at a discount of 5% repayable at a premium of 10% at the end of 5 years.

(v) A Ltd issues ₹ 70,000; 12% debentures of ₹ 100 each at a premium of 5% repayable at 110% at the end of 10 years.

Issue of Debenture other than cash for purchase consideration of an asset

Example: X Ltd purchase a Machinery of ₹ 4,00,000 from Y Ltd; immediately paid by Bank draft of ₹ 70,000 and balance by issue of shares of ₹ 100 each at 10% premium.

Pass necessary Journal entries in the books of X Ltd . for the above transactions.

Sol.: **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1	Machinery A/c Dr.		4,00,000	
	To Bank A/c			70,000
	To Y Ltd.			3,30,000
	(Being asset purchased)			
2	Y Ltd. Dr.		3,30,000	
	To Share Capital A/c (3,000 x 100)			3,00,000
	To Securities Premium A/c (3,000 x 10)			30,000
	(Being shares issued at premium for purchase consideration)			

No. of shares to be issued = Amount to be paid / (Face value + Premium)

= 3,30,000 / (100 + 10); = 3,000 shares

Example: X Ltd purchase a Machinery of ₹ 4,00,000 from Y Ltd; immediately paid by Bank draft of ₹ 70,000 and balance by issue of 9% Debentures of ₹ 100 each at 10% premium.

Pass necessary Journal entries in the books of X Ltd. for the above transactions.

Sol.: **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1	Machinery A/c Dr.		4,00,000	
	To Bank A/c			70,000
	To Y Ltd.			3,30,000

	(Being asset purchased)			
2	Y Ltd. Dr.		3,30,000	
	To 9% Debenture A/c (3,000 x 100)			3,00,000
	To Securities Premium A/c (3,000 x 10)			30,000
	(Being 9% debentures issued at premium for purchase consideration)			

No. of debentures to be issued = Amount to be paid / (Face value + Premium)
= 3,30,000 / (100 + 10); = 3,000 Debentures

Example: X Ltd purchase a Machinery of ₹ 3,00,000 from Y Ltd; immediately paid by Promissory Note of₹ 30,000 and balance by issue of 9% Debenture of ₹ 100 each at 10% discount.

Pass necessary Journal entries in the books of X Ltd. for the above transactions.

Sol.: **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1	Machinery A/c Dr.		3,00,000	
	To Promissory Note A/c			30,000
	To Y Ltd.			2,70,000
	(Being asset purchased)			
2	Y Ltd. Dr.		2,70,000	
	Discount on Issue A/c (3,000 x 10) Dr.		30,000	
	To 9% Debenture A/c (3,000 x 100)			3,00,000
	(Being 9% debenture issued at discount for purchase consideration)			

No. of debentures issued = Amount to be paid / Face Value – Discount = 2,70,000 / 90 = 3,000.

Example: X Ltd purchase the business of Y Ltd by taking over of the Sundry Assets of ₹ 15,00,000 and Liabilities of ₹ 3,00,000 for the purchase consideration of ₹ 10,00,000.

₹ 1,00,000 paid by cheque and balance by issue of 9% debentures of ₹ 100 each at 10% discount.

Pass necessary Journal entries from the above transactions.

Sol.: **Journal Entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr.		15,00,000	
	To Liabilities A/c			3,00,000
	To Bank A/c			1,00,000
	To Capital Reserve A/c			2,00,000
	To Y Ltd.			9,00,000
	(Being business purchased)			
	Y Ltd. Dr.			
	Discount on Issue A/c (10,000 x 10)		9,00,000	
	Dr.		1,00,000	
	To 9% Debenture A/c (10,000 x 100)			10,00,000
	(Being 9% debenture issued at discount for purchase consideration)			

Capital Reserve=Business Value-Purchase value ;=(15,00,000–3,00,000)-10,00,000 = 2,00,000

Example: Neeraj Ltd took over business of Ajay enterprises on 01/04/2020. The details of the agreement regarding the assets and liabilities to be taken over are: (3)

Particulars	Book Value (in ₹)	Agreed value (in ₹)
Building	20,00,000	35,00,000
Plant & Machinery	12,00,000	8,00,000
Stock	4,00,000	4,00,000
Trade Receivables	5,00,000	4,00,000
Creditors	2,00,000	3,00,000
Outstanding Expenses	50,000	1,00,000

It was decided to pay for purchase consideration as Rs 7,00,000 through cheque and the balance by issue of 2,00,000 9% Debentures of Rs 20 each at a premium of 25%. Journalize.

JOURNAL ENTRIES
(for interest on debentures)

1. When interest become due:

Debenture's Interest A/c (Gross Interest) Dr. 10,000
To Debenture holder A/c (Net interest) 9,000

2. When interest is paid

Debenture holder A/c Dr. 9,000
To Bank A/c 9,000

3. On transfer of Interest on debentures to Statement of Profit and Loss A/c

Statement of Profit & Loss A/c Dr. 10,000
To Debenture's Interest A/c 10,000

Example: ABC Company Ltd., had 6% debentures of ₹ 1,00,000 on 1st April 2019 on which interest is payable on 30th September and 31st March. Pass necessary journal entries for the payment of interest for the year 2019-20, 10% tax is deducted at source from interest and remitted immediately. If books are closed on 31st March, given necessary journal entries of interest on debentures only.

Solution: **Journal Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2019 Sept 30	Interest on Debenture A/c Dr. To Debenture holder A/c (Being half-yearly interest due & tax deducted at source)		3,000	3,000
Sept 30	Debenture holder A/c Dr. To Bank A/c (Being interest and tax paid)		3,000	3,000
2020 March 31	Interest on Debenture A/c Dr. To Debenture holder A/c (Being half-yearly interest due)		3,000	3,000
March 31	Debenture holder A/c Dr. To Bank A/c (Being interest paid)		3,000	3,000
March 31	Statement of Profit & Loss A/c Dr. To Interest on Debenture A/c (being interest on debentures transferred)		6,000	6,000

Writing off Discount or Loss on issue of Debentures

Discount or Loss on issue of Debentures, being Loss for a company, it to be written off by the company as early as possible but within the tenure of the debentures.

Discount or Loss on issue of Debentures should be written off by a company by using write of the entire discount or loss in the same year itself as finance cost (As per AS-16)

Que.: X Ltd. issued ₹ 10,00,000 8% debentures at a discount of 10 % on 1^{st} April 2018, redeemable in 4 equal annual installments starting form 31st March 2019.

Pass necessary Journal entries for issue of Debentures & to Write off Discount on issue of debentures if

(a) There is no Securities Premium Reserve Balance

(b) The Securities Premium Reserve A/c Shows a balance of ₹ 30,000

(C) The Securities Premium Reserve Ac/ Shows a balance of ₹ 1, 50,000

Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)

2018 April 1st	Bank A/c (10,00,000 – 1,00,000) Dr. To 8% Debenture Application & Allotment A/c (Being debentures issued at 10% discount)		9,00,000	 9,00,000
	8% Debenture Application & Allotment A/c Dr. Discount on Issue A/c Dr. To 8% Debenture A/c (Being debentures allotted)		9,00,000 1,00,000	 10,00,000
Case (a)	Statement of Profit & Loss A/c Dr. To Discount on Issue A/c (Being discount on issue of debentures w/off)		1,00,000	 1,00,000
Case (b)	Securities Premium Reserve A/c Dr. Statement of Profit & Loss A/c Dr. To Discount on Issue A/c (Being discount on issue of debentures w/off)		 30,000 70,000	 1,00,000
Case (c)	Securities Premium Reserve A/c Dr. To Discount on Issue A/c (Being discount on issue of debentures w/off)		1,00,000	 1,00,000

First, we have to use the available Securities Premium Reserve then from Statement of Profit & Loss A/c.

ISSUE OF DEBENTURES AS COLLATERAL SECURITY means issue of debentures as a subsidiary or secondary security collateral security means additional security i.e., in addition to the prime security. It is only to be realised when the prime security fails to pay the amount of the loan. Debentures issued as collateral security may or may not be recorded in the books of accounts if an accounting entry is not passed it is disclose under the loan if an accounting entry ispassed it is shown below the loan first as debenture issued and thereafter debenture suspense account is deducted.

Question with incomplete information/missing figures:

1.Moon Ltd issues Rs. 70,00,000 8% debentures of 100 each at a premium of 5% redeemable at 110% at the end of the 10 years. Fill in the blanks for the issue of debentures?

Ans. Debenture application and allotment A/c Dr. 73,50,000
Loss on issue of debentures A/c Dr. 7,00,000
To 8% debentures A/c 70,00,000
To securities premium reserve A/c 3,50,000
To premium on redemption of debentures A/c 7,00,000

2.Fill in the blank in the following entries

Date	Particulars	LF	Dr.(Rs.)	Cr. (Rs.)
	………………………….. Dr. To ………………… (Being application and allotment money received on 2,000 12% debentures of 100 each issued at a premium of 5% and redeemable at a premium of 10%)		……….	 ……….
	……………………. Dr. ……………………. Dr. To…………………… To …………………….. To…………………… (…………………………………)		……….. ………..	 ……….. ……….. ………..

Ans.

Date	Particulars	L.F.	Dr.	Cr.
	Bank A/c Dr. To **Debenture application and allotment A/**c (Being application and allotment money received on 2,000 12% debentures of 100 each issued at a premium of 5% and redeemable at a premium of 10%)		2,10,000	 2,10,000
	Debenture application & allotment A/c Dr. **Loss on issue of Debentures A/c** Dr. To **12% Debentures A/c** To **Securities Premium Reserve** A/c To Premium on redemption of Debentures A/c (**Being 2,000, 12% debentures issued at a premium of 5% and redeemable at a premium of 10%)**		2,10,000 20,000	 2,00,000 10,000 20,000

Case Based Questions:

Case I

Fashionable fabrics Ltd. has decided to start a new show room. The Finance manager of the company has estimated the capital requirements at Rs. 12,50,000. The company has arranged Rs. 5,00,000 from the internal source to start the show room.

It has also decided to call the unpaid amount of Rs. 3 per share on its 10,000 equity shares.

The requirement of the remaining capital was fulfilled by raising a loan from Bank of India payable after five years. 8% Debentures of Rs. 100 each were issued for 1.5 times more amount than that of loan as collateral securiyy.

The management raised the following questions.

(i) What is meant by 'Issue of debentures as collateral security'?

(ii) What will be the total requirement of the loan raised by the company?

(iii) What will the total number of debentures issued by the company?

(iv) Is the company liable to pay the interest on these shares?

(v) How debentures will be shown in the financial statements of the company when company has recorded the issue of debentures by passing a journal entry in the books of the company?

(vi) How will you classify the loan raised as per the schedule III, of the Companies Act, 2013?

Ans. (i) Issue of debentures as collateral security means issuing debentures as an additional security that may be offered against the loan in addition to principal security.

(ii) The company's total requirement for the loan will be calculated as follows:

= Total funds Requirements –(Funds arranged from the internal sources + unpaid calls, called-up now)

= Rs 12,50,000-(Rs. 5,00,000+Rs. 30,000)

= Rs. 12,50,000 – Rs. 5,30,000 = Rs. 7,20,000.

(iii) Debentures issued as collateral security are of nominal value, i.e; 10,800, 8% debentures of Rs. 100 each Rs. 10,80,000

(Rs. 7,20,000 x 1.5 = Rs. 10,80,000)

(iv) No, the company is not liable to pay interest on these debentures because debentures are issued as collateral security.

(v) The debentures issued as collateral security will be shown as follows in the Financial Statements of the company (Under the notes to accounts on the Long-term Borrowings on the liabilities side)

	Rs.	Rs.
Loan From Bank Of India	7,20,000	
8% Debentures	10,80,000	
Less: Debentures Suspense account	10,80,000	Nil
(As collateral security)		**7,20,000**

(vi) The loan raised by the company will be shown as Long-term Borrowings.

Case II On 1st April 2021, Shiksha Ltd. issued 3,000,12% Debentures Of Rs. 100 each at par redeemable at a premium of 7%. The debentures were to be redeemed at the end of third year. On the basis of the above information, resolve the following issues.

(i) Can the company write off the 'loss on issue of Debentures' over the period of 3 years?
(ii) From which source, the loss on issue of debentures will be written off?
(iii) How will you prepare the loss on iossue of Debentures Account?
(iv) Under which sub-head and head, the amount of premium payable on redemption of debentures is shown in the balance sheet?

Ans. **(i)** No, because according to Accounting Standard 16, Borrowing cost requires that the loss on issue of debentures be written off in the same year in which it is incurred.

(ii) In the absence of any information about Securities Premium Reserve, loss on issue of debentures is written off from statement of profit and loss.

(iii)

Date	**Particulars**	**Amount**	**Date**	**Particulars**	**Amount**
2021 April 1	To premium on redemption of debentures A/c	21,000	2022 March 31	By statement of profit and loss a/c	21,000
		21,000			**21,000**

(iv) Premium Payable on redemption of debentures is shown as 'other non-current liability' under Non-current Liabilities in Equity and Liabilities part of Balance Sheet.

Questions for practice.

1. Give the journal entries at the time of issue of debentures in the following cases:
- **(i)** Issued 5, 00,000 , 12% debentures at par and redeemable at par after 5years.
- **(ii)** Issued 8,00,000,11% debentures at 6% discount, redeemable at par after4years.
- **(iii)** Issued 10,00,000, 14% debentures at 5% premium, redeemable at par after 4years.
- **(iv)** Issued 20,00,000, 12% debentures at par, redeemable at 5% premium after3years.
- **(v)** Issued 12,00,000, 13% debentures at 4% discount, redeemable at 6% premium after 3years.

2. Grand Hotels Ltd issued 30,000, 7% Debentures of Rs. 100 each at a discount of 5% redeemable ata premium of 5%. It decided to write off loss on issue of debentures first from Capital Reserve, then from Securities Premium Reserve and balance from Statement of Profit and Loss. It has balances as follows:
Capital Reserve Rs. 80.000 and Securities Premium Reserve Rs.1.00.000.
Pass the journal entry for writing off loss on Issue of Debentures.

Ans.

JOURNAL

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Capital Reserve A/c Dr Securities Premium Reserve A/c Dr Statement of Profit & Loss A/c Dr To Loss on issue of debentures A/c (Being Loss on issue of debentures written off)		80,000 1,00,000 1,20,000	 3,00,000

Note: Loss on issue of debentures is 5% (discount)+5%(premium on redemption)=10%Therefore, Loss on issue of debentures=30,00,000X10/100=300000

3. Y Ltd. issued Rs. 2,00,000, 10% Debentures at a discount of 5% .The terms of issue provide the repayment at the end of 4 years . Y Ltd. has a balance of Rs. 5, 00,000 in Securities Premium Reserve.The company decided to write off discount on issue of debentures from Securities Premium Reserve inthe first year.

Pass the journal entry.

Ans.

JOURNAL

Date	Particulars	LF	Debit Rs.	Credit Rs.
	Securities Premium Reserve A/c Dr To Discount on issue of debentures A/c (Being Discount on issue of debentures written off)		10,000	 10,000

Note: Discount on issue of Debentures = 2, 00,000×5% = Rs 10,000

4. X limited company issued Rs. 1, 00,000, 9% Debentures at a discount of 6% on 1st April,2017.

These debentures are to be redeemed equally, spread over 5 annual installments.

Pass the Journal entries for issue of debentures and writing off the discount on issue of debentures.

Ans.

JOURNAL

Date	Particulars	LF	Debit Rs.	Credit Rs.
2017 Apr1	Bank A/c Dr To Debenture Application &Allotment A/c (Being application money received)		94,000	 94,000
Apr 1	Debenture Application & Allotment A/c Dr Discount on issue of debentures A/c Dr To 9% Debentures A/c		94.000 6.000	 1.00.000
2018 Mar 31	Statement of Profit &Loss A/c Dr To Discount on issue of debentures A/c (Being Discount on issue of debentures written off)		6,000	 6,000

Comparative and Common Size Financial Statement

Comparative Statement:

It is a tool of financial Analysis that shows changes in each item of the financial statement in absolute amount and in percentage, taking the amounts of the preceding accounting period as the base.

Types of Comparative Statement:

1. Comparative Balance Sheet; and
2. Comparative Statement of Profit and Loss.

Comparative Balance Sheet:

It shows the increases and decreases in various items of assets, equity and liabilities in absolute term and in percentage term by taking the corresponding figures in the previous year's balance sheet as a base.

Comparative Balance Sheet of _____ Ltd.
(As at 31st March, ------------)

Particulars	Previous Year	Current Year	Absolute Change	Change in %
EQUITY & LIABILITIES:				
<u>Shareholders' Fund</u>				
Share Capital				
Reserve and Surplus				
<u>Non-Current Liabilities</u>				
Long term Borrowings				
Other long-term liabilities				
Long term provisions				
<u>Current liabilities</u>				
Short term Borrowings				
Trade payables				
Other current liabilities				
Short Term Provision				
Total				
ASSETS:				
<u>Non-current Assets</u>				
Fixed Assets				
Non-current investments				
Long term Loans and Advances				
<u>Current Assets</u>				
Current investments				
Inventories				
Trade receivables				
Short term loans and advances				
Other current assets				
Cash and cash equivalents				
Total				

Absolute Change = Current year figure – Previous year figure

$$\text{Changes in \%} = \frac{\text{Related absolute change}}{\text{Related figures of Previous year}} \times 100$$

Question (1)

From the following Balance Sheet of XYZ Ltd. as at 31st March 2021 and 2020. Prepare a comparative Balance Sheet.

Balance Sheet of XYZ Ltd.
(As at 31st March, 2020 & 2021)

Particulars	Note No.	31.03.2021	31.03.2020
EQUITY & LIABILITIES:			
<u>Shareholders' Fund</u>			
Share Capital		20,00,000	10,00,000
Reserve and Surplus		4,00,000	6,00,000
<u>Non-Current Liabilities</u>			
Long term Borrowings		16,00,000	10,00,000
<u>Current liabilities</u>			
Trade payables		8,00,000	4,00,000

Total		48,00,000	30,00,000
ASSETS: Non-current Assets Fixed Assets			
(a) Tangible Assets		28,00,000	16,00,000
(b) Intangible Assets		6,00,000	4,00,000
Current Assets			
Inventories		10,00,000	8,00,000
Cash and cash equivalents		4,00,000	2,00,000
Total		48,00,000	30,00,000

Solution:

Comparative Balance Sheet of XYZ Ltd
(As on 31st March, 2020 & 2021)

Particulars	31.03.2020	31.03.2021	Absolute Changes	Changes in %
EQUITY & LIABILITIES: Shareholders' Fund				
Share Capital	10,00,000	20,00,000	10,00,000	100%
Reserve and Surplus	6,00,000	4,00,000	(2,00,000)	(33.33%)
Non-Current Liabilities				
Long term Borrowings	10,00,000	16,00,000	6,00,000	60%
Current liabilities				
Trade payables	4,00,000	8,00,000	4,00,000	100%
Total	30,00,000	48,00,000	18,00,000	60%
ASSETS: Non-current Assets Fixed Assets				
(a) Tangible Assets	16,00,000	28,00,000	12,00,000	75%
(b) Intangible Assets	4,00,000	6,00,000	2,00,000	50%
Current Assets				
Inventories	8,00,000	10,00,000	2,00,000	25%
Cash and cash equivalents	2,00,000	4,00,000	2,00,000	100%
Total	30,00,000	48,00,000		

Absolute change in Share Capital = Current Year figures – Previous Year figures
= 20,00,000 – 10,00,000 = 10,00,000

Absolute Changes in % = (Changes in figures x 100) /Figures on 31.03.2020
= (10,00,000 x 100) / 10,00,000 = 100%

Question: (2) From the following Balance Sheets of Vinayak Ltd as at 31st March, 2019, prepare a Comparative Balance Sheet. **(CBSE 2020 – Set 05)**

Particulars	Note No.	31.03.2019 (₹)	31.03.2018 (₹)
Equity & Liabilities			
(1) Shareholders Funds			
(a) Share Capital		21,00,000	20,00,000
(b) Reserve & Surplus		2,30,000	2,00,000
(2) Non-Current Liabilities			
Long-Term Borrowings		5,60,000	2,00,000
(3) Current Liabilities			
Trade Payables		2,80,000	1,00,000
Total		31,70,000	25,00,000
Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
Tangible assets		21,00,000	20,00,000

Intangible assets		3,00,000	2,00,000
(2) Current Assets			
(a) Inventories		5,60,000	2,00,000
(b) Cash & Cash Equivalents		2,10,000	1,00,000
Total		31,70,000	25,00,000

Solution:

Comparative Balance Sheet as at 31st March 2018 and 2019

Particulars	Note No.	31.03.2018	31.03.2019	Absolute Changes	Changes in %
Equity and Liabilities					
(1) Shareholders Funds					
(a) Share Capital		20,00,000	21,00,000	1,00,000	5
(b) Reserve & Surplus		2,00,000	2,30,000	30,000	15
(2) Non-Current Liabilities					
Long-Term Borrowings		2,00,000	5,60,000	3,60,000	180
(3) Current Liabilities					
Trade Payables		1,00,000	2,80,000	1,80,000	180
Total		25,00,000	31,70,000		
Assets					
(1) Non-Current Assets					
Fixed Assets					
(i) Tangible Assets		20,00,000	21,00,000	1,00,000	5
(ii) Intangible Assets		2,00,000	3,00,000	1,00,000	50
(2) Current Assets					
(a) Inventories		2,00,000	5,60,000	3,60,000	180
(b) Cash & Cash Equivalents		1,00,000	2,10,000	1,10,000	110
Total		25,00,000	31,70,000		

Absolute change in % Long-Term Borrowing = (Changes in figures x 100)/Figures on 31.03.2018
= (3,60,000 x 100) / 2,00,000 = 180%

Comparative Income Statement:

It shows the increases and decreases in various items of income Statement in absolute amount and in percentage amount by taking the corresponding figures in the previous year's Income Statement as a base.

Comparative Statement of Profit & Loss of _____ Ltd
(As on 31st March, __________)

Particulars	Previous year	Current year	Absolute Changes	Changes in %
I. Revenue from Operations				
II. Add: Other Income				
III. Total Revenue (I + II)				
IV. Expenses				
(a) Cost of Material Consumed				
(b) Purchase of Stock-in-trade				
(c) Changes in Inventories				
(d) Employees Benefit Expenses				
(e) Finance Costs				
(f) Depreciation				
(g) Other Expenses				
Total Expenses				
V. Profit before Tax (III – IV)				
Less: Income Tax				
VI. Profit after Tax				

Importance of Comparative Financial Statements

- To make the data simple and more understandable
- To indicate the trend with respect to the previous year
- To compare the firm's performance and position with the other firm in the same line of business.

Question: (3) From the following information of 'Nirima Ltd. Prepare Comparative Statement of Profit & Loss.

Particulars	31.03.2021 (₹)	31.03.2020 (₹)
Revenue from Operations	20,00,000	16,00,000
Employees benefit expenses	10,00,000	8,00,000
Depreciation & Amortization Expenses	25,000	20,000
Other Expenses	75,000	1,80,000
Tax Rate	30%	30%

Solution: **Comparative Statement of Profit & Loss**

(For the year ended 31st March, 2020-21)

Particulars	31.03.2020	31.03.2021	Absolute Changes	Changes in %
I. Revenue from Operations	16,00,000	20,00,000	4,00,000	25%
II. Expenses				
(a) Employees Benefit Expenses	8,00,000	10,00,000	2,00,000	25%
(b) Depreciation	20,000	25,000	5,000	25%
(c) Other Expenses	1,80,000	75,000	(1,05,000)	58.33%
Total Expenses	10,00,000	11,00,000	1,00,000	10%
V. Profit before Tax (III – IV)	6,00,000	9,00,000	3,00,000	50%
Less: Income Tax @ 30%	1,80,000	2,70,000	90,000	50%
VI. Profit after Tax	4,20,000	6,30,000	2,10,000	50%

Question: (4) Prepare a Comparative Statement of Profit and Loss from the following: **(CBSE Sample Paper 2021)**

Particulars	31.03.2019 (₹)	31.03.2020 (₹)
Revenue from Operations	20,00,000	25,00,000
Cost of Materials Consumed	10,00,000	13,00,000
Other Expenses	2,00,000	1,20,000
Tax Rate	50%	50%

Solution:

Comparative Statement of Profit and Loss for the year ended March 31st 2019 and 2020

Particulars	31.03.2019	31.03.2020	Absolute Changes	Changes in %
I. Revenue from Operation	20,00,000	25,00,000	5,00,000	25
II. Total Revenue	20,00,000	25,00,000	5,00,000	25
Less: Expenses				
III Cost of material consumed	10,00,000	13,00,000	3,00,000	30
IV. Other Expenses	NIL	1,20,000	1,20,000	100
Total Expenses	10,00,000	14,20,000	4,20,000	42
V. Profit before Tax (II – IV)	10,00,000	10,80,000	80,000	8
Less: Tax @ 50%	5,00,000	5,40,000	40,000	8
VI. Profit after Tax	5,00,000	5,40,000	40,000	8

Absolute changes in % = (Changes in Figures 5,00,000 x 100) / Figures of Previous Year 20,00,000 = 25%

Question: (5) CBSE Sample Paper 2022

From the following details provided by Kumud Ltd., prepare Comparative Statement of Profit & Loss for the year ended 31st March, 2021:

Particulars	31.03.2020 (₹)	31.03.2021 (₹)
Revenue from Operations	30,00,000	35,00,000
Other Income	3,00,000	4,50,000

Cost of materials Consumed	20,00,000	23,00,000
Other Expenses	1,00,000	1,20,000
Tax Rate	40%	40%

Solution:

Comparative Statement of Profit and Loss for the year ended March 31st 2020 and 2021

Particulars	31.03.2020	31.03.2021	Absolute Changes	Changes in %
I. Revenue from Operation	30,00,000	35,00,000	5,00,000	16.67
II. Other Income	3,00,000	4,50,000	1,50,000	50
III. Total Revenue	33,00,000	39,50,000	6,50,000	19.69
Less: Expenses				
III Cost of material consumed	20,00,000	23,00,000	3,00,000	15
IV. Other Expenses	1,00,000	1,20,000	20,000	20
Total Expenses	21,00,000	24,20,000	3,20,000	15.24
V. Profit before Tax (II – IV)	12,00,000	15,30,000	3,30,000	27.50
Less: Tax @ 50%	4,80,000	6,12,000	1,32,000	27.50
VI. Profit after Tax	7,20,000	9,18,000	1,98,000	27.50

Common Size Statement:

Common Size Financial Statements are the statements in which amounts of the various items of financial statements are converted into percentages to a common base.

Types of Common Size Statements:

1. Common Size Balance Sheet; and
2. Common Size Statement of Profit & Loss.

Common Size Balance Sheet: It is a statement in which every item of assets, equity and liabilities is expressed as a percentage to the total of all Assets or to the total of Equity & Liabilities.

Total Assets OR Total Equity & Liabilities are taken as Common Base.

Common Size Statement of Profit & Loss: It is a statement in which every item of statement of profit & loss is expressed as a percentage to the amount of Revenue from Operations.

Sales (Revenue from Operations) is taken as Common Base.

Question: (6)

From the following Balance Sheet of R Ltd, Prepare a Common Size Statement. **(CBSE Sample Paper 2021)**

Balance Sheet of R Ltd (as at 31st March, 2020)

Particulars	Note No.	31.03.2020 (₹)	31.03.2019 (₹)
Equity & Liabilities			
(1) Shareholders Funds			
(a) Share Capital		2,50,000	2,00,000
(b) Reserve & Surplus		80,000	60,000
(3) Current Liabilities			
Trade Payables		70,000	40,000
Total		4,00,000	3,00,000
Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
Tangible assets		1,60,000	1,20,000
Intangible assets		20,000	30,000
(2) Current Assets			
(a) Inventories		80,000	30,000
(b) Trade Receivables		1,20,000	1,00,000
(c) Cash & Cash Equivalents		20,000	20,000
Total		4,00,000	3,00,000

Solution:

Common Size Statement of the Balance Sheet of R Ltd (as at 31st March, 2019 & 2020)

Particulars	Note No.	Absolute (₹)	Absolute (₹)	**% of the total of Balance Sheet as common item**	
		31.03.2019	31.03.2020	31.03.2019	31.03.2020
Equity & Liabilities					
(1) Shareholders Funds					
(a) Share Capital		2,00,000	2,50,000	66.67	62.5
(b) Reserve & Surplus		60,000	80,000	20	20
(3) Current Liabilities					
Trade Payables		40,000	70,000	13.33	17.5
Total		**3,00,000**	**4,00,000**	100	100
Assets					
(1) Non-Current Assets					
(a) Fixed Assets					
Tangible assets		1,20,000	1,60,000	40	40
Intangible assets		30,000	20,000	10	5
(2) Current Assets					
(a) Inventories		30,000	80,000	10	20
(b) Trade Receivables		1,00,000	1,20,000	33.33	30
(c) Cash & Cash Equivalents		20,000	20,000	6.67	5
Total		**3,00,000**	**4,00,000**	100	100

% of share capital for (31.03.2019) = (2,00,000 x 100) / 3,00,000 = 66.67 %

% of share capital for (31.03.2020) = (2,50,000 x 100) / 4,00,000 = 62.5 %

Question: (7)

Prepare Common Size Statement of Profit and Loss from the following information:

Particulars	2017-18 (₹)	2016-17 (₹)
Revenue from Operations	16,00,000	8,00,000
Cost of Materials Consumed (% of revenue from operations)	60%	50%
Operating Expenses	80,000	40,000
Income Tax Rate	40%	30%

Solution:

Common Size Statement of Profit and Loss (as at 31st March, 2017 & 2018)

Particulars	Note No.	Absolute (₹)	Absolute (₹)	% of the Revenue from Operations as common item	
		2016-17	2017-18	2016-17	2017-18
I. Revenue from Operations		8,00,000	16,00,000	100	100
Less: Expenses					
Cost of material consumed		4,00,000	9,60,000	50	60
Operating Expenses		40,000	80,000	5	5
II. Total Expenses		4,40,000	10,40,000	55	65
Profit before Tax (I – II)		3,60,000	5,60,000	45	35
Less: Income Tax		1,08,000	2,24,000	13.5	14
Profit after Tax		2,52,000	3,36,000	31.5	21

Question: (8)

From the following Balance Sheets of Vinayak Ltd. As at 31st March, 2021, prepare a Common Size Balance Sheet.

Balance Sheet of Vinayak Ltd
(As an 31st March, 2021)

Particulars	Note No.	31.03.2021 (₹)	31.03.2020 (₹)
Equity & Liabilities			
(1) Shareholders Funds			
(a) Share Capital		30,50,000	20,00,000
(b) Reserve & Surplus		2,80,000	6,00,000
(2) Current Liabilities			
Trade Payables		6,70,000	4,00,000
Total		40,00,000	30,00,000
Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
Tangible assets		16,00,000	12,00,000
Intangible assets		2,00,000	3,00,000
(2) Current Assets			
(a) Inventories		8,00,000	3,00,000
(b) Trade Receivables		12,00,000	10,00,000
(c) Cash & Cash Equivalents		2,00,000	2,00,000
Total		40,00,000	30,00,000

Solution:

Common Size Statement of the Balance Sheet of R Ltd (as at 31st March, 2020 & 2021)

Particulars	Note No.	Absolute (₹)	Absolute (₹)	**% of the total of Balance Sheet as common item**	
		31.03.2020	31.03.2021	31.03.2020	31.03.2021
Equity & Liabilities					
(1) Shareholders Funds					
(a) Share Capital		20,00,000	30,50,000	66.67	76.25
(b) Reserve & Surplus		6,00,000	2,80,000	20	7
(3) Current Liabilities					
Trade Payables		4,00,000	6,70,000	13.33	16.75
Total		**30,00,000**	**40,00,000**	100	100
Assets					
(1) Non-Current Assets					
(a) Fixed Assets					
Tangible assets		12,00,000	16,00,000	40	40
Intangible assets		3,00,000	2,00,000	10	5
(2) Current Assets					
(a) Inventories		3,00,000	8,00,000	10	20
(b) Trade Receivables		10,00,000	12,00,000	33.33	30
(c) Cash & Cash Equivalents		2,00,000	2,00,000	6.67	5
Total		**30,00,000**	**40,00,000**	100	100

Cash Flow Statement

Meaning, objectives and preparation (as per AS 3 (Revised) (Indirect Method only)

Note: (i) Adjustments relating to depreciation and amortization, profit or loss on sale of assets including investments, dividend (both final and interim) and tax.
(ii) Bank overdraft and cash credit to be treated as short term borrowings.
(iii) Current Investments to be taken as Marketable securities unless otherwise specified.
Note: Previous years' Proposed Dividend to be given effect, as prescribed in AS-4, Events occurring after the Balance Sheet date. Current years' Proposed Dividend will be accounted for in the next year after it is declared by the shareholders.

Cash Flow Statement to be prepared as per AS-3:

- (A) Cash Flow from Operating Activities
- (B) Cash Flow from Investing Activities
- (C) Cash Flow from Financing Activities

Cash Flow – Cash flow from business activities either inwards the business or outwards from the business.

Flow of cash towards the business from its activities is called – Inflow of Cash.
Flow of cash outwards from the busines with its activities is called – Outflow of cash.

Cash flow statement shows inflows (receipts) and outflows (payments) of cash and cash equivalents of an enterprise during a specified period of time.

Objectives:

- **(A)** To provide information about cash flow from operating, investing and financing activities during a specific period.
- **(B)** To provides the information about the direction of flow of cash from one activity to another.
- **(C)** To enables the users to assess the ability of the enterprise to generate cash and cash equivalents.

1. **Operating Activity** is the principal revenue producing activity of the enterprise,
2. **Financing Activity** is that activity which changes the size & composition of owner's capital & borrowing of the enterprise
3. **Investing Activity** include the acquisition and disposal of long-term assets.

Cash Flow from **Operating Activity** has four important sections as –

- (a) Net profit before tax & dividend
- (b) Adjustments for Non-Cash and Non-Operating charges, losses / Incomes, gains
- (c) Adjustments for changes in Working Capital
- (d) Tax paid during an accounting period

(a) Net Profit before tax and dividend

Net Profit (shown in statement of profit & loss account) + provided Tax + Provided Dividend

(b) Adjustments for Non-Cash and Non-Operating charges, losses / Incomes, gains

- **Add**: Those non-cash & non-operating items which is charged while preparing statement of profit & loss account but for which there was no flow of cash –
  - >> Depreciation on fixed tangible assets
  - >> Amortization on fixed Intangible assets
  - >> Loss on sale of fixed assets
  - >> Interest paid on borrowings
  - >> Transfer to General Reserve
- **Less**: Those non-cash & non-operating incomes, gains which were taken into account while preparing statement of profit & loss account but for which there was no flow of cash –
  - >> Gain on sale of fixed assets
  - >> Interest, Dividend received on Investments

(c) Adjustments for changes in Working Capital

Working Capital = Current Asset – Current Liabilities

Flow of cash due to change in working capital is not counted while preparing statement of profit & loss account, therefore, cash flow due to changes in working capital during an accounting period must be considered while preparing Cash Flow from Operating Activity.

** The balance Creditors at the beginning of year was ₹ 22,000 and at the end of year ₹ 12,000.

>>> ₹ 10,000 paid to creditors during an accounting year is called "Out Flow of Cash"

Therefore, if Current Liabilities has been decreased are called – out flow of cash; and Current Liabilities has been increased are called – In Flow of Cash

** The balance of Stock at the beginning of year was ₹ 45,000 and at the end of year ₹ 20,000.

>>> ₹ 25,000 decrease in stock due to sale and amount of cash received is called "In-Flow"

Therefore, if Current Assets has been decreased are called – In-Flow of Cash; and Current Assets has been increased are called – Out-Flow of Cash.

Changes in Working Capital	Current Assets	Current Liabilities
Increase	Out-Flow of Cash	In-Flow of Cash
Decrease	In-Flow of Cash	Out-Flow of Cash

(d) Tax paid during an accounting period

Sample Format for Cash Flow from Operating Activity

Statement showing computation of Cash Flow from Operating Activities (Indirect Method)			
Net Profits before Tax	Note No.		----------
Adjustment for Non-Cash & Non-Operating Items:			
Add: Depreciation		---------	
Add: Transfer to General Reserve		---------	
Add: Goodwill Written Off		---------	
Add: Loss on sale of Fixed Asset		--------	
Less: Gain on sale of Fixed Asset		(-------)	---------
Operating Profit before change in working capital			----------
Adjustment for working capital changes:			---------
Add: Increase in Current Liabilities (Inflow)		---------	
Add: Decrease in Current Assets (Inflow)		---------	
Less: Increase in Current Assets (Outflow)		(--------)	
Less: Decrease in Current Liabilities (Outflow)		(--------)	

Less: Income Tax Paid			**(--------)**
Net Cash flow From Operating Activities			--------------

Cash Flow from Financing Activities

(1) Issue of shares ------------------------- : In-Flow of Cash
(2) Issue of Debentures ---------------------- : In-Flow of Cash
(3) Borrowing long term Loans ------------------ : In-Flow of Cash
(4) Interest paid on Debentures, Loans ---------- : Out-Flow of Cash
(5) Dividend paid to shareholders --------------- : Out-Flow of Cash
(6) Redemption / Re-Payment of Debentures / Loans - : Out-Flow of Cash

Cash Flow from Investing Activities

(1) Purchase of Fixed Assets------------------- : Out-Flow of Cash
(2) Investment made to outside ---------------- : Out-Flow of Cash
(3) Investment Sold --------------- : In-Flow of Cash
(4) Old Fixed Asset (Tangible) Sold ------------- : In-Flow of Cash
(5) Interest, Dividend received -------------- : In-Flow of Cash

****** If question is silent for the increase or decrease of Investment then we have to assumed that Investment Sold or Purchased at the end of year.*******

Cash Flow Statement

(A) Cash Flow from Operating Activities	XXXX
(B) Cash Flow from Financing Activities	XXXX
(C) Cash Flow from Investing Activities	XXXX
Cash Inflow during year from business activities	**XXXX**
Add: Opening Cash & Cash Equivalents	XXXX
Closing Cash & Cash Equivalents	**XXXX**

S.N.	Particulars	Trading and Manufacturing Enterprises	**Bank, Financing Enterprises**
1	**Interest Paid: Out-Flow**	Financing	**Operating**
2	**Dividend Paid: Out-Flow**	**Financing**	**Financing**
3	**Interest Received: In-Flow**	Investing	**Operating**
4	**Dividend Received: In-Flow**	Investing	**Operating**

QUESTION BANKS

Question: (1) X Ltd. made a profit of ₹ 1,00,000 after considering the following items:

Depreciation of fixed assets	₹ 20,000	Provision for Taxation	₹ 1,60,000
Writing off preliminary expenses	₹ 10,000	Transfer to General Reserve	₹ 14,000
Loss on sale of furniture	₹ 1,000	Profit on sale of Machinery	₹ 6,000

The following additional information is available to you:

Particulars	31.03.2016 (₹)	31.03.2017 (₹)
Debtors	24,000	30,000
Creditors	20,000	30,000
Bills Receivables	20,000	17,000
Bills Payables	16,000	12,000
Pre-Paid Expense	400	600

Calculate Cash Flow from Operating Activities.

Solution: * Net Profit before Tax and extra-ordinary item ₹ 2,74,000
* Operating profit before change in working capital ₹ 2,99,000
* Net Cash Flow from Operating Activities ₹ 1,41,800

Question: (2) From the following information calculate Cash Flow from Investing Activities:

Particulars	31.03.2014 (₹)	31.03.2015 (₹)
Debtors	24,000	30,000
Creditors	20,000	30,000
Bills Receivables	20,000	17,000
Bills Payables	16,000	12,000
Pre-Paid Expense	400	600

Additional information:

(a) During the year, a machine costing ₹ 50,000 with its accumulated depreciation of ₹ 25,000 was sold for ₹ 20,000.
(b) Patents were written off to the extent of ₹ 60,000 and some patents were sold at a profit of ₹ 10,000.
(c) 40% of the Investments held in the beginning of the year were sold at 10% profit.
(d) Interest received on Investments ₹ 25,500.
(e) Rent received ₹ 5,000.

Solution: Net Cash used in Investing Activities ₹ 2,51,000.

Question: (3) From the following, calculate the net Cash Flow from Financing Activities:

Particulars	31.03.2017 (₹)	31.03.2018 (₹)
Equity Shares Capital	10,00,000	16,00,000
9% Debentures	1,50,000	1,00,000
Dividend Payable	-----------	50,000
10% Preference Share Capital	2,00,000	3,00,000

Additional information:

(a) Interest paid on Debentures ₹ 12,500.
(b) During the year 2017-18, company issued bonus shares to equity shareholders in the ratio of 2:1 by capitalizing reserve.

(c) The interim dividend of ₹ 75,000 has been paid during the year.
(d) 9% Debentures were redeemed at 5% premium.
(e) Proposed equity dividend for the years ended 31/03/2017 and 31/03/2018 ended ₹ 3,00,000 and ₹ 1,50,000 respectively.

Solution: Net Cash Flow from Financing Activities ₹ 1,90,000.

Final Dividend paid during the year 2017-18:

Previous year proposed dividend – unpaid dividend i.e. 3,00,000 – 50,000 = ₹ 2,50,000.

{Issue of equity shares ₹ 1,00,000; Issue of Preference shares 1,00,000; Redemption of Debentures ₹ 52,500; Interest on Debentures ₹ 12,500; Interim dividend ₹ 75,000; Final dividend paid ₹ 2,50,000.}

Question: (4) **CBSE Sample Paper 2022**

On the basis of information given by Aradhana Ltd., prepare Cash Flow Statement for the year ending 31st March, 2021:

Balance Sheet as on 31st March, 2021

	Particulars	Note No.	31st March, 2020 (₹)	31st March, 2021 (₹)
I.	**Equity and Liabilities**			
	1. Shareholder's Fund			
	(a) Share Capital		5,00,000	7,30,000
	(b) Reserve and Surplus	1	3,50,000	3,70,000
	2. Non-Current Liabilities			
	Long-Term Borrowings	2	4,00,000	2,00,000
	3. Current Liabilities			
	(a) Trade Payables	3	3,60,000	4,60,000
	(b) Short-Term Provisions	4	3,25,000	3,20,000
	TOTAL		19,35,000	20,80,000
II.	**Assets**			
	1. Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	5	4,50,000	5,00,000
	(ii) Intangible Assets	6	3,10,000	3,02,000
	(b) Long-Term Loans and Advances		4,00,000	4,30,000
	2. Current Assets			
	(a) Inventories		2,70,000	2,90,000
	(b) Trade Receivables		2,40,000	2,60,000
	(c) Cash and Cash Equivalents		2,65,000	2,98,000
	TOTAL		19,35,000	20,80,000

Notes to Accounts:

Particulars	31st March, 2020	31st March, 2021
1. Reserves & Surplus Statement of Profit & Loss	3,50,000	3,70,000
2. Long-Term Borrowings 10% Debentures	4,00,000	2,00,000
3. Trade Payables Creditors Bills Payable	2,40,000 1,20,000	2,60,000 2,00,000
4. Short-Term Provisions Provision for Tax	3,25,000	3,20,000

5. Tangible Fixed Assets		
Machinery	5,50,000	6,60,000
Less: Provision for Dep.	1,00,000	1,60,000
6. Intangible Fixed Assets		
Patents	3,10,000	3,02,000

Additional information:

1. Debentures were redeemed on 1st April, 2020.
2. Tax paid during the year ₹ 2,80,000.

{Cash flow from Operating ₹ 1,63,000; Cash used in Investing ₹ 1,40,000; Cash flow from Financing ₹ 10,000.}

Question: (5) X Ltd, made a profit of ₹ 1,00,000 after considering the following items: **CBSE – 2009.**

(a) Depreciation on fixed assets ₹ 20,000
(b) Writing off preliminary expenses ₹ 10,000.
(c) Loss on sale of furniture ₹ 1,000.
(d) Provision for taxation ₹ 1,60,000.
(e) Transfer to General Reserve ₹ 14,000.
(f) Profit on sale of machinery ₹ 6,000.

Items		31/03/2007 (₹)	31/03/2008 (₹)
Debtors	Out-flow	24,000	30,000
Creditors	In-flow	20,000	30,000
Bills Receivable	In-Flow	20,000	17,000
Bills Payable	Out-flow	16,000	12,000
Prepaid Expenses	Out-flow	400	600

Solution: **Calculation of Cash Flow from Operating Activities**

Particulars		**(₹)**
Net Profit before Tax	**2,74,000**	
Net Profit 1,00,000		
Provision for Taxation 1,60,000		
Transfer to General Reserve 40,000		
Adjustment for:		
Add: Depreciation on Fixed Assets	20,000	
Witting off Preliminary Expenses	10,000	
Loss on Sale of Furniture	1,000	
Less: Profit on Sale of Machinery	(6,000)	
Operating Profit before Working Capital Changes	**2,99,000**	
Add: Increase in Creditors (Inflow of cash)	10,000	
Decrease in Bills Receivable (Inflow)	3,000	
Less: Increase in Debtors (Outflow)	(6,000)	
Decrease in Bills Payable (Outflow)	(4,000)	
Increase in Prepaid Expenses (Outflow)	(200)	
Net Cash Flow from Operating Activities	3,01,800	**3,01,800**

Net Flow of Cash = Inflow of Cash – Outflow of Cash

Question: (6) From the following summarized balance sheets of a company, calculate cash flow from operating activities:

Particulars	**31.3.2019 (₹)**	**31.3.2020 (₹)**
I. Equity and Liabilities		
Share holder's funds:		
Equity Share Capital	1,00,000	1,00,000
Reserves & Surplus (Profit & Loss Balance)	30,000	60,000
Non Current Liabilities:		
6% Debentures	**60,000**	80,000
Current Liabilities:		

Creditors	30,000	35,000
Bills Payable	30,000	10,000
Other Current Liabilities	40,000	45,000
Total	**2,90,000**	**3,30,000**
II. Assets		
Non Current Assets: Fixed assets	1,50,000	1,90,000
Non Current Investments	40,000	30,000
Current Assets		
Stock	40,000	30,000
Debtors	40,000	45,000
Cash	20,000	35,000
Total	**2,90,000**	**3,30,000**

Additional Informations:

(1) A piece of machinery costing ₹ 5,000, on which depreciation of ₹ 2,000 had been charged was sold for ₹ 1,000. Depreciation charged during the year was ₹ 17,000.

(2) New debentures have been issued on 1st August, 2019**.**

Solution: **Calculation of Cash Flow from Operating Activities**

Particulars				(₹)
(A) Cash Flow from Operating Activities:			30,000	
Net Profit before Tax				
Net Profit		30,000		
Adjustment for: (Non-Cash / Non-Operating)				
Add: Interest on Debenture @ 6%	4,400			
Loss on sale of Machinery	2,000			
Depreciation	17,000			
Operating Profit before Working Capital Changes			23,400	
Add:			53,400	
Increase in Creditors	5,000			
Increase in other liabilities	5,000			
Decrease in Stock	10,000	20,000		
Less:				
Decrease Bills Payable	(20,000)			
Increase in Debtors	(5,000)	(25,000)		
			(5,000)	
Less: Tax paid during year			48,400	
Net Cash Flow from Operating Activities			NIL	**48,400**
(B) **Cash Flow from Investing Activities:**				
(1) Investments sold				
(2) Machinery purchased			10,000	
(3) Old Machinery sold			(60,000)	
(C) **Cash Flow from Financing Activities:**			1,000	**(49,000)**
(1) Issue of Debentures				
(2) Interest paid on debentures			20,000	
Cash Flow / Used from/in business activities during the year			(4,400)	**15,600**
Add: Opening Cash & Cash Equivalents				**15,000**
Closing Cash & Cash Equivalents				**20,000**
				35,000

Balance of Debenture ₹ 60,000 become increase on 1st August 2019, therefore interest to be claculated on 60,000 for the period of 04 months and on ₹ 80,000 interest to be claculated for 08 months. (1,200 + 3,200 = 4,400)

Machinery Account

Particulars	Amt. in ₹	Particulars	Amt. in ₹
To Balance b/d (3,000 + 1,47,000)	1,50,000	**Bank A/c *investing: Inflow***	1,000
To Bank A/c *investing: outflow*	60,000	Loss on sale A/c *Operating:add*	2,000
(Balancing figure as purchase)		Depreciation A/c *Operating: add*	17,000
		By Balance c/d	1,90,000
	2,10,000		2,10,000

Bank A/c Dr. 1,000
Loss on sale A/c Dr. 2,000
To Machinery A/c 3,000

Question: (7) & (8) <u>**Sale and Purchase of Non-Current Fixed (Tangible) Assets**</u>

Case (A): AB Ltd had the following balance as at 31st March, 2019 and as at 31st March, 2020 as under –

	(Amt. in ₹)	Amt. in ₹
Machinery A/c	1,50,000	1,90,000

** A piece of machinery costing ₹ 5,000 (depreciation thereon ₹ 2,000) sold at ₹ 1,000.

** Depreciation made on Machinery during the year was ₹ 17,000.

You are required to show the above information in the Cash Flow Statement.

Solution: **Cash Flow Statement**

		Amount	**Amount in ₹**
(A) Cash Flow from Operating Activities:			
Net Profit before Tax & Dividend		**XXXX**	
Add: Non-Cash/Operating charges		**19,000**	
(1) Loss on sale of machinery	**2,000**		
(2) Depreciation	**17,000**		
(B) Cash Flow from Financing Activities:			
(C) Cash Flow from Investing Activites:			
(1) Sale of machinery			**1,000**
(2) Purchase of machinery			**(60,000)**

Machinery Account

Particulars	Amt. in ₹	Particulars	Amt. in ₹
To *Balance b/d* (3,000 + 1,47,000)	*1,50,000*	**Bank A/c *investing: Inflow***	**1,000**
To Bank A/c *investing: outflow*	**60,000**	**Loss on sale A/c**	**2,000**
(Balancing figure as purchase)		*Operating:add*	17,000
		Depreciation A/c *Operating: add*	*1,90,000*
		By *Balance c/d*	
	2,10,000		2,10,000

Bank A/c Dr. 1,000
Loss on sale A/c Dr. 2,000
To Machinery A/c **3,000**

Case (B): AB Ltd had the following balance as at 31st March, 2019 and as at 31st March, 2020 as under –

Machinery A/c	1,50,000	1,90,000
Provision for Depreciation A/c	30,000	35,000

** A piece of machinery costing ₹ 5,000 (**depreciation thereon** ₹ **2,000**) sold at ₹ 1,000.

*** Depreciation on Machinery made during the year ₹ **7,000.**

Solution: **Machinery Account**

Particulars	Amt in ₹	Particulars	Amt in ₹
To *Balance b/d* (**Original Cost)**	*1,50,000*	Provision for Depreciation A/c	2,000
To Bank A/c *investing: outflow*	**45,000**	**Bank A/c *investing: Inflow***	**1,000**
		Loss on sale A/c	**2,000**
		Operating:add	*1,90,000*

(Balancing figure as purchase)		By *Balance c/d* (Original Cost)	
	1,95,000		1,95,000

Provision for Depreciation Account

Particulars	Amt in ₹	Particulars	Amt in ₹
Machinery A/c	2,000	Balance b/d	**30,000**
		Depreciation A/c	**7,000**
Balance c/d	**35,000**	(Depreciation of the year as balancing figure)	
	37,000		37,000

1. Sale of Machinery by ₹ 1,000 is an OUT FLOW of cash Under Investing Activities
2. Purchase of Machinery by ₹ 45,000 is an Out-Flow of Cash under Investing Activities
3. Depreciation on Machinery for the year ₹ 7,000 is non-cash charged, Add to Operating Activities for adjustment
4. Loss on sale of asset by ₹ 2,000 is non-operating charges, Add to Operating Activities for Adjustment

CBSE Sample Paper 2021

Question: (9) Prepare Cash Flow Statement on the basis of information given in the Balance Sheets of Reiga Ltd as at 31st March, 2019 and 31st March, 2020:

Particulars	Note No.	31st March, 2019	31st March, 2020
I. Equity & Liabilities			
1. Shareholders Funds			
(a) Share Capital		2,00,000	2,50,000
(b) Reserve & Surplus	1	50,000	70,000
2. Non-Current Liabilities			
Long-Term Borrowings	2	1,00,000	80,000
3. Current Liabilities			
(a) Trade Payable	3	60,000	1,60,000
(b) Other Current Liabilities	4	25,000	20,000
		4,35,000	5,80,000
II. Assets			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	5	1,50,000	2,00,000
(ii) Intangible Assets	6	10,000	2,000
(b) Long-Term Loans & Advances		1,00,000	1,30,000
2. Current Assets			
(a) Inventories		70,000	90,000
(b) Trade Receivables		40,000	60,000
(c) Cash & Cash Equivalents		65,000	98,000
		4,35,000	5,80,000

Note to Accounts

Particulars	31st March, 2019	31st March, 2020
1. Reserve & Surplus		
General Reserve	50,000	70,000
2. Long-Term Borrowings: 12% Debentures	1,00,000	80,000
3. Trade Payables		
Creditors	40,000	60,000
Bills Payable	20,000	1,00,000
4. Other Current Liabilities		

Outstanding Expenses	25,000	20,000
5. Tangible Fixed Assets Machinery Less: Provision for Depreciation	 2,00,000 (50,000)	 2,60,000 (60,000)
6. Intangible Fixed Assets: Goodwill	10,000	2,000

Additional Information:

1. During the year a piece of machinery with a book value of ₹ 30,000; provision for depreciation on it ₹ 10,000 was sold at a loss of 50% on book value.
2. Debentures were redeemed on 31st March, 2020.

Solution: **Cash Flow Statement**

Particulars	**Amount**	**Amt. in ₹**
(A) Cash Flow from Operating Activities:		**1,30,000**
Net Profit before Tax and Dividend		
Net Profit **20,000**		
Add: Non-Cash and Non-Operating charges		
Interest on Debentures 12,000		
Amortization of Goodwill 8,000		
Loss on Sale of machinery 15,000		
Depreciation on machinery 20,000 **55,000**		
Cash flow from Operating before changes in Working Capital	**75,000**	
Adjustments for changes in Working Capital		
Add: Increase in CL and Decrease in CA		
Creditors 20,000		
Bills Payables 80,000 **1,00,000**		
Less: Increase in CA and Decrease in CL		
Outstanding Expenses (5,000)		
Inventories (20,000)		
Trade Receivables (20,000) **(45,000)**	**55,000**	
Less: Income Tax paid	**------**	
(B) Cash Flow from Financing Activities:		**18,000**
Issue of Shares	**50,000**	
Redemption of Debentures	**(20,000)**	
Interest on Debentures paid	**(12,000)**	
(C) Cash Flow from Investing Activities:		**(1,15,000)**
Long-Term Loans & Advance	**(30,000)**	
Purchase of Fixed Asset (Machinery)	**(1,00,000)**	
Old Fixed Asset (Machinery) sold	**15,000**	
Cash flow during year from business activities		**33,000**
Add: Opening Cash & Cash Equivalents		**65,000**
Closing Cash & Cash Equivalents		**98,000**

Machinery Account

Particulars	Amt. in ₹	Particulars	Amt in ₹
Balance b/d	2,00,000	Provision for Depreciation A/c	10,000
Bank A/c	**1,00,000**	**Bank A/c**	**15,000**
(Purchase of machinery as		**Loss on sale A/c**	**15,000**
balancing figure)		Balance c/d	2,60,000
	3,00,000		3,00,000

Provision for Depreciation Account

Particulars	Amt. in ₹	Particulars	Amt. in ₹
Machinery A/c (Accumulated Dep. On sold machinery trans.)	10,000	Balance b/d	50,000 **20,000**

Balance c/d	60,000	**Depreciation A/c** (Provide depreciation during year as balancing figure)	
	70,000		70,000

Question: (10)

From the following information of Nova Ltd, calculate the **cash flow from Investing activities**:

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
Machinery (At Cost)	5,00,000	3,00,000
Accumulated Depreciation on Machinery	1,00,000	80,000
Goodwill	1,50,000	1,00,000
Land	70,000	1,00,000

Additional Information: During the year, a machine costing ₹ 50,000 on which the accumulated depreciation was ₹ 35,000, was sold for ₹ 12,000.

Solution:

Machinery Account

Particulars	Amount in ₹	Particulars	Amount in ₹
Balance b/d	**3,00,000**	Provision for Depreciation A/c	**35,000**
Bank A/c (Purchase as balancing figure)	**2,50,000**	Bank A/c	12,000
		Loss on sale A/c	3,000
		Balance c/d	**5,00,000**
	5,50,000		5,50,000

Provision for Depreciation Account

Particulars	Amount in ₹	Particulars	Amount in ₹
Machinery A/c (transfer entry for accu. Dep. On sold asset)	**35,000**	Balance b/d	**80,000**
Balance c/d	**1,00,000**	Depreciation A/c (depreciation of the current year as balancing figure)	**55,000**
	1,35,000		1,35,000

Cash Flow from Investing Activity

(1)	Sale of Machinery	12,000
(2)	Purchase of Machinery	(2,50,000)
(3)	Purchase of Goodwill	(50,000)
(4)	Sale of Land	30,000

Question: (11)

The profit of Jova Ltd for the year ended 31st March, 2019 after appropriation was ₹ 2,50,000.

Additional Information:

S. No.	Particulars	Amount (₹)
1.	Depreciation on Machinery	20,000
2.	Goodwill written off	9,000
3.	Loss on sale of Furniture	2,000
4.	Transfer to General Reserve	22,500

The following was the position of Current Assets and Current Liabilities as at 31st March 2018 and 2019:

Particulars	31.03.2018 (₹)	31.03.2019 (₹)
Income received in advance	8,000	--------------
Inventories	12,000	8,000

Calculate the Cash flow from operating activities.

Solution: **Cash Flow from Operating Activities**

Particulars	Amount in ₹
Net profit before Tax & Dividend:	2,72,500

Net Profit		2,50,000		
Add: Transfer to General Reserve		22,500		
Add: Depreciation on Machinery	20,000			
Add: Written-off Goodwill	9,000			
Add: Loss on Sale of Machinery	2,000	31,000		31,000
Cash flow before changes in working Capital				3,03,500
Adjustment for Changes in Working-Capital				
Add: Decrease in Inventories	4,000			(4,000)
Less: Increase in Income received in advance	(8,000)		(4,000)	
Net Cash Generated (Flow) from Operating Activities during the year				**2,99,500**

Question: (12) & (13) Adjustment of Provision for Tax in Cash Flow Statement {for 2 marks}

Case A:

Particulars	31.03.2019	31.03.2020
Provision for Tax	22,000	30,000

Adjustment: ……………………………….

Solution:

(1) Tax paid during year for the provided amount of tax in the previous year i.e. 2018-19 ₹ 22,000.

Explanation

Therefore, it is a case of Out-Flow of Cash under operating activity, it will be subtracted at the end step.

(2) ₹ 30,000 provided tax in the year 2019-20 (current year) is charged to statement of profit & loss Account BUT no flow of cash as it was not paid in the current year and it will be paid in the year 2020-21.

Explanation

Therefore, it is Non-Cash charge and added back to Net Profit for making Net Profit before Tax & Dividend.

Case B:

Particulars	31.03.2019	31.03.2020
Provision for Tax	22,000	30,000

Adjustment: Tax paid during year 2019-20 ₹ 35,000 **OR** Provision for Tax made in the year 2019-20 ₹ 43,000.

Solution: **Provision for Tax Account**

Particulars	₹	Particulars	₹
To Bank A/c	35,000	By Balance b/d	22,000
		By Statement of Profit & Loss A/c (Provided tax in the year 2019-20 as balancing figure)	43,000
To Balance c/d	30,000		
	65,000		65,000

Explanation:

(1) ₹ 43,000 added back to Net Profit to make it as Net Profit before Tax under Operating Activity

(2) ₹ 35,000 paid Tax, it is an Out Flow of Cash. Therefore, it will be subtracted at the end under Operating Activity.

Adjustment of Provision for Dividend/ Proposed Dividend in Cash Flow Statement

Proposed Dividend As per AS-4, Contingencies and Events Occurring after the Balance Sheet Date, Proposed dividend is shown in the Notes to Accounts. It will be shown as contingent liability since it becomes a liability after it is declared (approved) by the shareholders. It will be accounted in the books of account after it is declared (approved) by the shareholders in the Annual General Meeting.

Since, previous year's Proposed Dividend will be declared (approved) in the current year; previous year's Proposed Dividend will be accounted as dividend payable. Also, declared dividend is paid within 30 days of its declaration therefore; it will be paid within the same financial year.

Briefly, proposed dividend of previous year after declaration (approved) by the shareholders will be debited to surplus i.e., Balance in Statement of Profit and Loss.

While preparing cash flow statement, previous year's proposed dividend will be added to Net Profit under operating activities and will be shown under financial activity as out-flow of cash.

Question: (14) {for 02 marks}

From the following information, how do you show the calculated amount of dividend and Tax into the Cash Flow Statement?

Particulars	(2019-20)	(2020-21)
Proposed Dividend	**30,000**	45,000
Provision for Tax	50,000	70,000

Adjustment: Interim dividend paid ₹ 20,000.

Solution:

Cash Flow Statement

(A)	**Cash Flow from Operating**		
	a. Net Profit	XXX	XXX
	Add: Non-Cash charge		
	Provision for Tax 2020-21	70,000	
	Add: Non-Operating charge		
	Proposed Dividend (30,000 + 20,000)	50,000	
		1,20,000	
	Less: Tax paid	(50,000)	**70,000**
(B)	**Cash Flow from Financing**		
	Payment of Dividend (30,000 + 20,000)	(50,000)	**(50,000)**
(C)	**Cash Flow from Investing**		

Explanation:

As per the AS-4, Dividend (Proposed/Provision) for the previous year will be treated as outflow of cash in the current year as well as non-operating charge for the current year – including 'Interim Dividend'. Therefore, Proposed Dividend for the year 2019-20 (previous year) 30,000 and Interim Dividend paid 20,000 i.e. total 50,000 will be treated as outflow of cash under Financing activity as well as – the same amount will be treated as Non-Operating charge and will be added back to net profit under Operating activity.

Question: (15) **CBSE Sample Paper 2022 (02 Marks)**

State whether the following transactions will result in inflow, outflow or no flow of cash while preparing cash flow statement:

(i) Decrease in outstanding employees benefits by ₹3000
(ii) Increase in Current Investment by ₹ 6,000.

Solution:

(i) Outflow of cash – payment in cash is the results of decrease in o/s employees benefits
(ii) No flow of cash – current investment is just equivalents to cash

Question: (16) State with reason whether from the following, results in cash inflow, cash outflow or no flow of cash:

(a) Issue of shares in consideration of purchase of plant and machinery
(b) Issue of bonus shares to existing shareholders at 50% out of accumulated profits

Solution: (a) Now flow of cash. Shares issued in exchange of purchase of machinery
(b) No flow of cash. Bonus shares issued out of accumulated profits.

Question: (17). Under the change in working capital during an accounting year, how will be affect to the cash flow from operating activities?

Solution: Change in working capital during an accounting year will affect to the cash flow from operating activities as under:

(a) Increase in Current Assets and Decrease in Current Liabilities will be outflow of cash
(b) Decrease in Current Assets and Increase in Current Liabilities will be Inflow of Cash.

Question: (18) State any two of the transactions under which, there is cash flow from Investing Activities?

Solution:

- (a) Purchase of Fixed Asset
- (b) Sale of old Fixed Asset
- (c) Long-term Investment made
- (d) Interest and Dividend received on Investment

Question: (19) In the Balance Sheet of a company, Goodwill appeared as on 31.03.2020 at 18,000 and as on 31.03.2021 at 15,000. Patent appeared as on 31.03.2020 at 9,000 and as on 31.03.2021 at 15,000. How do you deal with this information, while preparing Cash Flow Statement?

Solution:

1. Goodwill has been decreasing by 3,000 (18,000 – 15,000) due to amortize by charging to statement of profit & loss. Therefore, it is a non-cash charge and added back to net profit under cash flow Operating activities.
2. Patents has been increasing by 6,000 (15,000 – 9,000) due to purchase made in the current year. Therefore, it is an outflow of cash under Investing activities.

Question: (20) Read the following **CASE STUDY** and answer the question no. (a) to (d) on the basis of the same. Following is the Balance Sheet of Golden Ltd as at 31st March, 2020-21 and additional information.

Balance Sheet (as at 31st March, 2020-21)

Particulars	Note No.	31st March, 2021	31st March, 2020
I. Equity & Liabilities			
1. Shareholders Funds			
(a) Share Capital		8,00,000	6,00,000
(b) Reserve & Surplus	1	3,30,000	2,20,000
2. Non-Current Liabilities			
Long-Term Borrowings	2	1,60,000	1,00,000
3. Current Liabilities			
(a) Trade Payable		1,65,000	1,95,000
		14,55,000	11,15,000
II. Assets			
1. Non-Current Assets			
(a) Fixed Assets	3	9,50,000	6,05,000
(b) Non-Current Investments		1,35,000	1,00,000
2. Current Assets			
(a) Current Investments		50,000	40,000
(b) Trade Receivables		90,000	2,00,000
(c) Cash & Cash Equivalents		2,00,000	1,70,000
		14,55,000	11,15,000

Note to Accounts

Particulars	31st March, 2021	31st March, 2020
1. Reserve & Surplus: Surplus	3,30,000	2,20,000
2. Long-Term Borrowings: 10% Debentures	1,60,000	1,00,000
3. Fixed Assets		
Machinery	10,70,000	7,00,000
Less: Provision for Depreciation	(1,20,000)	(95,000)

Additional Information: 10% Debentures ₹ 60,000 were issued on 1st April, 2020.

- (a) What the amount of interest on Debentures would be used as outflow of cash under Financing activities? (1)
- (b) How much amount of depreciation is charged on Machinery for the current year? (1)
- (c) What is amount of Cash flow/used from Investing activities in the year 2020-21? (1)
- (d) What is the amount of Cash flow/used from Operating activities in the year 2020-21? (2)

Solution:

(a) The amount of interest on debentures ₹ 16,000 would be used as outflow of cash under Financing activities.
(b) Current year depreciation on Machinery is ₹ 25,000.
(c) The cash used in the current year 2020-21 under Investing activities is ₹ 4,05,000.
(d) The cash flow in the year 2020-21 under Operating activities is ₹ 2,31,000.

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Model Question Paper of Accountancy (055)

Class: XII (Term – II) 2021-22

S.N.	Topic/Chapter	VSA (2 M)	SA-I (3 M)	SA-II (5 M)	Total Marks
	Accounting for Not-for-Profit Organisation	01	01 * *	01	10
	Accounting for Partnership Firm:				12
	Retirement & Death of a partner	01	01	01 *	
	Dissolution of Firm	01		01 *	
	Accounting for Debentures		01 * *	01	08
	Analysis of Financial Statements:				10
	Comparative & Common Size Statement		01 * *		
	Cash Flow Statement	01		01	
	TOTAL	08 (4)	12 (4)	20 (4)	40 (12)

Note: * indicated the internal choice questions.

CBSE Sample Paper for Term II 2021-22 [Subject: Accountancy XII (055)]

PART A

Accounting for Not-for-Profit Organisation, Accounting for Partnership Firm and Companies

(a) Question No. 01 to 03 carrying TWO Marks
(b) Question No. 04 to 06 carrying THREE Marks
(c) Question No. 07 to 09 carrying FIVE Marks

PART B

Analysis of Financial Statements of a Companies

(a) Question No. 10 carrying TWO Marks
(b) Question No. 11 carrying THREE Marks
(c) Question No. 12 carrying FIVE Marks

NOTE: Internal choice has been provided in 3 (three) questions of THREE Marks and 1 (one) question of FIVE Marks.

Q. No.	Marks	Topic in CBSE Sample Paper	Other Expected Topic to be asked
01	02	Calculation of Consumable item	* Calculation of Subscription * Calculation in Fund based * Calculation of Expense
02	02	Differentiate between 'Dissolution of Partnership' and Dissolution of Partnership Firm'.	* Types of Dissolution of Firm * Accounting treatment on Dissolution
03	02	Journal entry for the treatment of goodwill on retirement of a partner	* Journal entry for the treatment of share of profit on death of a partner * Effect of retirement/death of a partner on change in profit-sharing ratio
04	03	Calculation of Subscription **OR** Show the fund-based treatment in the Balance Sheet of NPO	Calculation of Capital Fund at the beginning of accounting year from assets and other liabilities
05	03	Calculation of deceased partner's share of profit and Journal entry	* The amount for which executive of deceased partner entitled
06	03	Journal entries: Issue of debentures for the purchase consideration **OR** Journal entries and presentation into the Balance Sheet for issue of debentures as Collateral Securities	* Journal entries: Issue of debentures with the term of Redemption
07	05	Five Journal entries: Dissolution of a firm **OR** Prepare – Revaluation Account & Partners' Capital Account on retirement of a partner	* Preparation of Realization Account * Journal entries: On retirement/death of a partner * Prepare – Revaluation Account & Balance Sheet after retirement/death of a partner
08	05	Journal entries on issue of debentures including preparation of Loss on issue of debentures Account	Journal entries on issue of debentures including the matter of interest on debentures, with term of redemption
09	05	Prepare Income & Expenditure A/c	* Prepare Balance Sheet for NPO
10	02	State with reason whether inflow/ outflow or no flow of cash	Whether the following heads will show under Operating, Financing or Investing
11	03	Prepare Comparative Statement of Profit & Loss **OR** Prepare Common Size Balance Sheet	Prepare Common Size Statement of Profit & Loss **OR** Prepare Comparative Balance Sheet
12	05	Prepare Cash Flow Statement	* Prepare Cash Flow from Operating Activities * Prepare Cash Flow from Financing and Investing Activities

KENDRIYA VIDYALAYA SANGATHAN, RAIPUR REGION
MODEL PAPER TERM II (2021-22) SET - I
Subject- Accountancy (055)

Time Allowed: 2 Hours **Max.Marks:40**

General Instructions:

1. This question paper comprises two Parts – A and B. There are 12 questions in the question paper. All questions are compulsory.
2. Both the parts are compulsory for all candidates.
3. Question nos. 1 to 3 and 10 are short answer type–I questions carrying 2 marks each.
4. Question nos. 4 to 6 and 11 are short answer type–II questions carrying 3 marks each.
5. Question nos. 7 to 9 and 12 are long answer type questions carrying 5 marks each.
6. There is no overall choice. However, an internal choice has been provided in 3 questions of three marks and 1 question of five marks.

Part A
(Accounting for Not-for-Profit organisations, Partnership firms and Companies)

Q1 Based on the information given below, calculate the stationery expenditure to be debited to Income and Expenditure Account for the year ended 31st March 2020. 2

Particulars	As at 31st March 2019(₹)	As at 31st March 2020(₹)
Stock of Stationery	22,000	12,000
Creditors for stationery	36,000	8,000

During the year ended 31st March 2020, ₹48,000 was paid to creditors for stationery. Stationery purchased on cash during the year was 20% of the total purchase of stationery.

Q2 Enumerate any two modes of Dissolution of a Partnership firm. 2

Q3 Shreya, Shrishti and Saloni were partners in a firm sharing profits and losses in the ratio of 2:1:1. Shreya retired from the firm selling her share of profits to Shrishti and Saloni for ₹16,000 and ₹8,000 respectively. Pass necessary journal entry for the treatment of goodwill. 2

Q4 Present the following items in the Balance sheet of King's club as at 31st March, 2020. 3

Particulars	₹
Capital fund(1st April, 2019)	10,80,000
Building fund(1st April, 2019)	4,80,000
Donation received for Building	6,00,000
10% Building fund Investment(1st April, 2019)	4,80,000
Interest received on Building Fund Investments	48,000

Additional Information: Expenditure on construction of Building 3,60,000.

<table>
<tr><td></td><td>Construction work is in progress and has not yet been completed.
OR
Ashok Club has credited ₹1,87,500 as subscriptions to its Income and Expenditure account for the year ending 31st March, 2020. The club charges an annual subscription of ₹150 from each member. During the year, the club did not receive subscriptions from 45 members and received subscriptions in advance from 46 members for the year ending 31st March, 2021. On 31st March, 2019, the outstanding subscriptions were ₹15,000 and subscriptions received in advance were ₹3,000. Calculate the amount of subscription received during the year ending 31st March, 2020.</td><td></td></tr>
<tr><td>Q5</td><td>A, B and C were partners in a firm. B died on 31st August, 2020. B’s share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years of profits before death. Profits for the years ending 31st March 2017, 2018 and 2019 were ₹40,000; ₹50,000 and ₹72,000 respectively. The firm closes its books on 31st March every year. Calculate B’s share of profit till the date of his death and pass the necessary journal entry for the same assuming that A and C will share future profits in the ratio of 7:5.</td><td>3</td></tr>
<tr><td>Q6</td><td>Ashish Ltd. took over assets of ₹25,00,000 and liabilities of ₹6,00,000 of Benara Ltd. Ashish Ltd. paid the purchase consideration by issuing 10,000 8% debentures of ₹100 each at a premium of 10% and accepting a draft of ₹11,00,000 payable after 3 months. Pass the necessary journal entries in the books of Ashish Ltd.
OR
A company took a loan of ₹10,00,000 from Punjab National Bank and issued 10% debentures of ₹12,00,000 of ₹100 each as a collateral security along with primary security of Plant and Machinery worth ₹20,00,000. Pass the necessary journal entries in the books of the company if the company decided to record the issue of debentures as a collateral security and show the presentation in the Balance sheet of the company.</td><td>3</td></tr>
<tr><td>Q7</td><td>Pass the journal entries in the following cases at the time of dissolution of the firm of Parth, Ganesh and Abhay, after the various assets and the third party liabilities are transferred to the realisation account.
a) Buildings were auctioned for ₹1,80,000 and the auctioneer’s commission amounted to ₹10,000.
b) Abhay agreed to pay off his brother's loan of ₹77,000.
c) Creditors of ₹40,000 accepted machinery valued at ₹38,000 and balance was paid in cash.
d) Ganesh’s Loan of ₹10,000 was paid by giving him an unrecorded asset for ₹8,000 and balance in cash.
e) There was a bill of ₹6,000 under discount from the Bank. The bill was received from Ravi. Ravi became insolvent and we could realise only 60 paise in a ₹ from his estate.
OR
Ajay, Bhavesh and Chandar were partners in a firm sharing profits and losses in proportion to their capitals. Their Balance Sheet as at March 31, 2020 was as follows:
<table><tr><th>Liabilities</th><th>Amount(₹)</th><th>Assets</th><th>Amount(₹)</th></tr></table></td><td>5</td></tr>
</table>

Capitals:		Bank	21,000
Ajay 5,00,000		Stock	9,000
Bhavesh 3,00,000		Debtors 15,000	
Chandar 2,00,000	10,00,000	Less: Provision for	13,500
General reserve	75,000	doubtful debts	35,500
Creditors	23,000	1,500	2,00,000
Outstanding salary	7,000	Ajay's Loan	6,00,000
Chandar's Loan	15,000	Plant & Machinery	2,41,000
		Land & Building	
		Profit & Loss A/c	
	11,20,000		11,20,000

On the above date, Chandar retired from the firm on the following terms:

A. Goodwill will be valued at ₹3,06,000.
B. Provision for doubtful debts was to be maintained @5% on debtors.
C. Land and Building will be appreciated by ₹90,000.
D. Plant and Machinery will be reduced to ₹1,80,000.
E. Ajay agreed to repay his loan.
F. The loan repaid by Ajay will be utilised to pay Chandar. The balance amount payable to Chandar will be paid after six months.

Prepare Revaluation A/c and Partner's Capital accounts.

Q8 Anil Ltd. issued 7,000, 10% Debentures of ₹500 each at a discount of 5% and redeemable at a premium 10% after 4 years. 5

You are required to answer the following questions:

A. Calculate the net amount to be received by the company.
B. Pass Journal entry for the allotment of debentures.
C. Pass Journal entry for writing off the Loss on Issue of debentures.
D. Prepare Loss on Issue of debentures account.
E. Calculate the amount of fixed annual obligation associated with debentures.

Q9 Following is the Receipt and Payment Account of Friends club in respect of the year on 31.03.2020: 5

Receipt and Payment Account

Receipts	Amount	Payments	Amount
To Balance b/d	10,000	By Salaries	20,000
To Subscription:		By Stationery	4,500
2018-19 15,000		By Rates and Taxes	1,500
2019-20 20,000		By Telephone Charges	7,500
2020-21 5,000	40,000	By 8% Govt. Securities	25,000
To profit from sports	17,800	By Sundry Expenses	500
To interest on 8% Govt. securities	5,000	By Courier service charges	300
		By Balance c/d	13,500
	72,800		72,800

Additional Information:

A. There are 500 members, each paying an annual subscription of ₹50, ₹17,500 being in arrears for 2018-19 at the beginning of 2019-20. During 2018-19, subscriptions were paid in advance by 40 members for 2019-20.
B. On March 31, 2020, the rates and taxes were prepaid to the following January 31, the annual charge being ₹1,500. A quarter's charge for telephone is outstanding, the amount outstanding being ₹1,500. There is no change in quarterly charges.
C. Stock of stationery on March 31,2019, was ₹1,500 and on March 31,2020, ₹2,000. Sundry expenses accruing at 31.03.2019 were ₹250 and at March 31,2020 ₹300.
D. On March 31,2019 Building stood in books at ₹2,00,000 and it is required to write off depreciation @10% p.a. Value of 8% Government Securities on March 31, 2019 was ₹75,000 which were purchased at that date at par. Additional Government Securities worth ₹25,000 are purchased on March 31,2020.

Prepare Income and expenditure account from the above information for the year ended 31.03.2020.

Part-B
(Analysis of Financial Statements)

Q10 Classify the following transactions into (i) Operating activities, (ii) Investing activities and (iii) Financing activities for a: (a) Financial enterprise (ii) Non-financial enterprise: 2

1. Interest received
2. Interest paid.

Q11 Prepare a Common-Size Statement of Profit & Loss for the year ended March 31,2020: 3

Particulars	**2019-20**	**2018-19**
Revenue from Operations	20,00,000	10,00,000
Purchases of Stock in Trade	7,70,000	4,20,000
Changes in Inventories	1,20,000	80,000
Other Expenses	52,000	30,000
Other Income	60,000	50,000
Tax Rate	50%	50%

OR

From the following Balance Sheets of Ganesh Ltd. as at March 31, 2020, prepare a comparative Balance Sheet:

Particulars	Note No.	31.3.2020(₹)	31.3.2019(₹)
I. EQUITY AND LIABILITIES			

1. Shareholder's Funds			
(a) Share Capital		21,00,000	20,00,000
(b) Reserves and Surplus		2,30,000	2,00,000
2. Non-Current Liabilities			
Long term Borrowings		5,60,000	2,00,000
3. Current Liabilities			
Trade Payables		2,80,000	1,00,000
Total		**31,70,000**	**25,00,000**
II. Assets			
1. Non-Current Assets			
Fixed Assets			
(i)Tangible Assets		21,00,000	20,00,000
(ii) Intangible Assets		3,00,000	2,00,000
2. Current Assets			
(a) Inventories		5,60,000	2,00,000
(b) Cash and Cash Equivalents		2,10,000	1,00,000
Total		**31,70,000**	**25,00,000**

Q12. From the following Balance Sheet of VX Ltd. and the additional information as at March 31,2020, prepare a Cash Flow Statement: 5

Particulars	Note No.	31.3.2020(₹)	31.3.2019(₹)
I.EQUITY AND LIABILITIES			
1.Shareholder's funds			
(a) Share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	4,00,000	(1,00,000)
2. Non-Current Liabilities			
Long-term Borrowings	2	9,00,000	9,00,000

3. Current Liabilities			
(a) Short-term Borrowings	3	2,40,000	1,00,000
(b) Short-term Provision	4	2,00,000	1,75,000
TOTAL		**27,40,000**	**18,75,000**
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	5	20,00,000	14,42,000
(ii) Intangible Assets	6	46,000	58,000
(b) Non-Current Investments		1,00,000	45,000
2. Current Assets			
(a) Current Investments		2,00,000	1,20,000
(b) Inventories		2,14,000	90,000
(c)Cash and cash Equivalents		1,80,000	1,20,000
TOTAL		**27,40,000**	**18,75,000**

Notes to Accounts:

Note No.	Particulars	31.3.2020(₹)	31.3.2019(₹)
1	Reserves and surplus: Surplus(Balance in Statement of Profit and Loss)	4,00,000	(1,00,000)
2	Long-term Borrowings: 12% Debentures	9,00,000	9,00,000
3	Short-term Borrowings: Bank overdraft	2,40,000	1,00,000
4	Short-term Provisions:		

	Provision for Tax	2,00,000	1,75,000
5	Tangible Assets: Machinery Less: Accumulated Depreciation	 24,00,000 (4,00,000)	 16,42,000 (2,00,000)
6	Intangible Assets: Goodwill	 46,000	 58,000

Additional Information:

Tax ₹1,50,000 was paid during the year.

****

KENDRIYA VIDYALAYA SANGATHAN, RAIPUR REGION
MARKING SCHEME (SET – I)
MODEL PAPER TERM II
SUB- ACCOUNTANCY(055)
CLASS- XII

<table>
<tr><td>Q1</td><td>Answer- ₹35,000
Hint- Credit purchase during the year= ₹20,000; Total purchase= 20,000* 100/80= 25,000.</td></tr>
<tr><td>Q2</td><td>A. Dissolution by consent or agreement
B. Compulsory Dissolution
C. Dissolution on occurrence of certain contingencies
D. Dissolution by Notice
E. Dissolution by court (any two)</td></tr>
<tr><td>Q3</td><td><table>
<tr><td>Shrishti’s Capital A/c Dr.</td><td>16,000</td><td></td></tr>
<tr><td>Saloni’s Capital A/c Dr.</td><td>8,000</td><td></td></tr>
<tr><td>To Shrishti’s Capital A/c</td><td></td><td>24,000</td></tr>
</table></td></tr>
<tr><td>Q4</td><td>Net amount of Building Fund to be written in Balance sheet- ₹7,68,000; Capital Fund- ₹14,40,000; Building to be shown on Assets side- ₹3,60,000.
OR
₹1,99,650
Hint- 1,87,500-6,750+6,900+15,000-3,000= 1,99,650.</td></tr>
<tr><td>Q5</td><td><table>
<tr><td>A’s Capital A/c Dr.</td><td>5,625</td><td></td></tr>
<tr><td>C’s Capital A/c Dr.</td><td>1,875</td><td></td></tr>
<tr><td>To B’s capital A/c</td><td></td><td>7,500</td></tr>
</table>
Hint-1. B’s share of profit= (40000+50000+72,000/3) x ⅓ x 5/12= 7,500.</td></tr>
</table>

2. Gaining ratio= 3:1.

Q6

A.	Sundry Assets A/c Dr.	25,00,000	
	Goodwill A/c Dr.	3,00,000	
	To Sundry Liabilities A/c		6,00,000
	To Benara Ltd.		22,00,000
B.	Benara Ltd. Dr.	22,00,000	
	To 8% Debentures A/c		10,00,000
	To Securities Premium reserve A/c		1,00,000
	To Bills Payable A/c		11,00,000

Hint- No. of Debentures issued= 11,00,000/110= 10,000.

OR

A.	Bank A/c Dr.	10,00,000	
	To Bank Loan A/c		10,00,000
B.	Debenture Suspense A/c Dr.	12,00,000	
	To 10% Debentures A/c		12,00,000

Long Term Borrowings to be shown in the Balance Sheet= ₹10,00,000.

Q7

A	Bank A/c Dr.	1,70,000		1
	To Realisation A/c		1,70,000	
B	Realisation A/c Dr.	77,000		1
	To Abhay's Capital a/c		77,000	
C	Realisation A/c Dr.	2,000		1
	To Bank A/c		2,000	
D	Ganesh's Loan A/c Dr.	10,000		1
	To Realisation A/c		8,000	

<table>
<tr>
<td></td>
<td>
<table>
<tr><td></td><td>To Bank A/c</td><td></td><td>2,000</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>E</td><td>(i) Realisation A/c Dr.</td><td>6,000</td><td></td><td>1</td></tr>
<tr><td></td><td>To Bank A/c</td><td></td><td>6,000</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>(ii) Bank A/c Dr.</td><td>3,600</td><td></td><td></td></tr>
<tr><td></td><td>To Realisation A/c</td><td></td><td>3,600</td><td></td></tr>
<tr><td></td><td>OR</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Realisation A/c Dr.</td><td>2,400</td><td></td><td></td></tr>
<tr><td></td><td>To Bank A/c</td><td></td><td>2,400</td><td></td></tr>
</table>
OR
Profit on revaluation- ₹70,750
Amount transferred to Chandar’s Loan A/c- ₹2,06,650
Capital A/c Balances-
Ajay- ₹4,14,125
Bhavesh- ₹2,48,475
</td>
</tr>
<tr>
<td>Q8</td>
<td>
A. ₹33,25,000.
B.
<table>
<tr><td>Debenture Application & Allotment A/c Dr.</td><td>33,25,000</td><td></td></tr>
<tr><td>Loss on issue of Debentures A/c Dr.</td><td>5,25,000</td><td></td></tr>
<tr><td>To 10% Debentures A/c</td><td></td><td>35,00,000</td></tr>
<tr><td>To Premium on redemption of debentures a/c</td><td></td><td>3,50,000</td></tr>
</table>
C.
<table>
<tr><td>Statement of Profit & Loss Dr.</td><td>5,25,000</td><td></td></tr>
<tr><td>To Loss on issue of Debentures A/c</td><td></td><td>5,25,000</td></tr>
</table>
D. Loss on Issue of Debentures A/c
<table>
<tr><th>Particulars</th><th>Amount</th><th>Particulars</th><th>Amount</th></tr>
<tr><td>To Premium on redemption of debentures a/c</td><td>5,25,000</td><td>By Statement of Profit & Loss A/c</td><td>5,25,000</td></tr>
<tr><td></td><td>5,25,000</td><td></td><td>5,25,000</td></tr>
</table>
E. ₹3,50,000.
</td>
</tr>
<tr>
<td>Q9</td>
<td>
Deficit- ₹3.550.
Hint-
1. Rates and taxes to be shown in I/E A/c- ₹1,500.
</td>
</tr>
</table>

<table>
<tr><td></td><td>2. Telephone charges to be shown in I/E A/c- ₹6,000.</td></tr>
<tr><td>Q10</td><td>1. Financial enterprise- Operating activity
Non-Financial enterprise- Investing activity.
2. Financial enterprise- Financing activity
Non-Financial enterprise- Financing activity.</td></tr>
<tr><td>Q11</td><td>Percentage 2018-19- 100; 5; 105; 42; 8; 3; 53; 52; 26; 26.
Percentage 2019-20- 100; 3; 103; 38.5; 6; 2.6; 47.1; 55.9; 27.95; 27.95.
OR
<table>
<tr><th></th><th>Absolute Change</th><th>%age Change</th></tr>
<tr><td>Share Capital</td><td>1,00,000</td><td>5</td></tr>
<tr><td>Reserves and Surplus</td><td>30,000</td><td>15</td></tr>
<tr><td>Long term Borrowings</td><td>3,60,000</td><td>180</td></tr>
<tr><td>Trade Payables</td><td>1,80,000</td><td>180</td></tr>
<tr><td>Total</td><td>6,70,000</td><td>26.8</td></tr>
<tr><td>Tangible Assets</td><td>1,00,000</td><td>5</td></tr>
<tr><td>Intangible Assets</td><td>1,00,000</td><td>50</td></tr>
<tr><td>Inventories</td><td>3,60,000</td><td>180</td></tr>
<tr><td>Cash and Cash Equivalents</td><td>1,10,000</td><td>110</td></tr>
<tr><td>Total</td><td>6,70,000</td><td>26.8</td></tr>
</table></td></tr>
<tr><td>Q12</td><td>Cash Flow from Operating activities- ₹7,21,000.
Cash Flow from Investing activities- ₹(8,13,000)
Cash Flow from Financing activities- ₹2,32,000
Net Profit before Tax- ₹6,75,000
Provision for Tax made during the year- ₹1,75,000.</td></tr>
</table>

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MODEL QUESTION PAPER 02
Class -XII
TERM - II (2021-22) SET - II
Subject: Accountancy (055)

Time Allowed: 2 Hours **Max.Marks:40**

General Instructions:

1. This question paper comprises two Parts – A and B. There are 12 questions in the question paper. All questions are compulsory.
2. Part-A is compulsory for all candidates.
3. Question nos. 1 to 3 and 10 are short answer type–I questions carrying 2 marks each.
4. Question nos. 4 to 6 and 11 are short answer type–II questions carrying 3 marks each.
5. Question nos. 7 to 9 and 12 are long answer type questions carrying 5 marks each.
6. There is no overall choice. However, an internal choice has been provided in 3 questions of three marks and 1 question of five marks.

Part A
(Accounting for Not-for-Profit organizations, Partnership firms and Companies)

1. Following information is provided by Anupam Welfare Club on 31 March 2021:

Receipts and Payments Account (Extract)

Receipts	Amount	Payments	Amount
To Subscriptions:			
2019-20 (75%) 42,000			
2020-21 (80%) 3,20,000			
2021-22 30,000	3,92,000		

Subscription of Rs. 6,000 which were in arrear since last year written off during the current year.
You are required to Calculate

(i) Subscription in arrears for the current year 2020-21
(ii) Subscription in arrears at the end of the year 2020-21 (2)

2. Distinguish between ‘Dissolution of Partnership' and ‘Dissolution of Partnership Firm' based on:

(i) Closure of Books
(ii) Court's Intervention (2)

3. X, Y and Z sharing profits/losses in the ratio of 1/2, 3/10 and 1/5. Y retired from the firm and X and Z decided to share future profits in the ratio of 3:2. At the time of retirement of Y, Investment appearing in the Balance Sheet Rs 1,00,000. General Reserve Rs. 90,000 out of which 40% was transferred to the Investment Fluctuation Reserve.

(i) Find out the Gain/ Sacrifice of X and Z
(ii) Give complete entries related to General Reserve (2)

4. Vinita Welfare Club has provided the following information on 31st March 2021:

Amount due to Suppliers of Sports Material (31.3.2020)………………………………… Rs. 1,05,000
Amount due to Suppliers of Sports Material (313.2021)……………………………………... Rs. 60,000
Advance to Suppliers of Sports Material (31.3.2020)…………………………………………… Rs. 45,000
Advance to Suppliers of Sports Material (31 32021)…………………………………… Rs.15,000
Stock of Sports Material (31.3.2020) ……………………………………………………… Rs 1,35,000
Stock of Sports Material (31.3.2021)…………………………………………………………. Rs. 22,500
Payment made to the suppliers of Sports Material during the year 2020-2I Rs 4.00.000
(No cash purchase)

(i) Show Sports material consumed in income & Expenditure Account.
(ii) Balance Sheet on 31st March 2021 [Extract only). (3)

OR

4. How will you show the following items in the Balance Sheet of Aman Welfare Club?

Particulars	Amount
Capital Fund 1.4.2021	30,00,000
Pavilion Fund 1.4.2021	18,00,000
Donation for Pavilion	5,00,0000
Expenditure on construction of Pavilion	22,00,000

Construction work was completed at the end of the year and Pavilion fund was closed. (3)

5. Piyush, Namita and Ashneer are partners in a firm sharing profits and losses in the ratio of 5:3:2.Their books are closed on March 31st every year. Piyush died on September 30th, 2019. The executors of Piyush are entitled to: (3)

(i) His share of Capital i.e., Rs.5,00,000 along with his share of goodwill. The total goodwill of the firm was valued at Rs.60.000.
(ii) His share of profit upto the date of death on the basis of sales till date of death. Sales for the year ended March 31 2019 was Rs.2,00,000 and profit for the same year was 10% on sales. Sales shows a growth trend of 20% and percentage of profit earning is reduced by 1%.
(iii) Amount payable to Piyush was transferred to his executors.
Give entries related to his share of goodwill and profit and show the workings clearly.

6. Kirti Ltd. purchased the following assets of Nihal Ltd

Particulars	Book Value	Agreed Value
Land and Building	5,50,000	10% more than the Book value
Machinery	3,75,000	20% Less than the Book value
Furniture	1,60,000	40% more than the Book value
Trademarks	1,42,000	50% Less than the Book value

The purchase consideration was Rs. 11,70,000. Payment was made by drawing a promissory note in favor of Nihal Ltd., for Rs.70,000 and a Bank draft of Rs. 1,60,000 and balance by issuing 9% Debentures of Rs. 100 each at a discount of 6%. You are required to pass necessary journal entries in the books of Kirti Ltd. (3)

OR

On April 1, 2020 Kirti Ltd. issued, 25,000, 9% Debentures of Rs.100 each at premium of 5%, to be redeemable at a premium of 10%, after 5 years. The entire amount was payable on application. The issue was oversubscribed to the extent of 25,000 debentures and the allotment was made proportionately to all the applicants. The securities premium amount has not been utilized for any other purpose during the year. Give journal entries for the issue of debentures and writing off loss on issue of debentures. (3)

7. Nihal, Ravi and Arvind were partners in a firm. They decided to dissolve the firm on 31st March 2021. Pass necessary journal entries for the following transactions after various assets (other than cash) and third-party liabilities have been transferred to realization account: (5)

(i) 200 shares which were acquired at a cost of Rs. 50 per share were written off from the books earlier. Now valued at Rs. 35 per share and taken over by Nihal.
(ii) One Bill Receivable for Rs. 9.000 (which was discounted with the bank was dishonored), the drawee (acceptor) become insolvent and could not pay anything, so bill was met by the firm.
(iii) Creditors of Rs. 40,000 were due on an average basis of two months, they paid immediately at the time of dissolution at 15% p.a discount.
(iv) Ravi took over half of the stock at 36,000 (being 10% less than the Book Value) and remaining stock was sold at a loss of 20%.
(v) Arvind was to bear al expenses of realization for which he will get a commission Rs 6,000.

OR

X Y and Z are in partnership sharing profits in the ratio of 5:3:2. Their Balance Sheet on 31 March 2021, the day Y retired from the firm.

Liabilities	Amount	Assets	Amount
Capitals X Y Z General Reserve Sundry Creditors Bills Payable	3,00,000 2,00,000 2,00,000 40,000 70,000 30,000	Land and Building Plant and Machinery Investments Debtors Stock Cash Advertisement Suspense	2,50,0000 1,50,000 1,00,000 1,10,000 1,50,000 40,000 40,000
	8,40,000		8,40,000

Following adjustments took place at the time of retirement:

- (i) Y sells his share of goodwill to X for Rs.30,000 and Z for Rs.40,000
- (ii) Stock to be appreciated by 20% and building by Rs.50,000.
- (iii) Investments were sold at a profit of 10%.
- (iv) Bad Debts Rs.4,000 to be written off and a Provision for doubtful debts to be made @10%.
- (v) Y is paid 40% of the amount due and remaining balance transferred to his capital account.

Prepare Revaluation Account and Partners Capital Accounts

8. Mohit Ltd. has the following balances in its Balance Sheet on 31st March 2021:

Securities Premium Reserve…………………………………. 35,000
Capital Reserve…………………………………………………. 10,000

On 1st April 2021, Company issued 10,000, Fresh 8% Debentures of Rs.100 each at a premium of 5% to be redeemable at premium of 10% after 5 years. The entire amount was payable on application. The issue was oversubscribed to the extent of 10,000 debentures and the allotment was made proportionately to all the applicants.

Use of Securities Premium is restricted to as per the Section 52 (2) of the Companies Act, 2013.

You are required to answer the following questions: (5)

- (i) How much amount is received by the company on application & allotment?
- (ii) How much loss on issue of debentures is to be debited at the time of adjustment of application money and allotment of Debentures?
- (iii) How much amount is refunded by the company?
- (iv) Give the entry for writing off loss on 1ssue of Debentures.
- (v) Prepare Loss on Issue of Debenture Account.

9. Prepare Income and Expenditure Account and Balance Sheet (Opening and Closing) for Gazal Welfare Club on 31st March 2022. (5)

Receipts	Amount	Payments	Amount
To Balance b/d (Cash)	18,000	By Bal. b/d (Bank overdraft)	10,000
To Subscription: For 2020-21 9,000 For2021-22 2,64,000 For 2022-23 24,000 To Contribution for Governor's To Donation for Building To Life Membership Fees To General Donation To Legacy (Specific)	2,97,000 1,00,000 8,00,000 60,000 1,25,000 3,00,000 1,00,000	By Governor's Party Exp. By Building Construction Exp. By Office Expenses By Furniture By Salaries By Printing and Stationery By Balance c/d: Cash 9,000 Bank 6,000	1,50,000 14,00,000 30,000 1,20,000 55,000 20,000 15,000

To income from Entertainment			
	18,00,000		18,00,000

Additional Information:

(i) The Club has 1000 members each paying 300 as an annual subscription. Subscriptions in arrears on 31st March 2021 were Rs. 15.000.

(ii) Subscription in Arrears for Governor's Party Rs. 28,000.

(iii) Building Fund was Rs. 12,00,000 in the beginning. The Construction work is in progress and not completed yet.

Part-B
(Analysis of Financial Statements)

10. State whether the following transactions will result in inflow, outflow or no flow of cash while preparing cash flow statement: (2)

(i) Providing Depreciation on Fixed Tangible Assets

(ii) Sale of Marketable Securities at Par

11. From the following details provided by Veena Ltd., for the year ended 31st March 2021

Particulars	**31.3.2021**	**31.3.2020**
Revenue from operations	20,00,000	10,00,000
Purchase of Stock-in-Trade	13,00,000	4,00,000
Change in Inventories of Stock- in-Trade	1,20,000	1,00,000
Other Expenses	10% of cost of Revenue from operations	20% of Cost of Revenue from operations
Tax Rate	40%	30%

Prepare Comparative Statement of Profit & Loss. (3)

OR

From the following Balance Sheet of Sakshi Ltd. as at 31st March, 2021, prepare a Common Size Balance Sheet: (3)

Particulars	Note No.	31st March, 2021	31st March, 2020
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		20,00,000	9,00,000
(b) Reserve and Surplus		2,00,000	1,00,000
2. Non-Current Liabilities		12,00,000	
Long-term Borrowings		6,00,000	5,00,000
3. Current Liabilities			5,00,000
Trade Payables			
Total		40,00,000	20,00,000
II. ASSETS			
1. Non-current Assets			
Property, Plant and Equipment (Fixed Assets):		20,00,000	10,00,000
(i) Tangible Assets			
2. Current Assets		19,00,000	8,00,000
(a) Inventories		1,00,000	2,00,000
(b) Cash and Cash Equivalents			
Total		40,00,000	20,00,000

12. Following was the Balance Sheet of Seerat Limited at on 31.3.2021:

	Particular	Note No.	31.3.2021 (Rs)	31.3.2020 (Rs)
I	**Equity and Liabilities**			
1.	**Shareholder's Funds:**			
	(a) Share Capital		22,50,000	15,00,000
2.	(b) Reserve and Surplus (Profit)		11,25,000	9,00,000
	Non-Current Liabilities:			
3..	Long-Term Borrowings		2,30,000	1,50,000
	Current Liabilities:	1		
	(a) Trade Payables		1,50,000	1,65,000
	(b) Short-Term Provisions (Tax)		1,42,500	1,20,000
	(c) Other Current Liabilities		--	50,000
		2		
	Total		**38,97,500**	**28,85,000**
II	**Assets:**			
1.	**Non-Current Assets:**			
	(a) Property, Plant & Equipment (Fixed Assets):			
	(i) Tangible	3	15,15,000	18,00,000
	(ii) Intangible		2,70,000	3,00,000
2.	**(b) Non-current Investment**		9,80,000	---
3.	**Current Assets:**			
	(a) Inventories		2,70,000	1,50,000
	(b) Trade Receivables		3,00,000	1,25,000
	(c) Cash and Cash equivalents		5,62,500	5,10,000
	Total		**38,97,500**	**28,85,000**

Notes to Accounts

S. No.	Particulars	2021	2020
1.	Long-term Borrowings:		
	(i) 9% Debentures	1,50,000	1,50,000
	(ii) 6% p.a. Bank Loan	80,000	---
2.	Other Current Liabilities:		
	(i) 9% Debentures Current Maturity	----	50,000
3.	Tangible Assets		
	(i) Land and Building	9,75,000	12,00,000
	(ii) Plant and Machinery	5,40,000	6,00,000

Additional Information:

(i) Proposed Dividend for 2019-20 was Rs.1,00,000 and for 2020-21 Rs.1,30,000.

(ii) Land and Building book value Rs.2,25,000 was sold at a profit of 10%. Plant and Machinery to be depreciated @ 10% p.a.

(iii) 9% Debentures were redeemed on 31st December 2020, 6% p.a. Bank Loan was opted on 1st December 2020. Provision made during the year for Income Tax Rs.52,500

Prepare Cash Flow Statement. (5)

MARKING SCHEME

(SET – II)

1. (i) Club should receive subscription for the current year Rs. 4,00,000
   i.e., 3,20,000 x 100/80 = 4,00,000
   but received only 3,20,000
   so, subscription in arrears for the current year 4,00,000 – 3,20,000 = 80,000

   (ii) Subscription in arrears for the previous year = 42,000 x 100/75 =
   56,000Arrears were 56,000 out of which received 42,000

56,000 – 42,000 = 14,000

Out of 14,000 some amount is written off i.e., 6,000

Still in arrears for previous year = 14,000 – 6,000 = 8,000

Total Subscription in arrears at the end of the year 2020-21 = 80,000 + 8,000 = 88,000

2. Difference between Dissolution of Partnership and Dissolution of Partnership Firm

Basis	Dissolution of Partnership	Dissolution of Partnership Firm
Closure of Books	Does not require because the business is not closed.	The books of account are closed.
Court intervention	Court does not intervene because partnership is dissolved by mutual agreement.	A firm can be dissolved by the court's order.

3. (i) Gain of X and Z = 1:2

(ii) Journal

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
	General Reserve Dr. To Investment Fluctuation Reserve A/c (Being transfer to Investment Fluctuation Reserve 90,000 x 40/100)		36,000	 36,000
	X's Capital A/c Dr. Z's Capital A/c Dr. To Y's Capital A/c (Being Y's share in that part of General Reserve which is transferred to IFR)		3,600 7,200	 10,800
	General Reserve Dr. To X's Capital A/c To Y's Capital A/c To Z's Capital A/c (Being remaining part of General Reserve distributed among the partners)		 54,000	 27,000 16,200 10,800

Note: Y's share in General Reserve is 90,000 x 3/10 = 27,000 so he should get Rs. 27,000 i.e., 10,800 + 16,200

4. Income and Expenditure Account (Extract)

Expenditure	Amount	Income	Amount
To Sports material Consumed	4,97,500		

Note: 4,00,000 + 45,000 + 60,000 – 1,05,000 – 15,000 + 1,35,000 – 22,500 = 4,97,500

Balance Sheet (Extract) at the end

Liabilities	Amount	Assets	Amount
Creditors for Sports Material	60,000	Advance to suppliers Closing stock of Sports Material	15,000 22,500

OR

Balance Sheet (Extract)

Liabilities	Amount	Assets	Amount

Capital Fund: Opening Balance 30,00,000 Add: Transfer from Pavilion Fund 23,00,000	53,00,000	Pavilion	22,00,000
Pavilion Fund: Opening Balance 18,00,000 Add: Donation 5,00,000 23,00,000 Less: Expenditure amount transfer to Capital fund 22,00,000 1,00,000 Less: Transfer to Capital Fund 1,00,000	Nil		

Note: Pavilion Fund is closed so balance Rs. 1,00,000 will be transferred to the Capital Fund.

5. Journal

Date	Particulars	L.F.	Debit	Credit
	Namita's Capital A/c Dr.		18,000	
	Ashneer's Capital A/c Dr.		12,000	
	To Piyush's Capital A/c			30,000
	(Being Piyush's share of goodwill adjusted in capital Accounts of Namita and Ashneer)			
	Profit and Loss Suspense A/c Dr.		5,400	
	To Piyush's Capital A/c			5,400
	(Being Piyush's share of profit up to date of his death transferred to his capital account)			

Working Notes:- Sales = 2,00,000 + 20% of 2,00,000 = 2,00,000 +40,000

Profit % = 10% - 1% = 9%

Piyush's Share of Profit =₹ 2,40,000 X 9/100 X 5/10 X 6/12 = ₹ 5,400

6. Journal

Date	Particulars	L.F.	Debit	Credit
	Land & Building A/c Dr.		6,00,000	
	Machinery A/c Dr.		3,50,000	
	Furniture A/c Dr.		1,50,000	
	Trademarks A/c Dr.		1,00,000	
	To Nihal Ltd.			11,70,000
	To Capital Reserve (Balancing Figure)			30,000
	(Being assets purchased)			
	Nihal Ltd. Dr.		11,70,000	
	Discount on Issue of Debentures A/c Dr.		60,000	
	To Bills Payable A/c			70,000
	To Bank A/c			1,60,000
	To 9% Debentures A/c			10,00,000
	(Being issue of debentures at discount)			
	Capital Reserve Dr.		30,000	
	Statement of Profit & Loss Dr.		30,000	
	To Discount on issue of Debentures A/c			60,000
	(Being discount written off)			

Note: No. of Debentures issued = 11,70,000 – 70,000 – 1,60,000 = 9,40,000/94 = 10,000

OR

Journal

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
1 April	Bank A/c Dr.		52,50,000	
2020	To Debenture Application and Allotment A/c (Being application money received)			52,50,000
1 April	Debenture Application and Allotment A/c Dr.		52,50,000	
	Loss on Issue of Debentures A/c Dr.		2,50,000	
	To 8% Debentures A/c			25,00,000
	To Securities Premium Reserve A/c			1,25,000
	To Premium on Redemption of Deb. A/c			2,50,000
	(Being issue of 9% Debentures)			26,25,000
2021	Securities Premium Reserve A/c Dr.		1,25,000	
March	Statement of Profit and Loss A/c Dr.		1,25,000	
31	To Loss on Issue of Debentures A/c			2,50,000
	(Being loss written off)			

Entries at the time of Dissolution

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
(i)	Nihal's Capital A/c Dr.		7,000	
	To Realisation A/c			7,000
(ii)	Realisation A/c Dr.		9,000	
	To Bank A/c			9,000
(iii)	Realisation A/c Dr.		39,000	
	To Bank A/c 40,000 x 15/100 x 2/12			39,000
(iv)	Ravi's Capital A/c Dr.		36,000	
	Bank A/c Dr.		32,000	
	To Realisation A/c			68,000
(v)	Realisation A/c Dr.		6,000	
	To Arvind's Capital A/c			6,000

OR

Revaluation Account

Particulars	Amount	Particulars	Amount
To Bad Debt	4,000	By Stock	30,000
To Bad Debts Provision	10,600	By Building	50,000
Distribution of Gain:		By Investment	10,000
To X's Capital A/c	37,700		
To Y's Capital A/c	22,620		
To Z's Capital A/c	15,080		
	90,000		90,000

Partners' Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Adv. Suspense	20,000	12,000	8,000	By Bal. b/d	3,00,000	2,00,000	2,00,000

To Y's Capital A/c	30,000	--	40,000	By X's Capital	--	30,000	
To Cash	--	1,17,048	--	By Z's Capital	--	40,000	
To Y's Loan	--	1,75,572	--	By Gen. Res.	20,000	12,000	8,000
To Balance c/d	3,07,700	--	1,75,080	By Rev. A/c	37,700	22,620	15,080
	3,57,700	3,04,620	2,23,080		3,57,700	3,04,620	2,23,080

8. (i) 21,00,000 (ii) 1,00,000 (iii) 10,50,000

(iv) Securities Premium Reserve A/c Dr. 85,000 Capital
Reserve Dr. 10,000
Statement of Profit and Loss Dr. 5,000
To Loss on issue of Debentures A/c 1,00,000

(v) Loss on Issue of Debentures Account

Date	Particulars	Amount	Date	Particulars	Amount
1 April 2021	To Premium on Redemption of Debentures A/c	1,00,000	31 March 2022	By Securities Premium Reserve By Capital Reserve By Statement of P/L	85,000 10,000 5,000
		1,00,000			1,00,000

09. Income and Expenditure Account

Expenditure	Amount	Income	Amount
To Governor's Party Exp.	22,000	By Subscription	3,00,000
1,00,000 + 28,000 – 1,50,000		By General Donation	1,25,000
To Office Expense	30,000	By Income from Entertainment Show	1,00,000
To Salaries	55,000		
To Printing and Stationery	20,000		
To Surplus	3,98,000		
	5,25,000		5,25,000

Balance Sheet (Opening)

Liabilities	Amount	Assets	Amount
Bank overdraft	10,000	Subscription in arrears	15,000
Building Fund	12,00,000	Cash	18,000
		Capital Fund (Balancing Figure)	11,77,000
	12,10,000		12,10,000

Balance Sheet (Closing)

Liabilities	Amount	Assets	Amount
Advance Subscription	24,000	Capital work in progress (Building)	14,00,000
Legacy	3,00,000		
Capital Fund:		Furniture	1,20,000
Opening Balance (11,77,000)		Subscription in Arrears	42,000
Add: Life Membership Fee 60,000		Governor's Party subscription	28,000
Add: Surplus 3,98,000		Cash	9,000
Add: Building Fund Exp. 14,00,000	6,81,000	Bank	6,000
Building Fund:	6,000		
Opening Balance 12,00,000			
Add: Donation 8,00,000			
20,00,000			
Less: Transfer to			
Capital Fund 14,00,000			

	16,05,000		16,05,000

9. (i) No Flow (ii) No Flow

10. Comparative Statement of Profit and Loss

Particulars	Note No.	31.3.2020	31.3.2021	Absolute change	% Change
(i) Revenue from operations		10,00,000	20,00,000	10,00,000	100%
(ii) Purchase ofStock-in-Trade		4,00,000	13,00,000	9,00,000	225%
Change in Inventories of Stock-in-Trade		1,00,000	1,20,000	20,000	20%
Other Expenses		1,00,000	1,42,000	42,000	42%
(iii) Total Expense		6,00,000	15,62,000	9,62,000	160.3%
(iv) Profit before Tax(i- iii)		4,00,000	4,38,000	38,000	9.5%
Less: Tax		1,20,000	1,75,200	55,200	46%
(v) Profit after Tax		2,80,000	2,62,800	(17,200)	(6.14%)

Note: Cost of Revenue from operation =

Purchase of Stock in Trade + change in inventories of Stock-in-Trade

OR

Common Size Balance Sheet

Particulars	Note No.	31st March 2020	31st March 2021	% 2020	% 2021
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital		9,00,000	20,00,000	45	50
(b) Reserve and Surplus		1,00,000	2,00,000	5	5
2. Non-Current Liabilities					
Long-term Borrowings		5,00,000	12,00,000	25	30
3. Current Liabilities					
Trade Payable		5,00,000	6,00,000	25	15
Total		20,00,000	40,00,000	100	100
II. ASSETS					
1. Non-current Assets					
Property, Plant and Equipment (Fixed Assets):					
(i) Tangible Assets		10,00,000	20,00,000	50	50
2. Current Assets					
(a) Inventories		8,00,000	19,00,000	40	47.5
(b) Cash and Cash Equivalents		2,00,000	1,00,000	10	2,5
Total		20,00,000	40,00,000	100	100

11. Cash Flow Statement

Particulars		Detail	Amount
A. Cash Flow from Operating Activities			
Calculation of Profit before tax:	Statement of P/L	2,25,000	
	Provision for tax	52,500	
	Dividend	1,00,000	
Net Profit before tax		3,77,500	

Add: Depreciation Add: Interest on Bank Loan Add: Software Amortised Add: Interest on Debentures 13,500 + 3,375 Less: Gain on sale of Land and Building	60,000 1,600 30,000 16,875 (22,500)	
Operating profit before working capital changes Less: Trade payables Less: Inventories Less: Trade Receivables	4,63,475 (15,000) (1,20,000) (1,75,000)	
Cash flow from operating activities before tax Less: Tax Cash Flow from Operating Activities	1,53,475 (30,000)	1,23,475
B. Cash Flow from Investing Activities Proceeds from sale of land and building Non-current Investment purchased Cash used in Investing Activities	2,47,500 (9,80,000)	(7,32,500)
C. Cash Flow from Financing Activities Share Capital Bank Loan Redemption of Debentures Dividend Interest on Bank Loan Debenture Interest Cash Flow from Financing Activities	7,50,000 80,000 (50,000) (1,00,000) (1,600) (16,875)	6,61,525
D. Decrease in Cash and Cash Equivalents (A + B + C) Add: Cash and Cash Equivalents in the beginning		52,500 5,10,000
Cash and Cash Equivalents at the end		5,62,500

Land and Building
Account

Particulars	Amount	Particulars	Amount
To Balance b/d	12,00,000	By Bank (Sale)	2,47,500
To Gain on Sale of Land and Building	22,500	By Balance c/d	9,75,000
	12,22,500		12,22,500

KENDRIYA VIDYALAYA SANGATHAN, RAIPUR REGION
MODEL PAPER TERM II (2021-22) [SET – III)
Subject- Accountancy (055)

Time Allowed: 2 Hours **Max.Marks:40**

General Instructions:

1. This question paper comprises two Parts – A and B. There are 12 questions in the question paper. All questions are compulsory.
2. Both the parts are compulsory for all candidates.
3. Question nos. 1 to 3 and 10 are short answer type–I questions carrying 2 marks each.
4. Question nos. 4 to 6 and 11 are short answer type–II questions carrying 3 marks each.
5. Question nos. 7 to 9 and 12 are long answer type questions carrying 5 marks each.
6. There is no overall choice. However, an internal choice has been provided in 3 questions of three marks and 1 question of five marks.

Q.1 How would the following items be treated while preparing the financial statements of a Sports Club?

Prize Fund: ₹ 44,000
Interest on Prize Fund Investments: ₹ 6,000
Prizes Awarded: ₹ 46,000
Match Expenses: ₹ 64,000
Prize Fund Investments: ₹ 44,000

Q.2 Explain the types of dissolution of a firm.

Q.3 Ajay, Bijay and Chetna were partners in a firm for sharing profits/losses in 3:2:1 ratio. Bijay died on January 1st, 2021. His share of profits for the intervening periods to be calculated on the basis of average profits of last three years. Profits of the previous three years are 2017-18: ₹ 90,000; 2018-19: ₹ 1,00,000 and 2019-20: ₹ 1,10,000. Calculate the share of profits of Bijay on his death and make necessary Journal entry for it.

Q.4 Calculate the amount of medicines consumed during the year ended 31March,2019.

Particulars	**Amount (₹)**
Opening Stock of Medicines	50,000
Closing stock of Medicines	45,000 more than opening stock
Amount paid for medicines during the year	200000
Opening Creditors	20000
Closing Creditors	50% of opening creditors

Or

On the basis of the following information given below, calculate the amount of stationery to be debited to the Income and Expenditure account of Good Health Sports Club for the year ended 31st March, 2020.

Particulars	**01.04.2019 (Amount ₹)**	**31.03.2020 (Amount ₹)**
Stock of Stationery	8000	6000
Creditors for Stationery	9000	11000

Q.5 Danish, Ana and Pranjal are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their books are closed on March 31 st every year. Danish died on September 30 th , 2019, The executors of Danish are entitled to:-

i) His share of Capital i.e., ₹ 5,00,000 along-with his share of goodwill. The total goodwill of the firm was valued at ₹ 60,000.

ii) His share of profit up to his date of death on the basis of sales till date of death. Sales for the year ended March 31, 2019 was ₹ 2,00,000 and profit for the same year was 10% on sales. Sales shows a growth trend of 20% and percentage of profit earning is reduced by 1%.

iii) Amount payable to Danish was transferred to his executors.

Pass necessary Journal Entries and show the workings clearly.

Q.6 Journalise the following transactions

a) Mehar Ltd. issued ₹ 1,00,000, 12% Debentures of ₹ 100 each at a premium of 5% redeemable at a premium of 2%

b) 12 % Debentures were issued at a discount of 10% to a vendor of machinery for payment of ₹9,00,000

c) Issue of 10,000 11% debentures of ₹ 100 each as collateral in favour of State Bank of India. Company opted to pass necessary entry for issue of debentures.

Or

Gujrat Gas Ltd. Issued 60,000 ,9% debentures of Rs.1000 each payable as follows:

On application Rs.300

On allotment Rs.700

The debentures were fully subscribed and all the money was duly received. As per terms of issue, the debentures are redeemable at Rs.1100 per debenture. Record necessary journal entries regarding issue of debentures.

Q.7 The firm of R, K and S was dissolved on 31.3.2019. Pass necessary journal entries for the following after various assets (other than cash and Bank) and the third-party liabilities had been transferred to realisation account.

(i) K agreed to pay off his wife’s loan of ₹ 6,000.

(ii) Total Creditors of the firm were ₹ 40,000. Creditors worth ₹10,000 were given a piece of furniture costing ₹8,000 in full and final settlement. Remaining creditors allowed a discount of 10%.

(iii) A machine that was not recorded in the books was taken over by K at ₹ 3,000 whereas its expected value was ₹ 5,000.

(iv) The firm had a debit balance of ₹ 15,000 in the profit and loss A/c on the date of dissolution.

Or

A, B and C were partners in a firm sharing profits & losses in proportion to their capitals.

Their Balance Sheet as at March 31, 2020 was as follows: Balance Sheet as at March 31, 2020.

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals:	10,00,000	Bank	21,000
A 5,00,000		Stock	9,000
B 3,00,000		Debtors 15,000	
C 2,00,000		**Less:** provision for	
General Reserve	75,000	Doubtful debts1,500	13,500
Creditors	23,000	Loan to A	35,500
Outstanding Salary	7,000	Land & Building	8,00,000
B’s Loan	15,000	Profit & Loss Account	2,41,000

On the date of above Balance Sheet, C retired from the firm on the following terms:

1. Goodwill of the firm will be valued at ₹ 3,00,000.
2. Provision for Bad Debts would be maintained at 5% of the Debtors.
3. Land & Building would be appreciated by ₹ 90,000.
4. A agreed to repay his Loan.
5. The loan repaid by A was to be utilized to pay C. The balance of the amount payable to C was transferred to his Loan Account bearing interest @ 12% per annum.

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

Q.8 C India Ltd. purchased machinery from B India Ltd. Payment to B India Ltd. was made as follows :

(i) By issuing 10,000 equity shares of ₹ 10 each at a premium of 20%.

(ii) By issuing 1000, 9% debentures of ₹ 100 each at a discount of 5%.

(iii) Balance by giving a bank draft of ₹ 37,000.

Pass necessary journal entries in the books of C India Ltd. for the purchase of machinery and payment to B India Ltd.

Q.9 From the following Receipts and Payments Account and the additional information of Jan Kalyan Club, prepare Income and Expenditure Account.

Receipts and Payments Account for the year ending on 31 st March, 2020.

Particulars	Rs.	Particulars	Rs.
To Cash in hand as on 1 st April, 2019	6,800	By Salaries	24,000
To Subscription	60,200	By Travelling Expenses	6,000
To Donation	8,000	By Stationery	2,300
To Sale of Furniture (book value ₹6,000)	4,000	By Rent	16,000
To Entrance Fee	800	By Books Purchased	6,000
To Life Membership Fee	7,000	By Building Purchased	30,000
		By Cash in hand on 31st March,2020	2,500

Additional Information:

Particulars	As on 1 st April, 2019	As on 31 st March, 2020
(i) Subscription received in advance	1,000	3,200
(ii) Outstanding Subscription	2,000	3,700
(iii) Stock of Stationary	1,200	800
(iv) Books	13,500	16,500
(v) Furniture	16,000	8,000
(vi) Outstanding Rent	1,000	2,000

Q.10 State whether the following transactions will result in inflow, outflow or no flow of cash while preparing cash flow statement:

1. Investment in fixed assets of 15,000
2. Purchase of Inventory of 10,000

Q.11 Following is the information from the Statement of Profit & Loss of XL Limited for the years ended March 31, 2018 & March 31, 2019:

	2018-19 (Rs.)	**2017-18(Rs.)**
Revenue from Operations	1800000	1500000
Other income	60000	30000
Expenses	1040000	870000
Income tax	300000	250000

Prepare Comparative Statement of Profit & Loss of XL Limited.

Or

Prepare a Common-Size Balance Sheet from the following information:

Particular	**31stMarch,2019**	**31st March,2018**
Revenue from operation	2500000	2000000
Employees benefit expense	1000000	700000
Other expenses	200000	300000

Tax rate 40%

Q.12 Prepare Cash Flow Statement for the year ended 31 st March, 2020 on the basis of the information given in the Balance Sheets of Hannu Ltd. as at 31-03-2019 and 31-03-2020.

Particulars	Note No.	31-03-2020	31-03-2019

I. **EQUITY AND LIABILITIES**			
1. Shareholders' Funds			
(a) Share Capital	1	1,80,000	1,00,000
(b) Reserves and Surplus		50,000	8,000
2. Non- Current Liabilities			
(a) Long-Term Borrowings	2	50,000	42,000
3. Current Liabilities			
(a) Trade Payables		25,000	17,000
Total		**3,05,000**	**1,67,000**
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets		1,80,000	70,000
(i) Tangible Assets		16,000	20,000
(ii) Intangible Assets	3	16,000	6,000
(b) Non-Current Investments			
(2) Current Assets			
(a) Current Investments (Marketable)		18,000	20,000
(b) Inventories		49,000	12,000
(c) Cash & Cash Equivalent		26,000	39,000
Total		**3,05,000**	**1,67,000**

Notes to Accounts:

Particulars	**31-03-2020**	**31-03-2019**
1. Reserves & Surplus		
General Reserve	30,000	20,000
Surplus i.e., Balance in Statement of Profit &Loss	20,000	(12,000)
2. Long-Term Borrowings 10%		
Debentures	50,000	42,000
3. Intangible Assets	16,000	20,000
Goodwill		

Additional Information:

(1) Depreciation provided on Tangible Assets (Building) during the year was ₹ 10,000.

(2) Interest paid on Debentures ₹ 5,000.

(3) Interest received on Non-Current Investments ₹1,600.

MARKING SCHEME (SET – III)
CLASS XIIACCOUNTANCY

Q.1 Amount to be shown for Prize Fund

Prize Fund : ₹ 44,000
Add: Interest on Prize Fund Investments : ₹ 6,000
50,000
Less: Prizes Awarded : ₹ 46,000
Less: Match Expenses : ₹ 64,000
₹ 1,10,000 50,000
Prize Fund NIL

The excess amount of Prizes Awarded and Match expenses (i.e. 1,10,000 – 50,000) ₹ 60,000 to be shown on the Expenditure side of Income and Expenditure Account.

Q.2 Types of Dissolution of the firm.

Q.3 Profit &loss A/c. Dr. 37500
To Bijay s Capital A/c. 37500

Share of profits of Bijay = Average Profits x Intervening periods x shares of Bijay

Average Profits = (90,000 + 1,00,000 + 1,10,000) / 2 = 3,00,000 / 2 = 1,50,000.

Intervening periods = 9 months (i.e. April 2019 to December 2019)
; Bijay's share = 2/6.
Share of profits of Bijay = 1,50,000 x 9/12 x 2/6
= 37,500.

Q.4 Statement Showing Expenditure on Medicine consumed during the year ending 31 st March,2019:-

Particulars	Rs.	
Amount paid for medicines during the year	2,00,000	
Add: Opening Stock of medicines	50,000	
Less: Closing stock of medicines	(95,000)	
Less: Opening Creditors	(20,000)	
Add: Closing creditors	10,000	
Medicine consumed during the year	1,45,000	

or

Stationery purchased during the year	₹ 47,000
Add: Opening stock of stationery	₹ 8,000
Creditors at the end of year	₹ 11,000
Less: Closing Stock of stationery	₹ (6,000)
Creditors at the beginning of the year	₹ (9,000)
	=₹ 51,000

Q.5

Date	Particulars	L.F	Dr Amount (₹)	Dr Amount (₹)
September 30, 2019	Ana's Capital A/c Dr Pranjal's Capital A/c Dr To Danish's Capital A/c (Being Danish's share of goodwill adjusted in capital Accounts of Ana and Pranjal		18,000 12,000	30,000
September 30, 2019	Profit and Loss Suspense A/c Dr To Danish's Capital A/c (Being Danish's share of profit up to date of his death transferred to his capital account)		5,400	5,400
September 30, 2019	Danish's Capital A/c Dr To Danish's Executor's A/c (Being amount due to Danish transferred to his executor's account)		5,35,400	5,35,400

Working Notes:-
Sales = 2,00,000 + 20% of 2,00,000
= 2,00,000 +40,000
Profit % = 10% - 1% = 9%
Danish's Share of Profit =₹ 2,40,000 X 9/100 X 5/10 X 6/12 = ₹ 5,400

Q.6

1, Bank A/c Dr.	1,80,00,000	
To Deb Application		1,80,00,000
2 Deb Application Dr	1,80,00,000	
To Debentures		1,80,00,000
3 Debenture allotment a/c Dr	4,20,00,000	
Loss on issue a/c Dr	60,00,000	
To Debentures		4,20,00,000
To Premium on redemption		60,00,000

4 Bank Dr 4,20,00,000

To Deb. Allotment 4,20,00,000

Q.7 1. Realization A/c Dr 6000

To K's Capital A/c 6000

(Being wife's loan discharged by the partner)

2.Realization A/c Dr 27000

To Bank A/c 27000

(Being balance creditor's paid at a discount of 10% after part payment through furniture)

3. R Capital A/c dr 5000
K Capital A/c dr 5000
S Capital A/c dr 5000
To P&L A/c 15000

Or

Profit on revaluation =90750.

Partners' Capital Accounts

Particulars	A ₹	B ₹	C ₹	Particulars	A ₹	B ₹	C ₹
To Profit & Loss	1,20,500	72,300	48,200	By Balance b/d	5,00,000	3,00,000	2,00,000
A/c	37,500	22,500		By General Reserve	37,500	22,500	15,000
To C's Capital				A/c			37,500
A/c			35,500	By A's Capital A/c			
(Goodwill)			2,09,450	(Goodwill)			22,500
To Bank A/c				By B's Capital A/c			
To C's Loan A/c	4,24,875	2,54,925		(Goodwill)	45,375	27,225	18,150
To Balance c/d				By Revaluation A/c			
				(Profit)			
	5,82,875	3,49,725	2,93,150		5,82,875	3,49,725	2,93,150

Liabilities	₹	Assets		₹
Partners' Capital Accounts		Bank	21,000	
A	4,24,875	+ Loan to A received back	35,500	
B	2,54,925		56,500	
Creditors	23,000	- Paid to C	(35,500)	21,000
Outstanding Salary	7,000	Stock		9,000
B's Loan	15,000	Debtors	15,000	
C's Loan	2,09,450	Less: Provision for		
		Doubtful debts	(1,500)	
			13,500	
		+ Revaluation	750	14,250
		Loan to A	35,500	
		- Received back	(35,500)	Nil
		Land and Building	8,00,000	
		+ Revaluation	90,000	8,90,000
	9,34,250			9,34,250

Q.8 Journal entries.

Q.9 . Income & Expenditure A/c

Expenditure	₹	Income	₹

To Loss on Sale of Furniture (6,000 – 4,000) To Salaries To Travelling Expenses To Stationery Consumed Opening Stock 1,200 + Purchase 2,300 3,500 - Closing Stock (800) To Rent 16,000 + Outstanding on 31-03-2020 2,000 18,000 - Outstanding on 01-04-2019 (1,000) To Depreciation on - Furniture (WN-1) - Books (WN-2) To Surplus (Excess of Income over Expenditure)	2,000 24,000 6,000 2,700 17,000 2,000 3,000 11,800	By Subscriptions 60,200 + Advance on 01-04-2019 1,000 Outstanding on 31-03-2020 3,700 64,900 - Advance on 31-03-2020 (3,200) - Outstanding on 01-04-2019 (2,000) By Donation By Entrance Fees	 59,700 8,000 800
	68,500		68,500

.

Furniture A/c

Particulars	₹	Particulars	₹
To Balance b/d	16,000	By Bank A/c (Sale) By Loss on Sale of Furniture A/c (6,000 – 4,000) By Depreciation A/c (Bal. Fig.) By Balance c/d	4,000 2,000 2,000 8,000
	16,000		16,000

Books A/c

Particulars	₹	Particulars	₹
To Balance b/d To Bank A/c (Purchase)	13,500 6,000	By Depreciation A/c (Bal. Fig.) By Balance c/d	3,000 16,500
	19,500		19,500

Q.10 1. Outflow
2 outflow

Q.11 RFO-20%
Other income 100%
Total revenue 21.57
Expenses 19.54 %
Profit before tax 24.24
Profit after tax 26.83

Or

2017-18	**2018-19**
100	100
35	40
15	8
50	48
50	52
20	20.8

30	31.2

Q.12

Particulars	₹	₹
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items (WN-1)		42,000
Adjustments for Non-Cash and Non-Operating Items		
Add: Interest on Debentures	5,000	
Depreciation on Tangible Assets (Building)	10,000	
Goodwill Amortised	4,000	19,000
		61,000
Less: Interest Received on Non-Current Investments		(1,600)
Operating Profit Before Working Capital Changes		59,400
Add: Increase in Current Liabilities and Decrease in Current Assets		
Trade Payables		8,000
		67,400
Less: Decrease in Current Liabilities and Increase in Current Assets		
Inventories		(37,000)
Cash Generated from Operations		30,400
Less: Income Tax Paid (Net of Refund)		--------
Cash Flow from (Used in) Operating Activities		30,400
B. Cash Flow from Investing Activities		
Cash Inflows		
Interest Received on Non-Current Investments		1,600
Cash Outflows		
Purchase of Tangible Asset	(1,20,000)	
Non-Current Investments Made	(10,000)	(1,30,000)
Cash Flow from (Used in) Investing Activities		(1,28,400)
C. Cash Flow from Financing Activities		
Cash Inflows		
Issue of Shares		80,000
Issue of 10% Debentures		8,000
Cash Outflows		88,000
Interest on Debentures		(5,000)
Cash Flow from (Used in) Financing Activities		83,000
Net Increase/(Decrease) in Cash and Cash Equivalent (A+B+C)		(15,000)
Add: Opening Cash and Cash Equivalent		
Cash & Cash Equivalent	39,000	
Current Investments (Marketable)	20,000	59,000
Closing Cash and Cash Equivalent		
Cash & Cash Equivalent	26,000	
Current Investments (Marketable)	18,000	44,000

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