

1) Old profit sharing ratio = 3:1 = Amit : Beena
 Chaman acquires $\frac{2}{5}$ th of his share from Amit.
 Chaman's share = $\frac{1}{6}$.

Beena's sacrifice = $\frac{3}{5} \times \frac{1}{6} = \frac{3}{30} = \frac{1}{10}$

∴ Chaman acquires $\frac{1}{10}$ th share from Beena.

2) Meetu's share in goodwill = $\frac{1}{3} \times 420000 = 140000$

Journal.

2018	Neetu's capital A/c	Dr	70000	
1st Jan	Teetu's capital A/c	Dr	70000	
	To Meetu's capital A/c			140000
	(Being share of goodwill adjusted)			

3) Difference between dissolution of partnership and partnership firm.

Basis	Dissolution of <u>partnership</u>	Dissolution of <u>partnership firm</u>
1. Settlement of assets & liabilities	Assets and liabilities are <u>revalued</u> and gain/loss is divided in old ratio in old partners.	Assets and <u>realized</u> liabilities are <u>paid</u> in this case.

4) No, they are not doing business.
The reason is business is on regular basis not only together purchasing and earning rentals.

5) Reserve capital is a part of 'Uncalled capital'. as it is called only at the time of liquidation of business.

6) Debentures are issued as collateral security means, in addition to a primary security, debentures are issued as secondary security to the lenders, who in case can recover their money from debentures issued as collateral after recovering from primary security.

7) Old ratio = 5:2:3 = Jayant, Kartik, Keena.

Keena Kartik dies.

Jayant : Keena gains in 2:3.

$$\text{Gain of Jayant} = \frac{2}{10} \times \frac{2}{5} = \frac{4}{50}$$

$$\text{Keena} = \frac{3}{5} \times \frac{2}{10} = \frac{6}{50}$$

$$\text{New ratio of Jayant} = \frac{5}{10} + \frac{4}{50} = \frac{29}{50}$$

$$\text{Keena} = \frac{6}{50} + \frac{3}{10} = \frac{21}{50}$$

$$\text{New ratio} = 29:21$$

Jayant : Keena.

8) SHARE -

The share capital of a company is divided into smaller denomination known as shares.

For eg. Share capital is £10,00,000
divided into 100,000 shares @ £10 each.

Difference between equity shares and preference shares.		
Basis	Equity share capital	Preference share capital.
1. Right to dividend	Equity dividend is paid only <u>after</u> <u>preference dividend</u> is paid.	Preference dividend is paid <u>before</u> <u>equity dividend</u> . They have <u>priority</u> to receive dividend.
2. Right to refund of capital	Equity capital, at the <u>time liquidation</u> is paid only when preference share capital is paid.	Preference shareholders have a <u>priority</u> to receive their <u>capital</u> over equity shareholders.

9) Balance sheet of NK Ltd. as on 31.3.20XX

3

I. EQUITY AND LIABILITIES.		Current year	Previous year.
1. Shareholder fund			
i) Share capital		70,00,000	50,00,000
		<u> </u>	<u> </u>

Notes to Accounts.

1)

	Detail	£
Authorised capital		
100,000 shares @ £100 each	1	10,000,000
	2	<u> </u>
Issued capital.		
70,000 shares @ £100 each.	1	7,000,000
	2	<u> </u>
Subscribed and fully paid up capital.		
70,000 shares @ £100 each	1	7,000,000
	2	<u> </u>

Values identified

- i) generation of employment opportunities
- ii) growth of differently abled children.

10)

Journal of V.K. Ltd.

Date	Particulars	LF	Debit (₹)	Credit (₹)
2018 February 1	Own debentures A/c — Dr To bank A/c (Being own debentures purchased)		48500	48500
Feb 1.	9% debentures A/c — Dr To own debentures A/c To profit on cancellation A/c (Being cancellation of own debentures)		50000	48500 1500
Feb 1.	Profit on cancellation A/c — Dr To capital reserve A/c (Being profit transferred to capital reserve).		1500	1500

(11)
4

Old ratio = 4:5:6 = Banwari : Girdhari : Murari

Girdhari shares = $\frac{5}{15}$ share.

Girdhari share in goodwill = $\frac{5}{15} \times 114000 = 38000$

Working note

Journal

Banwari's capital A/c	— D	15200	
Murari's capital A/c	— D	22800	
To Girdhari's capital A/c			38000
(Being share of goodwill adjusted)			

Amount due of Girdhari :-		Girdhari's capital A/c	
To Girdhari Loan A/c	150000	By balance b/d	100000
		By Banwari capital	15200
		By Murari capital	22800
		By revaluation (profit)	2000
		By general reserve	10000
	<u>150000</u>		<u>150000</u>

Girdhari's Loan A/c.

Date	Particulars	₹	Date	Particulars	₹
31-3-14	To balance c/d	150000	31-3-14	By Girdhari capital	150,000
31-3-15	To bank A/c	75000	1-4-14	By balance b/d	150000
31-3-15	To balance c/d	90000	31-3-15	By interest	15000
		<u>165000</u>			<u>165000</u>
31-3-16	To bank A/c	75000	1-4-15	By balance b/d	90000
31-3-16	To balance c/d	24000	31-3-16	By interest	9000
		<u>99000</u>			<u>99000</u>
			1-4-16	By balance b/d	24000
31-3-17	To bank A/c	26400	31-3-17	By interest A/c	2400
		<u>26400</u>			<u>26400</u>

12) Old ratio = 3:2 = Asha: Aditi
 Raghu's share = $\frac{1}{4}$
 Sacrifice ratio = 3:2

4

Journal

Cash A/c	Dr	850000	
To Raghu's capital A/c			600000
To premium for goodwill A/c			250000
(Being cash brought by Raghu).			
Premium for goodwill A/c	Dr	250000	
To Asha's capital A/c			150000
To Aditi's capital A/c			100000
(Being share of goodwill given).			

Goodwill of firm = No. of years purchase x Average profits
 Average profits = $\frac{350000 + 470000 + 670000 + 745000}{4} - 15000 = 556250 - 15000 = 541250$
 [(15000) for overvaluation of goodwill]
 Firm's goodwill = $2 \times 500000 = 10,00,000$

$$\text{Ag. Raghav's share} = \frac{1}{4} \times 1000000 = 250000$$

13)

Karan's capital A/c

			1-4-17	By balance b/d	200000
12.6.17	To Karan's executors	328800	12.6.17	By interest on capital	4800
			12.6.17	By general reserve	60000
			12.6.17	By Pranav capital	16000
			12.6.17	By Rahim's capital	8000
			12.6.17	By profit & loss suspense A/c	40000
		<u>328800</u>			<u>328800</u>

Working notes.

$$\text{Karan's share in goodwill} = \frac{2}{5} \times 60000 = 24000$$

$$\text{Karan's share in profits} = \frac{2}{5} \times 500000 \times \frac{73}{365}$$

$$= \frac{10,00,000}{25} = 40,000$$

Journal

12.6.17	Peranan's capital A/c ——— D.	16000	
	Rahim's capital A/c ——— D.	8000	
	To Karan's capital A/c		24000
	(Being share of goodwill given)		
12.6.17	Profit & loss suspense A/c ——— D.	40000	
	To Karan's capital A/c		40000
	(Being share of profit given)		

32

Old ratio = 1:1 = Chandar: Damini
 Elina's share = 1/3. Sacrifice ratio = 1:1

Journal

2017	Bank A/c ——— D.	350000	
1 Apr.	To Elina's capital A/c		300000
	To premium for goodwill		50000
	(Being cash brought by Elina)		
1 Apr.	Premium for goodwill A/c ——— D.	50000	
	To Chandar's capital A/c		25000
	To Damini's capital A/c		25000
	(Being share of goodwill given)		

	Chander's capital A/c — D.	12500	
1 Apr.	Danini's capital A/c — D.	12500	
	To bank A/c		25000
	(Being half of goodwill withdrawn)		

Revaluation A/c			
To furniture	11000	By debtors	5000
To provision on debtors	4000	By land & building	62000
To provision on bill receivable	2250		
To claim for damages	8000		
To profit			
Chander	20875		
Danini	20875		
	<u>41750</u>		
	67000		
			<u>67000</u>

Partners Capital A/c's.

Particulars	Chander	Damini	Eline	Particulars.	Chander	Damini	Eline
To bank A/c.	12,500	12,500	1/2	By balance b/d	250,000	216,000	-
				By bank	-	-	300,000
To balance c/d.	283,375	45,875	300,000	By revaluation	20,875	20,875	1/2
		249,375		By premium for goodwill	25,000	25,000	1/2
	295,875	261,875	300,000		295,875	261,875	300,000

15)
6

Journal of KK Ltd.

Date	Particulars	L	F	Debit (£)	Credit (£)
1-4-14	Bank A/c ——— D.			564,000	
	To 10% debenture application & allotment (Being money received on 10% debentures)				564,000
1-4-14	10% debenture application & allotment ——— D.			564,000	
	Loss on issue of debentures ——— D.			800,000	
	To 10% debentures				500,000
	To bank A/c.				940,000
	To premium on redemption of debentures (Being 10% debentures due)				460,000
					500,000

Partners Capital A/c's.

Particulars	Chander	Damini	Eline	Particulars.	Chander	Damini	Eline
To bank A/c.	12,500	12,500	1/2	By balance b/d	250,000	216,000	-
				By bank	-	-	300,000
To balance c/d.	283,375	45,875 249,375	300,000	By revaluation	20,875	20,875	1/2 - 1/2
				By premium for goodwill	25,000	25,000	1/2
	295,875	261,875	300,000		295,875	261,875	300,000

15)
6

Journal of KK Ltd.

Date	Particulars	L.F.	Debit (£)	Credit (£)
1-4-14	Bank A/c ———— D.		564,000	
	To 10% debenture application & allotment (Being money received on 10% debentures)			564,000
1-4-14	10% debenture application & allotment ———— D.		564,000	
	Loss on issue of debentures ———— D.		800,000	
	To 10% debentures			500,000
	To bank A/c.			940,000
	To premium on redemption of debentures (Being 10% debentures due)			460,000 500,000



31.3.16	Statement of profit & loss — Dr. To debenture redemption reserve (Being reserve credited)	12,50,000	12,50,000
1-4-16	Debenture redemption investment — Dr. To bank A/c (Being investment purchased)	750,000	750,000
31.3.17	Bank A/c — Dr. Tax deducted at source — Dr. To debenture redemption investment To interest A/c (Being investment encashed)	8,10,750 6,750	750,000 67,500
31.3.17	10% debentures A/c — Dr. Premium on redemption A/c — Dr. To debentureholders A/c (Being 10% debentures due).	5,00,000 500,000	55,00,000
31.3.17	Debentureholders A/c — Dr. To bank A/c (Being debentures redeemed)	55,00,000	55,00,000
31.3.17	Debenture redemption reserve — Dr. To general reserve A/c.	12,50,000	12,50,000

Realisation A/c.

(16)

To investment	70000	By creditors	75000
To stock	50000	By bill payable	40000
To debtors	60000	By outstanding salary	35000
To plant	220000	By bank	
To Srijan Capital		Plant	85000
(Remuneration)	11575	Stock	33000
To bank		Debtors	47000
Outstanding bill 7500		Investment	66500
Bill receivable 15000		By loss Srijan	81030
Creditors 75000		Raman	81030
Bill payable 40000		Manan	40515
Salary due 35000	172500		202575
	<u>572500</u>		<u>572500</u>

Partner's Capital A/c.

	Srijan	Raman	Manan		Srijan	Raman	Manan
To balance b/d	-	-	10000	By balance b/d	200000	150000	-
To Realisation (loss)	81030	81030	40515	By Realisation (Remuneration)	11575	-	-
To profit & loss	32000	32000	16000	By bank A/c.			66515
To bank A/c	98545	36970					
	<u>211575</u>	<u>150000</u>	<u>66515</u>		<u>211575</u>	<u>150000</u>	<u>66515</u>

Bank A/c.

To balance b/d	10000	By realisation	172500
To realisation	231500	By Srijan capital	98545
To Manan capital	66515	By Raman capital	36970
	<u>308015</u>		<u>308015</u>

	(i)	(ii)	(iii)	Total	
Applied	90000	50000	20000	160000	$\begin{matrix} & & 10+1 & & \\ & & / & \backslash & \\ & & 2+1 & & 3 & & 2 \\ & & & & 3 & & \end{matrix}$
Allotted	40000	40000	20000	100000	

Rishabh allotted shares = $\frac{4}{5} \times 1500 = 1200$ shares.

Sudha's allotted shares = $\frac{4}{9} \times 1800 = 800$ shares.

Sudha.		Pro-rata (i)	Pro-rata (ii)	Rishabh
5400	Application received	270000	150000	4500
2400	Application required	120000	120000	3600
<u>3000</u>	Excess	150000	30000	900
2400	Allotment required	120000	120000	3600
-	Allotment due	-	90000	2700
600	Adjusted towards allotment call	30000		
<u>1800 - amount.</u>				

Journal of A Ltd.

Date	Particulars	L F	Debit (£)	Credit (£)
i)	Bank A/c — D. To equity share application A/c (Being share application received)		480000	480000
ii)	Equity share application A/c — D. To equity share capital To equity share allotment To calls in advance. (Being share application due).		480000	300000 150000 30000
iii)	Equity share allotment — D. To equity share capital To securities premium reserve (Being share allotment due).		300000	200000 100000
iv)	Bank A/c — D. Calls in arrears — D. To equity share allotment (Being allotment received)		147300 2750	150000
v)	Equity share first call — D. To equity share capital (Being share first call due).		300000	300000



(vi)	Bank A/c ——— D.	264600	
	calls in arrears ——— D.	5400	
	calls in advance A/c ——— D.	30000	
	To equity share first call		300000
	(Being first call received)		
(vii)	equity share final call ——— D.	200000	
	To equity share capital		200000
	(Being final call due).		
(viii)	Bank A/c ——— D.	196000	
	calls in arrears ——— D.	4000	
	To equity share final call		200000
(ix)	Share capital A/c ——— D.	20000	
	Securities premium reserve ——— D.	1200	
	To share forfeiture		9100
	To calls in arrears		12100
	(Being shares forfeited).		
(x)	Bank A/c ——— D.	14000	
	Share forfeiture ——— D.	6000	
	To equity share capital.		20000
(xi)	Share forfeiture ——— D.	3100	
	To capital reserve.		3100
	(Being balance transferred)		

Part - B.

18)

The main objective of preparing cash flow statement is to ascertain the flow of cash or use of cash in three major activities -

- (i) Operating activities
- (ii) Investing activities.
- (iii) Financing activities.

19)

Operating activity.

Because for finance companies it is their main revenue generating activity.

20)

20)

h

Common size balance sheet of KJ Ltd. as on 31.3.17 & 31.3.16

Particulars	Note No	31.3.17	31.3.16	% 31.3.17	% 31.3.16
I. EQUITY AND LIABILITIES.					
1. Shareholder fund		8000000	4000000	50	50
2. Non current liabilities		5000000	2000000	31.25	25
3. Current liabilities		3000000	2000000	18.75	25
Total.		16,00,000	8000000	100	100
II. Assets.					
1. Non current Assets		10000000	5000000	62.5	62.5
2. Current Assets.		6000000	3000000	37.5	37.5
Total.		16000000	8000000	100	100

21)

For the year 2015-16.

gross profit = $\frac{25x}{100}$

x = cost of revenue from operations.

$\frac{x}{4} = 50,00,000 - x$

x = 40,00,000
 cost of revenue from operations.

$$\text{Inventory turnover ratio} = \frac{\text{Cost of revenue from operations}}{\text{Average inventory}}$$

$$= \frac{40,00,000}{\frac{48,50,000 + 70,00,000}{2}} = \frac{40,00,000}{60,00,000}$$

2015-16.

$$= 6.67 \text{ times.}$$

For 2016-17.

Cost of revenue from operations = y .

$$\frac{y}{4} = 75,00,000 - y$$

$$y = 60,00,000$$

Cost of revenue from operations.

$$\text{Inventory turnover ratio} = \frac{60,00,000}{\frac{70,00,000 + 17,00,000}{2}}$$

$$= \frac{60,00,000}{12,00,000}$$

$$= 5 \text{ times.}$$

(22)
W

Values communicated = Upliftment of rural areas. ✓
 Generation of employment opportunities.

Item	Major head	Sub head
Loose tools	Current Assets	Inventory.
Cheques in hand	Current Assets	Cash & cash equivalents.
Term loan from bank (assumed to be more than 12 months).	Non Current liabilities.	Long term borrowing. ✓
Computer software	Non current assets.	Intangible fixed asset.

23) Working note. (1) Interest on debentures ~~At~~ 150000 $\times \frac{10}{100}$
 = 15000

(2) Accumulated depreciation A/c.

		By balance b/d	75000
To balance c/d	137500	By depreciation	62500
	<u>137500</u>		<u>137500</u>

(3) Provision for tax A/c.

To bank	75000	By balance b/d	75000
To balance c/d	125000	By statement of profit & loss	125000
	<u>200000</u>		<u>200000</u>

(4) Profit after tax 125000
 Add: Provision for tax 125000
 Add: Proposed dividend 75000
 Profit before tax 325000

Cash flow statement of Jy Ltd. as on 31.3.17.

Particulars	Detail	₹
I. Cash flow from operating activities.		
Profit before tax (Working note 4)	325000	
Add: Depreciation	62500	
Add: Interest on debentures	<u>15000</u>	
Operating profit before working capital changes.	<u>402500</u>	
Less: Increase in current assets		
Trade receivables	(50000)	
Short term loans & advances	<u>(100000)</u>	
Cash generated from operating activities	<u>252500</u>	
Less: tax paid	<u>(75000)</u>	
Cash flow from operating activities.		177500
II. Cash flow from investing activities.		
Purchase of machinery	<u>(212500)</u>	
Cash used in investing activities.		<u>(212500)</u>

III. Cash flow from financing activities.

Issue of 10% debentures

Increase in short term borrowing

Interest paid

Dividend paid (proposed)

Cash flow from financing activities.

Net increase in cash & cash equivalents

Add: opening balance of cash and cash equivalents

Closing balance of cash and cash equivalents.

100000

50000

(15000)

(50000)

85000

50000

75000

125000

7/12 $\frac{80}{80}$

2/8/2012

$\frac{80}{80}$ Mr