

in such a way that their capitals become proportionate to their new profit sharing ratio. Pass journal entries.

Ans.

Cash	D, 90500	
To D	44600	
To A	45900	
<hr/>		
N	D, 90500	
To Cash	90500	
<hr/>		
old Cap	D	A
	33000	70500
New Cap	77600	116400
Cash to be brought	44600	45900

D's Cap	33000
A's Cap	70500
N's Cap	90500
	<hr/>
	194000
D's New Cap	$194000 \times \frac{2}{5} = 77600$
A's New Cap	$194000 \times \frac{3}{5} = 116400$

Ques 5
 Authorized Cap is ₹ 45,00,000 divided into 30,00,000 shares of ₹ 150 each. Company issued 15,00,000 shares of ₹ 150 each at a premium of ₹ 10 per share. The amount payable:- ₹ 50 on Application, ₹ 40 on allotment (including premium), ₹ 30 on first call and balance on final call. Public applied for 14,00,000 shares. All the money duly received. Prepare Balance sheet & Notes to Accounts.

Balance sheet

1. Equity and liability:-

Share Cap	2100000
Reserve & surplus	140000

2. Assets:-

Current Assets	
Cash & Cash equivalents	2240000

Notes to Account

1. Share Cap:-	
Authorized Cap	4500000
30,00,000 shares @ ₹ 150 each	<hr/>
Issued Cap	2250000
15,00,000 shares @ 150 each	<hr/>
Subscribed Cap	2100000
14,00,000 shares @ ₹ 150 each	<hr/>
2. Reserve & surplus:-	
See. Premium Reserve	140000
3. Cash & Cash equivalents:-	
Cash at Bank	2240000

Ques 6
 Find the value of CL and CA, if current ratio is 2.5:1, liquid ratio is 1.2:1 and the value of stock is ₹ 78,000.

Ans.

$$CR = \frac{CA}{CL}$$

$$2.5 = \frac{CA}{CL}$$

$$2.5 CL = CA$$

$$LR = \frac{LA}{CL}$$

$$1.2 = \frac{LA}{CL}$$

$$CL = \frac{LA}{1.2}$$

OR

$$CL = \frac{2.5 CA - \text{Stock}}{1.2}$$

OR

$$CL = \frac{2.5 CL - 78000}{1.2}$$

$$1.2 CL = 2.5 CL - 78000$$

$$CL = 60000$$

$$CA = 60000 \times 2.5 = 150000$$

ques 7. Prepare a comparative statement of P/L with the help of following:-

Particulars	2011	2012
Revenue from operations	20,00,000	30,00,000
Expenses	12,00,000	21,00,000
Other Incomes	4,00,000	3,60,000
Income Tax	50%	50%

Ans.

Particulars	2011	2012	Change	%age
Revenue from operation	2000000	3000000	1000000	50%
+ other Income	400000	360000	40000	10%
<hr/> Total Revenue	<hr/> 2400000	<hr/> 3360000	<hr/> 960000	<hr/> 40%
- Expenses	1200000	2100000	900000	75%
<hr/> Profit before tax	<hr/> 1200000	<hr/> 1260000	<hr/> 60000	<hr/> 5%
- Tax	600000	630000	30000	5%
<hr/> Profit after tax	<hr/> 600000	<hr/> 630000	<hr/> 30000	<hr/> 5%

ques 8. (a) Calculate 'working capital turnover ratio':-

Cash sales 130000, Credit sale 380000, Sales Return 10000, quick Asset 140000, current liability 105000 and stock 90000.

(b) Calculate Debt Equity Ratio:-

Total Asset 350000, Total Debt 250000, current liabilities 80000.

Ans. (a) $W/C TR = \frac{\text{Net Sales}}{\text{Net W/C}} \Rightarrow \frac{500000}{125000} = 4 \text{ Times}$

$$W/C = CA - CL \Rightarrow 230000 - 105000 = 125000$$

$$\text{Net Sales} = \text{Cash} + \text{Credit} - \text{Return} \\ 130000 + 380000 - 10000 = 500000$$

$$CA = 140000 + 90000 = 230000$$

(b) Debt = Total Debt - CL $\Rightarrow 250000 - 80000 = 170000$

$$\text{Equity} = \text{Total Asset} - \text{Total Debt} \Rightarrow 350000 - 250000 = 100000$$

$$DER = \frac{\text{Debt}}{\text{Equity}} \Rightarrow \frac{170000}{100000} \Rightarrow 1.7:1$$

Ques 9 Prepare Comparative Income Statement

Particulars	2011-12	2010-11
Revenue from operation	20,00,000	12,00,000
Other Income	12,00,000	9,00,000
Expenses	13,00,000	10,00,000

Ans.

Particulars	2010-11	2011-12	Change	%age
Revenue from operations	12,00,000	20,00,000	8,00,000	66.6
+ other Income	9,00,000	12,00,000	3,00,000	33.3
Total Revenue	21,00,000	32,00,000	11,00,000	52.4
- Exp	10,00,000	13,00,000	3,00,000	30
Profit before tax	11,00,000	19,00,000	8,00,000	73

Ques 10 (a) Calculate DTR :- Total sales 52,00,000, Cash sales 60% of credit sales, closing debtors 80,000, opening debtors are 3/4 of closing debtors.

(b) CL of Company are 160,000. DR OR is 1.5:1 and CR is 2.5:1. Calculate OA and CA.

Ans (a) Av Debtors = $\frac{\frac{3}{4} \times 80,000 + 80,000}{2} \Rightarrow 70,000$

Cash sales = $\frac{52,00,000 \times 60}{100} \Rightarrow 31,20,000$

Credit sales = Total sale - Cash sales
 $52,00,000 - 31,20,000 \Rightarrow 20,80,000$

DTR = $\frac{\text{Creditsals}}{\text{Av Debtors}} \Rightarrow \frac{20,80,000}{70,000} = 29.71$ Times

(b) CR = $\frac{CA}{CL}$

$2.5 = \frac{CA}{160,000}$

CA = 4,00,000

LR = $\frac{LA}{CL}$

$1.5 = \frac{LA}{160,000}$

LA = 2,40,000

Six mark questions

ques 1. X, Y and Z were partners. Their capitals on 1.4.2011 were X £20000, Y £25000 and Z £30000. The Partnership deed provided for the following:

- (i) They will share profits in ratio of 2:3:3.
- (ii) X will be allowed a salary of £12000 p.a.
- (iii) Interest on capital will be allowed @ 12% p.a.

During the year X withdrew £28000, Y £30000 and Z £18000. For the year ended 31.3.2012 the firm earned a profit of £500,000.

Prepare P/L Appropriation A/c and Partners' Cap A/c.

Ans.

P/L APP A/c

To Interest on Capital: X	24000	By N/P	500000
Y	30000		
Z	36000		
To salary to X	12000		
To N/P: X	99500		
Y	149250		
Z	149250		
	398000		
	500000		500000

Partners' Cap A/c

	<u>X</u>	<u>Y</u>	<u>Z</u>		<u>X</u>	<u>Y</u>	<u>Z</u>
To Drawings	28000	30000	18000	By Bal b/d	20000	25000	30000
To Bal c/d	307500	399250	667250	By Int on Cap	24000	30000	36000
				By Salary	12000	—	—
				By P/L APP A/c	99500	149250	149250
	335500	429250	585250		335500	429250	585250

ques 2. R, M and S were partners sharing profits in ratio of 5:3:2. On 31.3.2012 their Balance sheet was as under:

	<u>Liabilities</u>		<u>Assets</u>	
Capitals: R	150000	Leashold	125000	
M	125000	Patents	38000	
S	75000	35000	Machinery	150000
Workmen's Compensation Fund	30000	Stock	190000	
Creditors	155000	Cash at Bank	40000	
	535000		535000	

Sohan died on 1.8.2012. It was agreed that:

- (i) Goodwill of the firm is to be valued at £175000.
- (ii) machinery be valued at £140000, Patents at £40000, Leashold at £150000.
- (iii) 8 profit should be taken to have accrued on the same scale as in 2011-12, which were £75000. Prepare S's Cap A/c and Revaluation A/c.

Ans.

Revaluation A/c

To Machinery	10000	By Leasehold	25000
To P/L :- R	12500	By Patents	10000
M	7500		
S	5000		
	<u>25000</u>		
	<u>35000</u>		<u>35000</u>

S's Cap A/c

To Share S's executor's A/c	126000	By Balance b/d	75000
		By Revaluation A/c	5000
		By R's Cap	21875
		By M's Cap	13125
		By P/L suspense A/c	5000
		By Workmen's Compensation Fund	6000
	<u>126000</u>		<u>126000</u>

Ques 3.

Srujan Ltd. issued ₹ 10,00,000 New Capital divided into ₹ 100 shares at a premium of ₹ 20 per share payable as: on application ₹ 10, on allotment ₹ 40 (including Premium of ₹ 10) on first call Balance. Over payments on application were to be applied towards sums due on allotment and first call. where no allotment was made, money was to be refunded in full. The issue was oversubscribed to the extent of 13000 shares. Applicants for 12000 shares were allotted only 2000 shares and applicants for 3000 shares were sent letter for regret. shares were allotted in full to the remaining applicants. Give journal entries.

Ans.

Bank A/c	Dr	230000
To share app		230000
<hr/>		
Share app	Dr	230000
To share cap		100000
To share allot		80000
To Call in advance		20000
To Bank		30000
<hr/>		
Share allot	Dr	40000
To share cap		30000
To see prem		10000
<hr/>		
Bank	Dr	320000
To share allot		320000
<hr/>		
Share first call	Dr	70000
To share Cap		60000
To see prem		10000
<hr/>		

Bank Rs 6000
 Call in Advance Rs 2000
 To Share Call 7000

ques 4. The Balance sheet of S, R and K who were sharing profits in ratio of 3:3:4 as on 31.3.2012 was as follows:-

Liabilities		Assets	
General Reserve	1000	Cash	1600
B/P	5000	Stock	4400
Loan	1200	Investments	4700
Cap:-S	6000	Building	6000
R	5000	S's Loan	1000
K	4000		
	<u>17700</u>		<u>17700</u>

S died on June 30th 2012. The partnership deed provide the following:-

- (i) Goodwill of the firm be valued at 2 years purchase of average profit for last three years.
- (ii) S's profit share will be calculated on the basis of sales. Sales for the year ended 31.3.2012 amounted to £ 40000 and then from 1.4.12 to 30.6.12 to £ 15000. The profit for the year ended 31.3.2012 was £ 10000.
- (iii) Interest on Capital was to be provided @ 6% p.a.
- (iv) The average profit of last three years were £ 42000.
- (v) According to S will, the executors should donate her share to orphanage.

Prepare S Cap A/c.

Ans.

S's Cap A/c			
To S's loan A/c	1000	By Bal b/d	6000
To S's executors' A/c	90350	By R	10800
		By K	14400
		By P/L Suspense A/c	11250
		By Int on Cap	900
		By General Reserve	3000
	<u>100350</u>		<u>100350</u>

ques 5. Record the journal entries for forfeiture and reissue of shares in following cases:-

- (a) X Ltd. forfeited 20 shares of £ 10 each, £ 7 called up on which shareholder had paid application and allotment money of £ 5 per share. Out of these, 15 shares were re-issued to Naresh as £ 7 per share paid up for £ 8 per share.
- (b) Y Ltd. forfeited 90 shares of £ 10 each, £ 8 called up issued at a premium of £ 2 per share to R for nonpayment of allotment money of £ 5 per share (including premium). Out of these, 80 shares were reissued to Sanjay as £ 8 called up for £ 10 per share.

(c) Z Ltd. forfeited 300 shares of ₹ 10 each issued at a discount of ₹ 1 per share for nonpayment of first call of ₹ 3 per share. out of these 200 shares were reissued at ₹ 3 per share fully paid up.

Ans.

(a)	Share Capital	Dr	140	
	To forfeited shares		100	
			40	
	Bank	Dr	120	
	To share cap.		105	
	To sec prem Reserve		15	
	forfeited shares	Dr	75	
	To Cap Reserve		75	
(b)	Share Cap	Dr	720	
	See prem	Dr	100	
	To forfeited shares		450	
	To allot A/c		450	
	Bank	Dr	800	
	To share cap		640	
	To see premium		160	
	forfeited shares	Dr	400	
	To Cap Reserve		400	
(c)	Share Cap	Dr	3000	
	To D/S		300	
	To forfeited shares		1800	
	To share I call		900	
	Bank	Dr	600	
	D/S	Dr	200	
	Share forfeiture	Dr	1200	
	To share Cap		2000	

ques 6. N and M are partners in a firm. They share profits in ratio of 3:2. They admit G into partnership for 1/4 share in profits. He brings his share of goodwill in cash and proportionate capital. At the time of G's admission, the balance sheet of N and M was as under :-

<u>Liabilities</u>		<u>Assets</u>	
Creditors	5600	Cash	2000
General Reserve	6400	Debtors	13000
Capitals:- N	12000	- Reserve	10000
M	8000	Stock	6000
		Investments	10000
		Patents	2000
	<u>32000</u>		<u>32000</u>

on 1st April, 2012 Gopal was admitted on the following terms:-

- (i) Goodwill of the firm was to be valued at ₹ 10000.
- (ii) The unrecorded accrued income of ₹ 1000 was to be provided for.
- (iii) The market value of Investments was ₹ 9000.
- (iv) A Debtor whose dues of ₹ 2000 were written off as bad debts paid ₹ 1600 in full settlement.
- (v) Patents were to be undervalued by ₹ 10000.

Prepare Revaluation A/c, Partners' Cap A/c and Balance sheet.

Ans.

<u>Revaluation A/c</u>			
To Investments	1000	By unrecorded income	1000
To Patents	1000	By Bank (B/D recovered)	1600
		By loss :-	
		N 10440	
		M 6960	17400
	<u>2000</u>		<u>2000</u>

<u>Partners' Cap A/c</u>									
	N	M	G		N	M	G		
To Rev. A/c	10440	6960	-	By Bal b/d	12000	8000	-		
To Bal b/d	162960	108640	90533	By Cracks	38400	25600	-		
				By Prem.	15000	10000	-		
				By Bank	-	-	90533		
	<u>173400</u>	<u>115600</u>	<u>90533</u>		<u>173400</u>	<u>115600</u>	<u>90533</u>		

<u>Balance sheet</u>				
<u>Liabilities</u>		<u>Assets</u>		
Capitals:-	N	162960	Cash	137133
	M	108640	Patents	2000
	G	90533	- Dep	1000
Creditors		5600	Stock	6000
			Debtors	13000
			- Prov.	1000
			Investment	9000
			Accrued Incom	1000
		<u>418133</u>		<u>418133</u>

Ques 7. Calculate cash flow from operating Activities from the following:-

Particulars	31.3.2011	31.3.2012
I. Equity and Liabilities:-		
Shareholders' fund:-		
Equity share cap	10000	12000
Reserve and surplus	3000	6000

Particulars	31.3.2011	31.3.2012
Non Current Liabilities:-		
6% Debentures	60000	80000
Current Liabilities:-		
Creditors	30000	35000
B/P	30000	10000
Other current liability	40000	45000
Total	290000	330000

Assets	31.3.2011	31.3.2012
Non Current Assets - Fixed Asset	150000	190000
Non Current Investments	40000	30000
Current Assets:-		
Stock	40000	55000
Debtors	40000	45000
Cash	20000	10000
Total	290000	330000

Additional Information:

- (i) A piece of machinery costing ₹ 5000, on which depreciation of ₹ 2000 had been charged was sold for ₹ 1000. Depreciation charged during the year was ₹ 17000.
- (ii) New Debentures have been issued on 1st Aug. 2011.

Ans. Cash flow from operating Activities

Net Profit	30000
+ Depreciation	17000
+ Issue of Debentures	44000
+ Loss on sale of Machinery	2000
Operating profit b/f w/c changes	53400
+ Inc in creditors	5000
+ Inc in CL	5000
- Dec in B/P	(20000)
- Inc in stock	15000
- Inc in Debtors	5000
Net cash flow from op activity	23400

ques 8.

Prepare a cash flow statement from the following:-

Particulars	2011-12	2010-11
Equity and liabilities:-		
Shareholders' fund:-		
Share Capital	120000	90000
Reserve and surplus	350000	400000

Particulars	2011-12	2010-11
Non current liability:-		
long term borrowings	440000	350000
Current liability		
Trade payables	60000	50000
Total	2050000	1600000

Assets	2011-12	2010-11
Non current Asset:-		
Fixed Asset	1200000	900000
Current Asset:-		
Stock	200000	100000
B/R	310000	230000
Cash & cash equivalents	340000	370000
Total	2050000	1600000

- (i) The company paid interest £ 36000 on its long term borrowings.
(ii) Depreciation charged on fixed Assets was £ 120000.

Ans. (A) Cash flow from operating activities:-

P/L A/c	50000	
+ Int on long term borrowings	36000	
+ Depreciation	120000	
	<u>106000</u>	
OP pt before w/c changes	100000	
+ Inc in Trade payables	10000	
- Inc in Stock	(100000)	
- Inc in B/R	(80000)	(640000)
Cash flow from op activity		

(B) Cash flow from Investing activity:-		
- Pur of fixed Assets	(420000)	
Cash used for Investing Activity.		(420000)

(C) Cash flow from Financing activity:-		
+ Issue of shares	40000	
+ loan raised	90000	
- Interest paid	(36000)	
Cash flow from financing activity		454000
+ op Bal of Cash & cash equivalents		(30000)
clo Bal of Cash and cash equivalents		<u>370000</u>
		<u>340000</u>

Fixed Assets A/c			
To Bal b/d	900000	By Dep A/c	120000
To Bank (Pur)	420000	By Bal c/d	1200000
	<u>1320000</u>		<u>1320000</u>

eight mark questions

quest Sengita Ltd. invited applications for issuing 6000 shares of ₹ 10 each at par. The amount payable as follows: - ₹ 9 on application, ₹ 3 on allotment, ₹ 5 on first and final call.

Applications were received for 92000 shares. Allotment was made on the following basis: - (i) applicants for 4000 shares — full

(ii) applicants for 5000 shares — 40%

(iii) applicants for 2000 shares — NIL

₹ 108000 was realized on account of allotment (including the amount carried from application money) and ₹ 250000 on account of call.

The directors decide to forfeit shares of those applicants to whom full allotment was made and on which allotment money was overdue.

Pass journal entries in books of Sengita Ltd.

Ans.

Bank	Dr	184000
To share app		184000
<hr/>		
Share app	Dr	184000
To share Cap		120000
To Bank		40000
To share allotment		60000
<hr/>		
Share allotment	Dr	180000
To share Cap		180000
<hr/>		
Bank	Dr	108000
To share allotment		108000
<hr/>		
Share first & final call	Dr	300000
To share Cap		300000
<hr/>		
Bank	Dr	250000
To share I & final call		250000
<hr/>		
Share Cap	Dr	400000
To share allotment		120000
To share I call		200000
To share forfeited pt		80000

ques 2, L and M share profits in ratio of 5:3. They admit N for 1/4 share in profits to be contributed equally by L & M. on the date of admission the Balance sheet of L & M was as follows: -

Liabilities

L's Cap	30000
M's Cap	20000
Reserve fund	4000
Bank loan	12000
creditors	2000
	<u>68000</u>

Assets

Machinery	26000
Furniture	18000
Stock	10000
Debtors	8000
Cash	6000
	<u>68000</u>

Terms of N's admission were as follows:-

- (i) N will bring £ 25000 as his Capital
 - (ii) Goodwill of the firm is to be valued at 4 years' purchase of the average super profits of last 3 yrs. Average profits of last three years are £ 20000, while the normal profits that can be earned on the Capital employed are £ 12000.
 - (iii) Furniture is to be valued at £ 24000 and the value of stock to be reduced by 20%.
- prepare Revaluation A/c, Partners' Capital A/cs and Balance sheet.

Ans.

Revaluation A/c

To Stock	2000	By Furniture A/c	6000
To NIP: L 2500			
M 1500	4000		
	<u>6000</u>		<u>6000</u>

Partners' Cap A/c

	<u>L</u>	<u>M</u>	<u>N</u>		<u>L</u>	<u>M</u>	<u>N</u>
To L	—	—	4000	By Bal b/d	30,000	20,000	—
To M	—	—	4000	By Reserve	2500	1500	—
To Bal c/d	39000	27000	17000	By Rev A/c	2500	1500	—
				By Cash	—	—	25000
				By N	4000	4000	—
					<u>39000</u>	<u>27000</u>	<u>25000</u>
	<u>39000</u>	<u>27000</u>	<u>25000</u>				

Balance sheet

<u>Liabilities</u>			<u>Assets</u>	
Capitals: L	39000		Machinery	26000
M	27000		Furniture	24000
N	<u>17000</u>	83000	Stock	8000
Bank loan	12000		Debtors	8000
creditors	2000		Cash	31000
	<u>97000</u>			<u>97000</u>

N	By	8000
To L		4000
To M		4000

Ques 3. Prachi, Ratika and Ishita were partners sharing profits in ratio of 5:3:2. In spite of reminders, they kept dumping hazardous material into river. The court ordered for dissolution of their partnership firm on 31st March 2012. Prachi was deputed to realise the assets and pay the liabilities, she was paid ₹ 1000 as commission for his services. The financial position of the firm was as follows:-

<u>Liabilities</u>		<u>Assets</u>	
Creditors	10,000	Furniture	37,000
Investment fluctuation fund	4,500	Stock	5,500
Capitals:- Prachi	40,000	Investments	15,000
Ratika	30,000	Cash	9,000
		Ishita's Cap	18,000
			<u>84,500</u>
	<u>84,500</u>		

Following was agreed upon:-

Prachi took over investments for ₹ 12,500. Stock and furniture realized ₹ 41,500. There was old furniture which has been written off completely from the books. Ratika agreed to take away the same at the price of ₹ 3,000. Compensation paid to employees amounted to ₹ 8,000. This liability was not provided in the above Balance sheet, Realization expenses amounted to ₹ 1,000. Prepare Realisation A/c, Partners' Cap A/c and Cash A/c to close the books of the firm.

Ans.

<u>Realisation A/c</u>			
To Assets A/c:-		By Creditors	10,000
Furniture	37,000	By Investment fluctuation fund	4,500
Stock	5,500	By Prachi's Cap A/c	12,500
Investments	<u>15,000</u>	(Investment)	
	57,500	By Cash	41,500
To Cash (Creditors)	10,000	By Ratika's Cap A/c	3,000
(Compensation)	<u>8,000</u>	(Furniture)	
	18,000	By loss H/P to:	
To Cash	1,000	Prachi	3,000
(Realisation Exp)		Ratika	18,000
To Prachi's Cap A/c	1,000	Ishita	<u>12,000</u>
(Commission)			6,000
	<u>77,500</u>		<u>77,500</u>

