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SUBJECT CODE: 055

**COIMBATORE & MADURAI SAHODAYA SCHOOLS COMPLEX
COMMON EXAMINATION**

DECEMBER 2020

Grade: XII

ACCOUNTANCY

Max. Marks: 80

Date: 16.12.2020

(SET – A)

Time: 3 hrs

Answer Key

- 1) Incoming Partner. (1)
- 2) (c) Because Amar is getting remuneration, dissolution Expenses are over and above the remuneration. (1)
- 3) it is a gain to a partner as a lender. (1)
- 4) any error or omission, committed in earlier year(s). (1)
- 5) False. Reason: Drawings against capital are considered for calculating interest on capital as interest is not allowed on capital withdrawn. (1)
- 6) (1)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Reserve A/c ...Dr.		1,20,000	
	To Ram's Capital A/c			40,000
	To Shyam's Capital A/c			40,000
	To Mohan's Capital A/c			40,000
	(Workmen Compensation Reserve transferred to Partners in their old profit-sharing ratio)			

- 7) Debit balance (1)
- 8) Partnership deed (1)
- 9) Accountant is not correct because only X has gained on Y's retirement. (1)

$$\text{Calculation of Gaining Ratio} \quad (1)$$

$$X's \text{ Gain (New Profit Share – Old Profit Share)} = \frac{5}{6} - \frac{3}{6} = \frac{2}{6}$$

$$Z's \text{ Gain (New Profit Share – Old Profit Share)} = \frac{1}{6} - \frac{1}{6} = 0, \text{ it indicates that Z has not gained on Y's retirement.}$$

- 10) (b) As the profit-sharing ratio of continuing partners does not change, it means they have gained (acquired) share of retiring partner in their profit-sharing ratio, i.e., 3: 2. (1)
- 11) Prudence concept (1)
- 12) Will not be charged (1)
- 13) Equal share of profit and losses (1)
- 14) Youth club

An Extract of balance sheet as at 31st March, 2020

Liabilities			Assets	
Capital Fund			Hostel (WIP)	6,00,000
Opening Balance	18,00,000		10% Hostel Fund Investments	8,00,000
Add : Transfer from Hostel Fund	6,00,000	24,00,000	Outstanding Subscription for Governor's Party	10,000
Hostel Fund				
Opening Balance	8,00,000			
Add : Donation Received	10,00,000			
Interest on Hostel Fund				
Investments	80,000			
	18,80,000			
Less : Transfer to Capital Fund	6,00,000	12,80,000		
Subscription for Governor's Party		50,000		
(₹ 40,000 + ₹ 10,000)				

(Or)

STATEMENT SHOWING MEDICINES CONSUMED DURING 2019 - 20

(3)

Particulars		
Amount paid for Medicines during the year ended 31 st March,2020		2,16,000
Add : Stock of Medicines on 1 st April, 2019	60,000	
Creditors for Medicines on 31 st March, 2020	26,000	86,000
		3,02,000
Less : Stock of Medicines on 31 st March,2020		
Creditors for Medicines on 1 st April, 2019		
Medicines Consumed during 2019 - 20	10,000	
	40,000	50,000
		2,52,000

15) ADJUSTMENT ENTRY

(2)

Date	Particulars	L.F.	Dr.(`)	Cr.(`)
	A's Current A/c ....Dr.		5,640	
	To B's Current A/c			4,860
	To C's Current A/c			780
	(Adjustment entry passed rectifying the error)			

Working Notes :

- (1) It is presumed that capital of the partners are fixed. As a result, interest on capitals has been calculated on the given balances of capital.

(1)

ADJUSTMENT TABLE

Particulars	A's Current A/c		B's Current A/c		C's Current A/c		Firm	
	Dr.(`)	Cr.(`)	Dr.(`)	Cr.(`)	Dr.(`)	Cr.(`)	Dr.(`)	Cr.(`)
Profit already wrongly distributed (3 : 2 : 1), now taken back	15,000	....	10,00	...	5,000	...	...	30,000
Profit as should be distributed :			0					
Interest on Capital	...	1,500	...	1,000	...	500	3,000	...
Salary	...	...	...	6,000	...	...	6,000	...
Commission (WN 2)	...	...	...	...	...	1,350	1,350	...
Net Profit Distributed (2 : 2 : 1)	...	7,860	...	7,860	...	3,930	19,650	...
	15,000	9,360	...	14,860	5,000	5,780	30,000	30,000
			10,00					
Balance to be Adjusted (Net Effect)	5,640 (Dr.)		4,860 (Cr.)		780 (Cr.)		Nil	

- (2) Calculation of Commission to C :

(1)

Net Profit	30,000
Less : Interest on Capital (` 1,500 + ` 1,000 + ` 500)	3,000
Profit after charging Interest on Capital	27,000
C's Commission = ` 27,000 x 5 / 100 = ` 1,350	

(Or)

Calculation of Gain / Sacrifice of partner:

Sacrifice Share = Old Profit Share – New Profit Share

(1)

$$X = \frac{5}{10} - \frac{1}{3} = \frac{15-10}{30} = \frac{5}{30} \text{ (Sacrificing partner)}$$

$$Y = \frac{3}{10} - \frac{1}{3} = \frac{9-10}{30} = \left(\frac{1}{30} \right) \text{ (Gaining partner)}$$

$$Z = \frac{2}{10} - \frac{1}{3} = \frac{6-10}{30} = \left(\frac{4}{30} \right) \text{ (Gaining partner)}$$

Compensation payable by Y to X = ` 9,00,000 x 1/30 = ` 30,000

Compensation payable by Z to X = ` 9,00,000 x 4 / 30 = ` 1,20,000

JOURNAL

(3)

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2020 April	X's Capital A/c (₹ 1,50,000 x 5/10) ...Dr. Y's Capital A/c (₹ 1,50,000 x 3/10) ...Dr. Z's Capital A/c (₹ 1,50,000 x 2/10) ...Dr. To Goodwill A/c (Existing goodwill written off in old ratio on change in profit – sharing ratio)		75,000 45,000 30,000	1,50,000
	Y's Capital A/c ...Dr. Z's Capital A/c ...Dr. To X's Capital A/c (Adjustment made for goodwill on change in the profit-sharing ratio)		30,000 1,20,000	1,50,000

16)

Journal

(4)

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
(i)	Bank A/c To Realisation A/c ...Dr. (Amount received from a creditor after adjusting value of building ₹ 1,80,000 against his dues)		40,000	40,000
(ii)	No entry			
(iii)	Realisation A/c ...Dr. To Bank A/c (Amount paid to a creditor being the balance after taking over investments)		30,000	30,000
(iv)	L's Capital A/c ...Dr. M's Capital A/c ...Dr. To Realisation A/c (Loss on realization debited to Capital Accounts of the partners in their profit-sharing ratio, i.e., 2 : 3)		1,600 2,400	4,000

17)

BALANCE SHEET OF HIND LTD.(EXTRACT) as at...

(4)

Particulars	Note No	Current Year (₹)	Previous Year (₹)
1.EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	64,70,000	

Note to Accounts

Particulars	₹
1.Share Capital	
Authorised Capital	
90,000 Equity Shares of 100 each	90,00,000
Issued Capital	
70,000 Equity Shares of 100 each	70,00,000
Subscribed Capital	
Subscribed and fully paid-up	
64,000 Equity Shares of ₹ 100 each	64,00,000
(of the above 20,000 shares have been issued for consideration other than cash)	
Add : Forfeited Shares A/c (1,000 Equity Shares of ₹ 70 each)	70,000
	64,70,000

18) a) Calculation of Goodwill and Suresh's Share of Goodwill :

(4)

Total Profits : ₹ 50,000 + ₹ 1,10,000 + ₹ 2,20,000 - ₹ 1,60,000**
= ₹ 3,00,000

Average Profit = ₹ 3,00,000 ÷ 5 = ₹ 60,000

Goodwill = Average Profit x No.of Years' Purchase

$$= ₹ 60,000 \times 2 = ₹ 1,20,000$$

Suresh's Share of Goodwill = ₹ 1,20,000 $\times \frac{2}{5}$ = ₹ 48,000, which is to be contributed by Ramesh and Naresh in their gaining ratio of 2 : 1.

b) Calculation of Suresh's Share of Profit / Loss :

Suresh's Share of Loss = Loss for 2019 - 20 \times Proportionate Period \times Suresh's Share

$$= ₹ 1,60,000 \times \frac{3}{12} \times \frac{2}{5} = ₹ 16,000$$

c) JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2020 June 30	Ramesh's Capital A/c ...Dr. Naresh's Capital A/c ...Dr. To Suresh's Capital A/c (Suresh's share of goodwill credited to him by debiting Ramesh and Naresh in their gaining ratio of 2 : 1)	32,000 16,000		48,000
	Suresh's Capital A/c ..Dr. To Profit and Loss Suspense A/c (Suresh's share of loss to the date of death adjusted, i.e. ₹ 1,60,000 $\times \frac{3}{12} \times \frac{2}{5}$)	16,000		16,000

Working Note :

$$\text{Valuation of Goodwill} = \frac{50,000 + 80,000 + 1,10,000 + 2,20,000 - 1,60,000}{5}$$

$$= ₹ 60,000 \times 2 = ₹ 1,20,000$$

$$\text{Share of Suresh} = ₹ 1,20,000 \times \frac{2}{5} = ₹ 48,000$$

19)

(6)

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Incorporation Cost A/c ...Dr. To Promoters' A/c (Remuneration payable to promoters)		50,000	50,000
	Promoters' A/c ...Dr. To Share Capital A/c (Shares issued)		50,000	50,000
	Building A/c ...Dr. Computers A/c ...Dr. Stock A/c ...Dr. Sundry Debtors A/c ...Dr. To Sundry Creditors A/c To Computech Ltd. (Note) To Capital Reserve A/c (Balancing Figure) (Business of Computech Ltd. purchased)		3,00,000 1,00,000 2,00,000 1,00,000	80,000 6,00,000 20,000
	Computech Ltd. ...Dr. To Bank A/c (Part payment made to Computech Ltd. by cheque)		60,000	60,000
	Computech Ltd. ...Dr. To 10% Debentures A/c To Securities Premium Reserve A/c (4,500 : 10% Debentures issued at 20% premium for the balance)		5,40,000	4,50,000 90,000

Note :

Purchase Consideration: ₹ 60,000

Cheque ₹ 5,40,000

4,500, 10% Debentures of ₹ 100 each at premium of 20%

(Or)
JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
(a)	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		40,000	40,000
	Debentures Application and Allotment A/c ....Dr. Loss on Issue of Debentures A/c ...Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (400 : 9% Debentures of ₹ 100 each issued at par redeemable at 10% premium)		40,000 4,000	40,000 4,000
	Statement of Profit and Loss (Finance Cost) ...Dr. To Loss on Issue of Debentures A/c (Loss on issue of Debentures written off)		4,000	4,000
(b)	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Debentures application money received)		85,500	85,500
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (900 : 9% Debentures of ₹ 100 each issued at 5% discount redeemable at 105 premium)		85,000 13,500	90,000 9,000
	Statement of Profit and Loss (Finance Cost) ...Dr. To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off)		13,500	13,500
(c)	Bank A/c ...Dr. To Debentures Application and Allotment A/c (Being the application money received)		11,00,000	11,00,000
	Debentures Application and Allotment A/c ...Dr. Loss on Issue of Debentures A/c ...Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c To Securities Premium Reserve A/c (Being the Debentures allotted)		11,00,000 1,00,000	10,00,000 1,00,000 1,00,000
	Securities Premium Reserve A/c ...Dr. To Loss on Issue of Debentures A/c (Loss on Issue of Debentures written off)		1,00,000	1,00,000

20) Young Achiever's Club

Dr. INCOME AND EXPENDITURE ACCOUNT for the year ended 31st March, 2020

(6)

Expenditure		Income	
To Salaries	31,500	By Subscriptions	75,000
To Postage	1,250	60,000	
To Rent	9,000	Add : Outstanding (2019 – 20)	
To Printing and Stationery	14,000	15,000	1,100
To Sports Material Consumed :		(WN 1)	450
Opening Stock	3,000	By Entrance Fees	5,250
Add : Purchases	11,500	By Sale of Old Magazines	
	14,500	By Accrued interest on Investments	
Less : Closing Stock	4,500	(₹ 70,000 x 10 / 100 x 9 / 12)	
To Miscellaneous Expenses	3,100		
Depreciation on Furniture	1,000		
(₹ 20,000 x 6/12 x 10/100)			
To Surplus, i.e., excess of Income over Expenditure	11,950		
BALANCE SHEET as on 31 st March, 2020			
Liabilities		Assets	

Subscription Received in Advance		1,800	Cash in Hand	5,000
Donation for Billiards Table		90,000	Cash at Bank	22,000
Capital Fund	38,200	50,150	Subscription Receivable :	
Add : Surplus	11,950		2018 – 19	1,200
			2019 – 20	15,000
			10% Investments	70,000
			Accrued Interest on Investments	5,250
			Sports Materials	4,500
			Furniture	20,000
			Less : Depreciation	1,000
		1,41,950		19,000
				1,41,950

Working Notes:

- Subscription Due for 2019 – 20 (250 x `300) ` 75,000
Less : Received for 2019 – 20 ` 60,000
Subscription Outstanding/ Receivable for 2019 – 20 ` 15,000
- Specific donation (Donations for Billiards Table) will be shown on the Liabilities side of the Balance sheet.

21) Dr. REVALUATION ACCOUNT

(8)

Particulars	`	Particulars	`
To Building A/c	3,00,000	By Land A/c	3,60,000
To Furniture A/c	60,000		
	3,60,000		3,60,000

Note : Profit or Loss on Revaluation : Nil.

Dr. PARTNERS' CAPITAL ACCOUNTS

Particulars	P`	Q`	R`	Particulars	P`	Q`	R`
To Q's Capital A/c (WN 2)	2,10,000	...	30,000	By Balance b/d	9,00,000	8,40,000	9,00,000
To Q's Loan A/c	12,22,000	12,32,000	9,46,000	By General Reserve A/c	2,52,000	72,000	36,000
To Balance c/d				By Workmen Compensation Reserve A/c	2,80,000	80,000	40,000
				By P's Capital A/c (WN 2)	...	...	...
	14,32,000	12,32,000	9,76,000	By R's Capital A/c	14,32,00	12,32,00	9,76,000

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2020

Liabilities			Assets		
P's Capital	12,22,000		Land (` 12,00,000 + ` 3,60,000)		15,60,000
R's Capital	9,46,000	21,68,000	Building (` 9,00,000 - ` 3,00,000)		6,00,000
Creditors		3,60,000	Furniture (` 3,60,000 - ` 60,000)		3,00,000
Workmen Compensation Claim		1,40,000	Stock		6,60,000
Q's Loan		12,32,000	Debtors	6,00,000	
			Less : Provision for Doubtful Debts	30,000	5,70,000
			Cash at Bank		2,10,000
		39,00,000			39,00,000

Working Notes:

- After adjusting liability for Workmen's Compensation `1,40,000, excess balance of Workmen Compensation Reserve of ` 4,00,000 is distributed among the partners in their profit-sharing ratio, i.e., 7 : 2 : 1
- Q's share of Goodwill = ` 12,00,000 x 2 / 10 = ` 2,40,000, contributed by P and R in their gaining ratio, i.e., 7 : 1. Thus, P's contribution = ` 2,40,000 x 7/8 = ` 2,10,000 ; R's contribution = ` 2,40,000 x 1/8 = ` 30,000

(Or)

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Plant and Machinery A/c	10,000	By Land and Building A/c	25,000
To Stock A/c	1,000	By Provision for Doubtful Debts A/c	400
To Gain (Profit) transferred to :		By Sundry Creditors A/c	1,200
A's Capital A/c	12,450	By Bad Debts Recovered A/c	1,000
B's Capital A/c	4,150		
	16,600		
	27,600		27,600

Dr.

PARTNERS CAPITAL ACCOUNTS

Cr.

Particulars	A	B	C	Particulars	A	B	C
To Goodwill A/c (WN 1)	30,000	10,000	...	By Balance b/d	50,000	80,000	....
To Balance c/d	74,450	88,150	60,000	By Revaluation A/c	12,450	4,150	...
				By Workmen Compensation Reserve A/c	30,000	10,000	....
				By General Reserve A/c	7,500	2,500	....
				By C's Current A/c (Goodwill)	4,500	1,500	....
				By Cash A/c	....	...	60,000
	1,04,450	98,150	60,000		1,04,450	98,150	60,000

Working Notes:

- When goodwill appears in the books of the firm at the time of admission of a new partner, then such goodwill has to be written off among the old partners in the old ratio.
- New partner does not bring his share of goodwill, so premium for goodwill is adjusted through his Current Account.

22) JOURNAL OF SUN & MOON LTD

(8)

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c ...Dr To Shares Application A/c (Application money received for 24,000 shares@`20each		4,80,000	4,80,000
	Shares Application A/c ...Dr. To Share Capital A/c To Bank A/c (Application money adjusted on allotment and balance refunded)		4,80,000	4,00,000 80,000
	Shares Allotment A/c ...Dr To Share Capital A/c (Allotment money due on 20,000 shares@`30each)		6,00,000	6,00,000
	Bank A/c ...Dr To shares Allotment A/c (Allotment money received)		6,00,000	6,00,000
	Shares First Call A/c (20,000 x `25) ...Dr To Share Capital A/c (First call money received on 20,000 shares@`25each		5,00,000	5,00,000
	Bank A/c ...Dr To Shares First Call A/c (First call money received on 20,000shares@`25each)		5,00,000	5,00,000
	Shares Second and Final Call A/c ...Dr To Share Capital A/c (Second and Final Call due on 20,000 shares@`25each)		5,00,000	5,00,000
	Bank A/c ...Dr Calls-in-Arrears A/c(600 x `25) ....Dr To Shares Second and Final Call A/c (Second and Final Call money received except on 600 shares)		4,85,000 15,000	5,00,000

Share Capital A/c (600 x `100) ...Dr	60,000	45,000
To Forfeited Shares A/c		15,000
To calls-in-Arrears A/c (600 shares forfeited for non-payment of Second and Final Call)		
Bank A/c (400 x `90) ...Dr	36,000	
Forfeited Shares A/c (400 x `10) ...Dr.	4,000	40,000
To Share Capital A/c (400 x `100) (400 forfeited shares reissued@`90 per share as fully paid -up		
Forfeited Shares A/c ...Dr.	26,000	26,000
To Capital Reserve A/c (Gain (Profit) on 400 reissued shares transferred to Capital Reserve)		

Sun & Moon Ltd
BALANCE SHEET as at....

Particulars	Note No.	Amount
1.EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	19,95,000

Notes to Accounts

Particulars		
1.Share Capital		
Authorised Capital		
30,000 Equity Shares of `100 each		30,00,000
Issued Capital		
20,000 Equity Shares of `100 each		20,00,000
Subscribed Capital		
Subscribed and fully Paid-up		
19,800 Equity Shares of `100 each	19,80,000	
Add : Forfeited Shares A/c	15,000	19,95,000

Working Note :

Amount forfeited on 600 shares (600 x `75)	45,000
Amount forfeited on 400 shares `45,000x $\frac{400}{600}$	30,000
Less : Discount allowed on Reissue of 400 shares (400 x `10)	4,000
Gain on reissue transferred to Capital Reserve	26,000

(Or)

a) JOURNAL OF X LTD.

Date	Particulars	L.F.	Dr.(C)	Cr.(C)
(a)	Share Capital A/c (20 x `7) ....Dr.		140	
	To Forfeited Shares A/c (20 x `5)			100
	To Calls-in -Arrears A/c (20 x `2)			40
	(20 shares forfeited due to non-payment of `2 per share)			
	Bank A/c (15 x `8) ....Dr.		120	
	To share Capital A/c (15 x `7)			105
	To Securities Premium Reserve A/c (15 x `1)			15
	(Forfeited shares reissued as `7 per share paid-up for `8 per share)			
	Forfeited Shares A/c ...Dr		75	
	To Capital Reserve A/c			75

	(Transfer of gain on reissue of 15 forfeited shares to Capital Reserve)			
(b)	JOURNAL OF Y LTD			
	Share Capital A/c (90 x `8) ...Dr Securities Premium Reserve A/c (90 x `2) ...Dr To Forfeited Shares A/c (90 x `5) To Shares Allotment A/c (90 x `5) (90 shares forfeited for non-payment of allotment money)		720 180	450 450
	Bank A/c (80 x `10) To Share capital A/c (80 x `8) To Securities Premium Reserve A/c (80 x `2) (80 shares reissued as `8 called-up for `10 per share)		800	640 160
	Forfeited Shares A/c (80 x `5) ...Dr To Capital Reserve A/c (Transfer of gain on reissue of 80 Shares to Capital Reserve)		400	400
(c)	JOURNAL OF Z LTD			
	Share Capital A/c (50 x `80) ...Dr To Shares First Call A/c (50 x `30) To Forfeited Shares A/c (50 x `50) (50 shares forfeited for non-payment of first call money)		4,000	1,500 2,500
	Bank A/c (20 x `30) ...Dr Forfeited Shares A/c ...Dr To Share Capital A/c (20 x `80) (20 Shares reissued as `80 paid-up for `30 per share)		600 1,000	1,600

Note :

There is no gain (profit) on reissue of forfeited shares.

- 23) Not Change. Reason : Neither the total Current Assets nor the total Current Liabilities are affected since there is only a conversion of one Current Asset. (i.e. Cahs) into another Current Asset (i.e. Inventory) (1)
- 24) (d) Intra-firm comparison possible. (1)
- 25) False. Reason : Cash proceeds from issue of debentures are shown under Cash Flow from Financing Activities, it being a borrowing. (1)
- 26) Qualitative Analysis (1)
- 27) Comparative Statement of profit and loss (1)
- 28) Total Assets (1)
- 29) `8,00,000 (1)
- 30) COMPARATIVE STATEMENT OF PROFIT AND LOSS (3)

Particulars	Note No.	31 st March, 2019	31 st March, 2020	Absolute Change (Increase / Decrease)	Percentage Change (Increase / Decrease) %
		(A)	(B)			(C = B – A)
I. Revenue from Operations		80,00,000	1,20,00,000	40,00,000	50.00
II. Other Incomes		16,00,000	14,40,000	(1,60,000)	(10.00)
III. Total Revenue (I + II)		96,00,000	1,34,40,000	38,40,000	40.00
IV. Expenses		48,00,000	84,00,000	36,00,000	75.00
V. Profit before Tax (III – IV)		48,00,000	50,40,000	2,40,000	5.00
VI. Less : Tax		24,00,000	25,20,000	1,20,000	5.00
VII. Profit after Tax (V – VI)		24,00,000	25,20,000	1,20,000	5.00

(OR)

Fcon Ltd

Comparative Statement of profit and loss for the year ended 31stMarch, 2019 and 2020

Particulars	Note No	31 st March 2019	31 st March 2020	Absolute Change (Increase or Decrease)	Percentage change (Increase or Decrease) (%)
I. Revenue from operations		4,20,000	8,00,000	3,80,000	90.48
II. Expense		2,50,000	4,50,000	2,00,000	80.00
a) Purchase of stock -in- Trade					
b) Change in inventories of stock -in-Trade		50,000	50,000	.....	.....
c) Other Expenses		30,000	40,000	10,000	33.33
Total Expenses		3,30,000	5,40,000	2,10,000	63.64
III. Profit before Tax (I-III)		90,000	2,60,000	1,70,000	188.89
Less : Tax		27,000	78,000	51,000	188.89
IV. Profit after Tax		63,000	1,82,000	1,19,000	188.89

$$31) \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\text{₹ } 3,18,000}{\text{₹ } 2,40,000} = 1.33 : 1 \quad (4)$$

Working Notes

1) Let cost = ₹ 100; Gross profit = ₹ 25

Revenue from operation = ₹ 100 ÷ ₹ 25 = ₹ 125

Cost of Revenue from operations = ₹ 8,00,000 × ₹ 100 / ₹ 125 = ₹ 6,40,000

Inventory Turnover Ratio = $\frac{\text{Cost of Revenue from Operation}}{\text{Average Inventory}}$

$$S = \frac{6,40,000}{\text{Average Inventory}}$$

Average Inventory = 6,40,000/5 = 1,28,000

Average Inventory = $\frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$

Let , Opening Inventory = X, Closing Inventory = X+ ₹ 20,000

$$\text{₹ } 1,28,000 = \frac{X + X + 20,000}{2}$$

$$X + X + ₹ 20,000 = ₹ 2,56,000$$

$$X(\text{Opening Inventory}) = ₹ 1,18,000$$

$$\text{Closing Inventory} = ₹ 1,18,000 + ₹ 20,000 = ₹ 1,38,000$$

2) Quick Ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities}} = 0.75 = \frac{\text{Quick Assets}}{2,40,000}$

$$\text{Quick Assets} = ₹ 2,40,000 \times 0.75 = ₹ 1,80,000$$

3) Current Assets = Quick Assets + Closing Inventory = 3,18,000

b) Uses of Return of Investment

i) It measures overall probability of an enterprise

ii) It can be used for evaluation Investment Decision.

(a) Debt to Equity Ratio = $\frac{\text{Debt}}{\text{Equity}} = \frac{\text{₹ } 16,00,000}{\text{₹ } 9,00,000} = 1.78 : 1$

Proprietary Ratio = $\frac{\text{Shareholder's Funds}}{\text{Total Assets}} = \frac{\text{₹ } 9,00,000(\text{WN1})}{\text{₹ } 31,80,000} = 1.28 : 1$

Total Assets to Debt Ratio = $\frac{\text{Total Assets}}{\text{Debt}} = \frac{\text{₹ } 31,80,000(\text{WN3})}{\text{₹ } 16,00,000(\text{WN4})} = 1.99 : 1$

Working Notes

1) Calculation of Shareholders' Funds of Proprietors Funds or Equity

Liabilities side Approach	₹	Assets Side Approach	₹
Equity share capital	2,00,000	Fixed Assets (Tangible)	21,00,00
Add: Reserves and Surplus (`2,50,00 + `1,50,00)	4,00,000	Long Term Trade Investments	2,00,000
Equity Shareholders Funds	6,00,000	Add :Working Capital (WN2)	2,00,000
Add: Preference Share Capital	3,00,000	Less: Long-term Borrowing (12% Debentures)	25,00,000
Shareholders' Funds	9,00,000	Shareholders' Funds	16,00,000
			9,00,000

2) Working Capital = Current Assets -Current Liabilities = `8,80,000 - `6,80,000 = `2,00,000

3) Total Assets = Fixed Assets (Tangible) + Long term Trade Investment + Current Assets
= `21,00,000 + `2,00,000 + `8,80,000 = `31,80,000

4) Debt = 12% Debenture = `16,00,000

b) Net Profit before Interest and Tax

32) (a) CASH FLOW FROM INVESTING ACTIVITIES

(6)

Particulars	₹
Proceeds from Sale of Machinery	20,000
Payment for Purchase of Machinery (WN 1)	(60,000)
Proceeds from Sale of Patents (WN 3)	1,00,000
Cash Flow from Investing Activities	60,000

Working Notes:

1. Dr. MACHINERY ACCOUNT

Particulars	₹	Particulars	₹
To Balance b/d	4,00,000	By Bank A/c (Sale of Machinery)	20,000
To Gain (Profit) on Sale of Machinery A/c (Statement of Profit and Loss)	4,000	By Accumulated Depreciation A/c (Depreciation on Machinery Sold)	24,000
To Bank A/c (Purchases) (Balancing Figure)	60,000	By Balance c/d	4,20,000
	4,64,000		4,64,000

*Gain (Profit on Sale = Sale Price – Book Value of Machinery = `20,000 - `16,000
(i.e. `40,000 - `24,000) = `4,000

2. Dr. ACCUMULATED DEPRECIATION ACCOUNT

Particulars	₹	Particulars	₹
To Machinery A/c (Depreciation on Machinery Sold) (Transfer)	24,000	By Balance b/d	1,00,000

To Balance c/d	1,10,000	By Depreciation A/c (Statement of Profit and Loss) (Balancing Figure)	34,000
	1,34,000		1,34,000

3. Dr. PATENTS ACCOUNT

Particulars	₹	Particulars	₹
To Balance b/d	2,80,000	By Bank A/c (Sale) (Balancing Figure)	1,00,000
To Gain (Profit) on Sale Patents A/c (Given) (Statement of Profit and Loss)	20,000	By Amortisation A/c (Statement of Profit and Loss)	40,000
		By Balance c/d	1,60,000
	3,00,000		3,00,000

(b) CASH FLOW FROM FINANCING ACTIVITIES

Particulars	₹
Proceeds from the issue of 8% Debentures	2,00,000
Redemption of 10% Debentures	(1,00,000)
Interest Paid on Debentures	(10,000)
Dividend Paid	(50,000)
Cash Flow from Financing Activities	40,000

- Notes : i) Bonus shares are not shown in the Cash Flow Statement because there is no cash flow.
ii) It is assumed that 10% Debentures have been redeemed and fresh 8% Debentures have been issued on 31st March, 2020
