

**ACCOUNTANCY**  
**CONTENTS**

<b>S.No</b>	<b>Topic</b>	<b>Page No</b>
1	<b>Design Of Question Paper:</b>	2
2	<b>Rationale, General Objectives, Methodology And Syllabus:</b>	3
3	<b>Project Work In Accountancy</b>	8
a.	Comprehensive Project	13
b.	Specific Project I: Segment Analysis	20
c.	Specific Project II: Cash Flow Statement	28
4	<b>Topic Wise Flash Backs:</b>	
a.	Flash Back Book II: Analysis of Financial Statements	34
b.	Flash Back Book II: Double Entry Book keeping	54
5	<b>Value based Questions</b>	77

**DESIGN OF QUESTION PAPER: ACCOUNTANCY**

S.No	Name of Chapter	Number Of Questions					Total Marks
		1	3	4	6	8	
	<b>MARKS</b> ⇒	<b>1</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>8</b>	
<b>1</b>	Accounting for Partnership Firms	2	1	1	3	1	<b>35</b>
<b>2</b>	Accounting for Companies	3	2	2	-	1	<b>25</b>
<b>3</b>	Analysis of Financial Statements	1	1	2	-	-	<b>12</b>
<b>4</b>	Cash Flow Statement	2	-	-	1	-	<b>8</b>
	<b>Total Marks</b>	<b>8</b>	<b>12</b>	<b>20</b>	<b>24</b>	<b>16</b>	<b>80</b>
<b>5</b>	<b><u>Project Work</u></b> Unit 1 : Project File :4 marks Unit 2 : Written Test :12 marks (one hour) Unit 3 : Viva Voce' :4 marks						<b>20</b>
						<b>Total Marks</b>	<b>100</b>

**GENERAL LEARNING OBJECTIVES, METHODOLOGY AND SYLLABUS**  
**FOR THE ACADEMIC YEAR 2016-17: ACCOUNTANCY**

**Rationale:**

The course in Accountancy is introduced at + 2 stage of Senior Secondary education, as formal commerce education is provided after first ten years of schooling. With the fast changing economic scenario and business environment in a state of continuous flux, elementary business education along with accountancy as the language of business and as a source of financial information has carved out a place for itself at the Senior Secondary stage. Its syllabus content should give students a firm foundation in basic accounting principles and methodology and also acquaint them with the changes taking place in the presentation and analysis of accounting information, keeping in view the development of accounting standards and use of computers. Against this background, the course puts emphasis on developing basic understanding about the nature and purpose of the accounting information and its use in the conduct of business operations.

This would help to develop among students' logical reasoning, careful analysis and considered judgments. Accounting as an information system aids in providing financial information.

In class XII, Accounting Partnership Firms and Companies are to be taught as a compulsory part. Students will also be given an opportunity to understand further about Computerized Accounting System, as an optional course to Analysis of Financial Statements.

**General Learning Objectives of the Subject:**

- To familiarise the students with accounting as an information system;
- To acquaint the students with basic concepts of accounting and accounting standards;
- To develop an understanding about recording of business transactions and preparation of financial statements;
- To enable the students with accounting for reconstitution of partnership firms;
- To enable the students to understand and analyse the financial statements; and
- To familiarize students with the fundamentals of computerized system of accounting.

- Methodology:**
- ✓ Topics will be discussed in class and questions from the text will be taken up and solved
  - ✓ A handout to cover topics not given adequately in the text will be given wherever required.
  - ✓ Assignments to cover previous year Board questions will be given for writing practice.
  - ✓ Extra question covering HOTS questions for the chapter will be discussed in class.
  - ✓ A monthly class test will be given to assess learning of students.

**Syllabus for Annual Paper 3 Hours 80 Marks and Practical 20 Marks**

<b>Part A : Accounting for Partnership Firms and Companies</b>	<b>Marks</b>	<b>Periods</b>
1. Accounting for Partnership Firms	<b>35</b>	<b>90</b>
2. Accounting for Companies	<b>25</b>	<b>60</b>
<b>TOTAL</b>	<b>60</b>	<b>150</b>
<b>Part B: Financial Statement Analysis</b>	<b>Marks</b>	<b>Periods</b>
3. Analysis of Financial Statements	<b>12</b>	<b>30</b>
4. Cash Flow Statement	<b>08</b>	<b>20</b>
5. Project Work	<b>20</b>	<b>40</b>
Unit 1 : Project File :4 marks		
Unit 2 : Written Test :12 marks (one hour)		
Unit 3 : Viva Voce' :4 marks		
<b>TOTAL</b>	<b>40</b>	<b>90</b>

## Part A : Accounting for Partnership Firms and Companies

### Unit 1: Accounting for Partnership Firms

#### Content

- Partnership: features, Partnership deed.
- Provisions of the Indian Partnership Act 1932 in the absence of partnership deed.
- Fixed v/s fluctuating capital accounts, division of profit among partners, guarantee of profits, past adjustments (relating to interest on capital, interest on drawing, salary and profit sharing ratio), and preparation of P&L Appropriation account.
- Goodwill: nature, factors affecting and methods of valuation - average profit, super profit, and capitalization
- Change in the Profit Sharing Ratio among the existing partners - sacrificing ratio, gaining ratio. Accounting for revaluation of assets and re-assessment of liabilities and distribution of reserves and accumulated profits.
- Admission of a partner - effect of admission of a partner on change in the profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and re - assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet.
- Retirement and death of a partner: effect of retirement / death of a partner on change in profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and re -assessment of liabilities, adjustment of accumulated profits and reserves, adjustment of capital accounts and preparation of balance sheet. Preparation of loan account of the retiring partner. Calculation of deceased partner's share of profit till the date of death. Preparation of deceased partner's capital account, executor's account and preparation of balance sheet.
- Dissolution of partnership firms: types of dissolution of firm. Settlement of accounts - preparation of realization account, and other related accounts (excluding piecemeal distribution, sale to a company and insolvency of partner(s)).

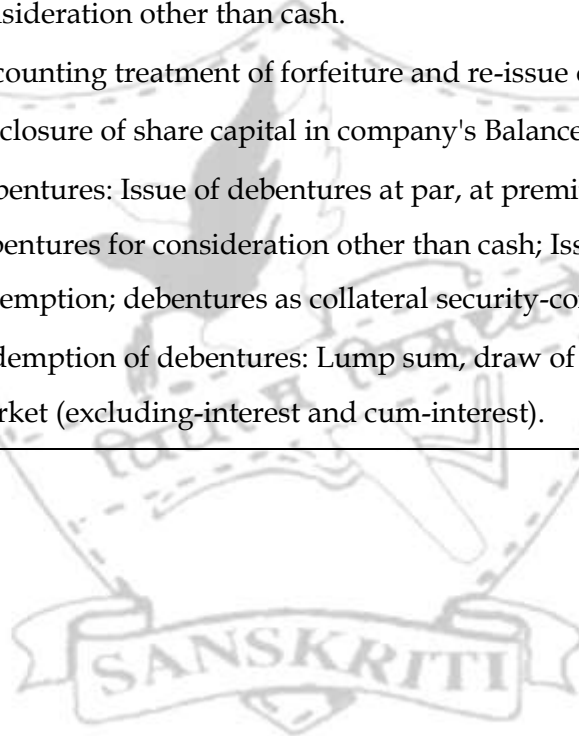
Note: (i) If value of asset is not given, its realised value should be taken as nil.

(ii) In case, the realisation expenses are borne by a partner, clear indication should be given regarding the payment thereof.

### Unit 3: Accounting for Companies

#### Content

- Share and share capital: nature and types.
- Accounting for share capital: issue and allotment of equity shares, private placement of shares, Public subscription of shares - over subscription and under subscription of shares; Issue at par and at premium and at discount, calls in advance and arrears (excluding interest), issue of shares for consideration other than cash.
- Accounting treatment of forfeiture and re-issue of shares.
- Disclosure of share capital in company's Balance Sheet.
- Debentures: Issue of debentures at par, at premium and at discount. Issue of debentures for consideration other than cash; Issue of debentures with terms of redemption; debentures as collateral security-concept, interest on debentures.
- Redemption of debentures: Lump sum, draw of lots and purchase in the open market (excluding-interest and cum-interest).



## Part B: Financial Statement Analysis

### Unit 5: Analysis of Financial Statements (Periods 33)

#### Content

- Financial statements of a company: Statement of Profit and Loss and Balance Sheet in the prescribed form with major headings and sub headings (as per Schedule VI to the Companies Act,1956).

Scope: Exceptional Items, Extraordinary Items and Profit (loss) from Discontinued Operations are excluded.

- Financial Statement Analysis: Objectives and limitations.
- Tools for Financial Statement Analysis: Comparative statements, common size statements, cash flow analysis, ratio analysis.
- Accounting Ratios: Objectives, classification and computation.

Liquidity Ratios: Current ratio and Quick ratio.

Solvency Ratios: Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and Interest Coverage Ratio.

Activity Ratios: Stock Turnover Ratio, Debtors Turnover Ratio, Creditors Turnover Ratio and Working Capital Turnover Ratio.

Profitability Ratios: Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment.

Note: As ratio analysis is a managerial tool, for the computation of profitability ratios, relevant information should be specified whether it is a part of Statement of Profit and Loss as per Schedule VI or not

### Unit 6: Cash Flow Statement (Periods 33)

#### Content

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

Scope: Adjustments relating to depreciation and amortisation, profit or loss on sale of assets including investments, dividend (both final and interim) and tax.

Note: Bank overdraft and cash credit to be treated as a component of cash and cash equivalent.

## PROJECT-WORK IN ACCOUNTANCY

- To be done on inter-leaf sheets
- Use same type of sheets for all the three projects
- The projects must be neat and well presented and must be completely hand-written
- No whiteners to be used or written matter to be crossed out. In case of any mistakes, redo the sheet.
- Do not number sheets or write dates unless so instructed by your teacher.
- Color graphs and pie charts to make them look attractive.
- Use **BLACK** to write headings for accounts and for making tables and formats and use **BLUE** to fill in details and record transactions, write entries inside the accounts and fill in calculation tables.

### FINAL PRESENTATION

<p><b>ACCOUNTANCY PROJECT</b></p> <p>Name: Roll No:</p>	<p><b><u>CERTIFICATE OF AUTHENTICITY</u></b></p> <p>( to be pasted)</p>	<p><b><u>INDEX</u></b></p> <p>( to be pasted)</p>
<p><b><u>COMPREHENSIVE PROJECT</u></b></p>	<p><b><u>SPECIFIC PROJECT I: SEGMENT ANALYSIS</u></b></p>	<p><b><u>SPECIFIC PROJECT II: CASH FLOW STATEMENT</u></b></p>



# ACCOUNTANCY

## PROJECT

Name:

Roll No:



## Certificate of Authenticity



This is to certify  
that \_\_\_\_\_ bearing Roll  
Number \_\_\_\_\_ is a student of Class XII of  
Sanskriti School.

She/he has successfully completed her/his project under my  
guidance and supervision towards the fulfillment of the  
practical examination in Accountancy conducted by the  
Central Board of Secondary Education for the academic year  
2016-17

Date of Submission:

Name of Subject Teacher:

Teacher's Signature:

School Stamp:

(To be cut and pasted on the first page of the Project file before final submission)

# INDEX

<i>S.NO</i>	<i>NAME OF PROJECT</i>	<i>PAGE NUMBER</i>	<i>DATE OF COMPLETION</i>	<i>TEACHER'S SIGNATURE</i>
<i>1</i>	<i>Comprehensive Project</i>			
<i>2</i>	<i>Specific Project I: Segment Analysis</i>			
<i>3</i>	<i>Specific Project II: Cash Flow Statement</i>			

(Cut the above index and paste it on the second page of your file before final submission)

<p style="text-align: center;"><b><u>COMPREHENSIVE PROJECT</u></b></p> <p style="text-align: right;"><i>(TITLE PAGE)</i></p>	<ol style="list-style-type: none"> <li>1. Name of Project:</li> <li>2. Objective of Project:</li> <li>3. Period of Project:</li> <li>4. Source Material:</li> <li>5. Tools of Analysis:</li> <li>6. Processing of Data:</li> </ol>	<p style="text-align: center;"><b><u>SOURCE MATERIAL</u></b></p> <p style="text-align: right;"><i>(TITLE PAGE)</i></p>
<p><b><u>...Write the story you have formulated</u></b></p>	<p style="text-align: center;"><b><u>PROCESSING OF DATA:</u></b></p> <ul style="list-style-type: none"> <li>• <b><u>JOURNALS</u></b></li> <li>• <b><u>LEDGERS</u></b></li> <li>• <b><u>TRIAL BALANCE</u></b></li> <li>• <b><u>ADJUSTING ENTRIES</u></b></li> <li>• <b><u>FINAL ACCOUNTS</u></b></li> </ul> <p style="text-align: right;"><i>(TITLE PAGE)</i></p>	<p style="text-align: center;"><b><u>... prepare the above mentioned</u></b></p>
<p><b><u>INTERPRETATION OF RESULTS I</u></b></p> <ul style="list-style-type: none"> <li>• <b><u>PIE CHARTS DEPICTING ASSEST AND LIABILITIES</u></b></li> </ul> <p style="text-align: right;"><i>(TITLE PAGE)</i></p>	<p style="text-align: center;"><b><u>Pie chart depicting Assets And its analysis</u></b></p>	<p style="text-align: center;"><b><u>Pie chart depicting Liabilities And its analysis</u></b></p>
<p><b><u>INTERPRETATION OF RESULTS II</u></b></p> <p style="text-align: center;"><b><u>RATIO ANALYSIIS</u></b></p> <p style="text-align: right;"><i>(TITLE PAGE)</i></p>	<p><b><u>Calculation of Ratios and write a note about the results</u></b></p>	<p style="text-align: center;"><b><u>OBSERVATIONS AND ANALYSIS</u></b></p> <p style="text-align: right;"><i>(TITLE PAGE)</i></p>

# FORMAT OF THE COMPREHENSIVE PROJECT

## Details of the Project:

### 1. Name of Project:

- To study the operational efficiency and financial soundness of (name of the business decided in the story)

### 2. Objective of Project:

- The objective of the project is to let the students have an understanding of the complete accounting cycle and therefore completely appreciate the meaning of Accounting as a process of recording, classifying, summarizing accounting information and its analysis and interpretation.

### 3. Period of project:(Period for which transactions are prepared)

### 4. Source Material: The case study for which accounting cycle has to be completed

### 5. Processing of Data:

- Journals
- Ledgers
- Trial Balance
- Adjusting entries
- Final accounts

### 6. Tools of Analysis:

- Pie charts
- Ratio Analysis

### ( C ) Processing: Formats:

#### a) Journal Entries

Date (S.No)	Particulars	Lf	Debit Amt(Rs)	Credit Amt(Rs)
TOTAL				

#### NOTE:

**NARRATION MUST BE WRITTEN FOR EVERY JOURNAL ENTRY**

**b) Ledger Accounts:**

Dr				Name of Account				Cr			
Date	Particulars	Jf	Amt (Rs)	Date	Particulars	Jf	Amt (Rs)				
<b>Total</b>				<b>Total</b>							

- Prepare ledgers in the following order:
  - Real Accounts
  - Personal Accounts
  - Nominal Accounts
- For Real and Personal A/c's , always carry the closing balance of the current year as the opening balance of the next year and then close the account.
- For Nominal A/c's, transfer the balance to the Trading A/c **OR** the profit and loss A/c as the case may be.

**c) Trial Balance:**

Trial Balance of -----  
as at

S No	Particulars	L F	Debit Amt(Rs)	Credit Amt(Rs)
<b>TOTAL</b>				

**d) Adjusting journal Entries**

- Format is same as journal entries.
- Narration must be written for these entries also.

e) Final Accounts: Trading A/c; profit and Loss A/c and Balance Sheet:

**Trading and Profit and Loss Account of -----**  
**For the year ending \_\_\_\_\_**

Dr		Cr	
Particulars	Amt(Rs)	Particulars	Amt(Rs)
<b>TOTAL</b>		<b>TOTAL</b>	
<b>TOTAL</b>		<b>TOTAL</b>	

**Balance Sheet Of -----**  
**As at \_\_\_\_\_**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
<b>TOTAL</b>		<b>TOTAL</b>	

**(Balance Sheet to be made in the order of permanence)**







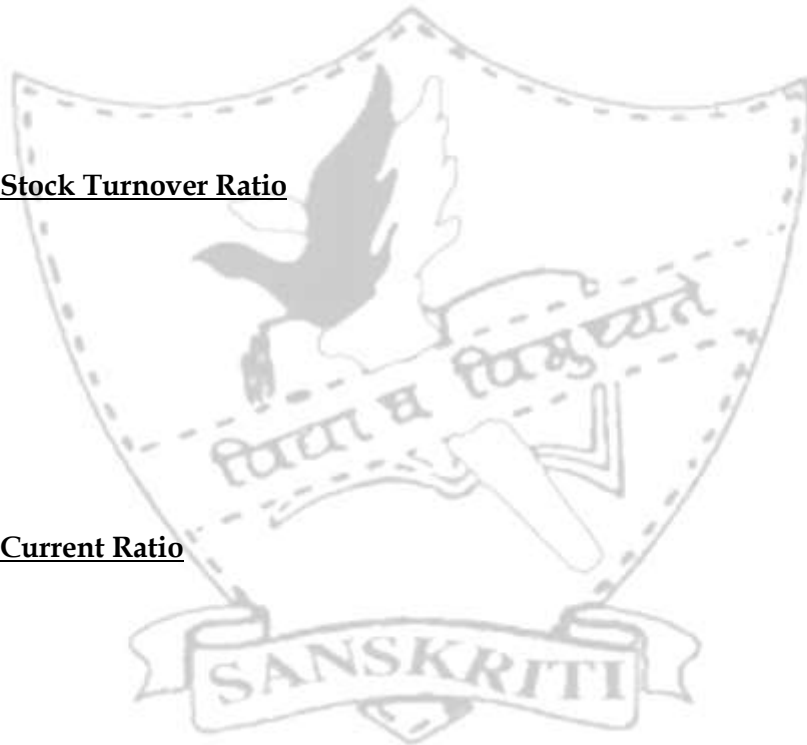
Interpretation I : RATIO ANALYSIS

- Gross Profit Ratio

- Net Profit Ratio

- Stock Turnover Ratio

- Current Ratio





## Specific Project I: SEGMENT ANALYSIS:

### Format for presentation:

<p><b><u>SPECIFIC PROJECT II</u></b> <b><u>SEGMENT</u></b> <b><u>ANALYSIS</u></b></p> <p>(TITLE PAGE 1)</p>	<ol style="list-style-type: none"> <li>1. Name of Project:</li> <li>2. Objective of Project:</li> <li>3. Period of Project:</li> <li>4. Source Material:</li> <li>5. Tools of Analysis:</li> <li>6. Processing of Data:</li> </ol>	<p><b><u>SOURCE MATERIAL</u></b></p> <p>(TITLE PAGE 2)</p>
<p><b><u>PROCESING OF</u></b> <b><u>DATA:</u></b></p> <p>(TITLE PAGE3)</p>	<p><b><u>a. Inter-Period Comparison:</u></b></p> <p>(TITLE PAGE4)</p>	<p>Analysis of :</p> <ol style="list-style-type: none"> <li><b><u>i.</u></b> Capital Employed</li> <li><b><u>ii.</u></b> Segment Revenue</li> <li><b><u>iii.</u></b> Segment Result</li> </ol> <p>(TITLE PAGE5)</p>
<p>.....show the calculations for the firm with diagrams.</p> <p>(TITLE PAGE6)</p>	<p><b><u>b. Inter Segment Analysis:</u></b></p> <p>(TITLE PAGE6)</p>	<p>Analysis of Capital Employed and Segment Revenue for the quarter ended _____.</p> <p>(TITLE PAGE7)</p>
<p>.....show the calculations for the firm with diagrams.</p> <p>(TITLE PAGE)</p>	<p><b><u>ANALYSIS AND INTERPRETATION</u></b></p> <ol style="list-style-type: none"> <li><b><u>a.</u></b> Inter-period comparison</li> <li><b><u>b.</u></b> Inter segment analysis</li> </ol> <p>(TITLE PAGE)</p>	

## DETAILS

### 1. Name of Project: Segment Analysis

### 2. Objective of Project:

- The objective of the project is know which segment is performing better and
- To know whether assets allocation is sufficient and justified or not

### 3. Period of Project:

### 4. Source Material:

- Segment Report of the \_\_\_(name of the company)\_\_\_\_\_ downloaded from the internet.
- Only three main areas have been taken for this project:
  - i. Revenue for each segment
  - ii. Segment Result
  - iii. Asset allocation for each segment

### 5. Processing of Data:

- Sales analysis of Various segments
- Profit analysis of Various segments
- Capital Employed analysis of Various segments

### 6. Tools of Analysis:

- Comparative Statements
- Pie charts
- Bar-Diagrams

## SOURCE MATERIAL:

Stick original print outs of the company's Balance Sheet

## PROCESSING:

### a. Inter-Period Comparison:

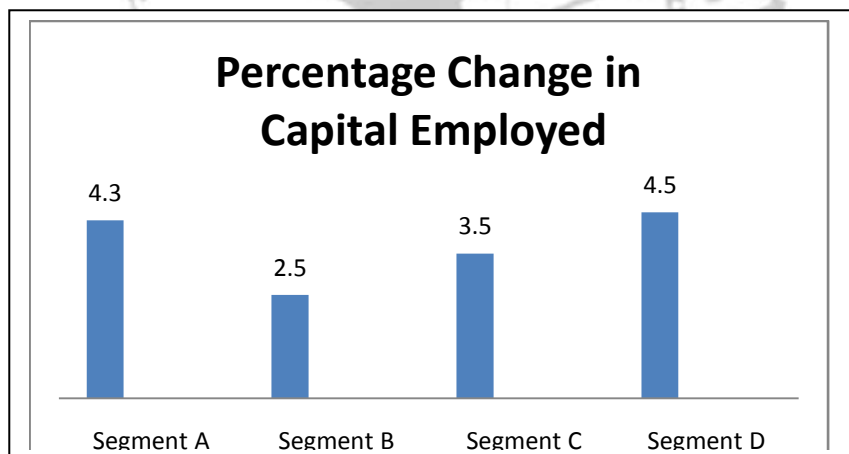
Analysis of :

- Capital Employed
- Segment Revenue
- Segment Result

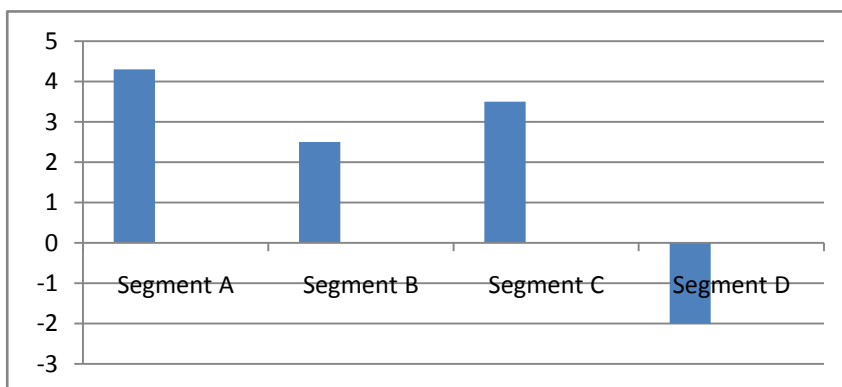
**COMPARATIVE STATEMENT: CAPITAL EMPLOYED**

SEGMENT	PERIOD I	PERIOD II	ABSOLUTE CHANGE (↑ OR ↓)	PERCENTAGE CHANGE (↑ OR ↓)
<b>TOTAL</b>				

- Prepare Bar Diagrams showing the percentage change for each segment. For E.g.



- If the change is in negative. The bar will be below the Y axis as shown below.



(Bar diagram on the left side blank page and calculation table on the right side ruled page)

**COMPARATIVE STATEMENT: SEGMENT REVENUE**

SEGMENT	PERIOD I	PERIOD II	ABSOLUTE CHANGE (↑ OR ↓)	PERCENTAGE CHANGE (↑ OR ↓)
<b>TOTAL</b>				

(Bar diagram on the left side blank page and calculation table on the right side ruled page)

**COMPARATIVE STATEMENT: SEGMENT RESULT**

SEGMENT	PERIOD I	PERIOD II	ABSOLUTE CHANGE (↑ OR ↓)	PERCENTAGE CHANGE (↑ OR ↓)
<b>TOTAL</b>				

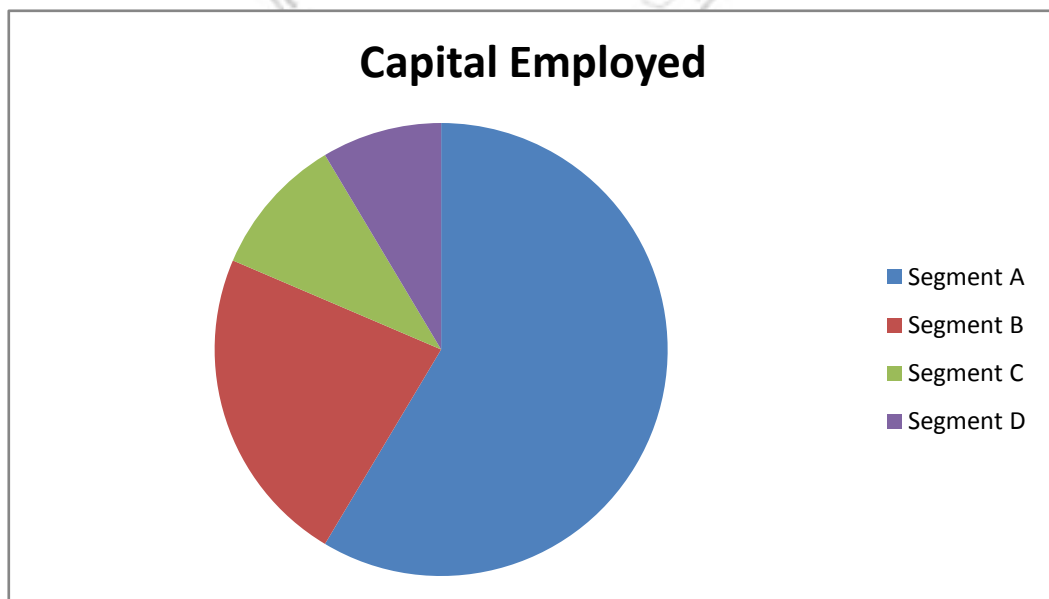
(Bar diagram on the left side blank page and calculation table on the right side ruled page)

**b. Inter Segment Analysis:**

Analysis of Capital Employed for the quarter ended \_\_\_\_.

Segment	Cap Empd (Rs)	% = $\frac{\text{Cap Empd in Segment}}{\text{Total Cap Employed}} * 100$	Angle = $3.6 * \% \text{ calculated}$
<b>TOTAL CAP EMPD</b>		<b>100%</b>	<b>360°</b>

- Prepare a *pie chart* on the basis of the table showing how much of the total capital employed was used in which segment..



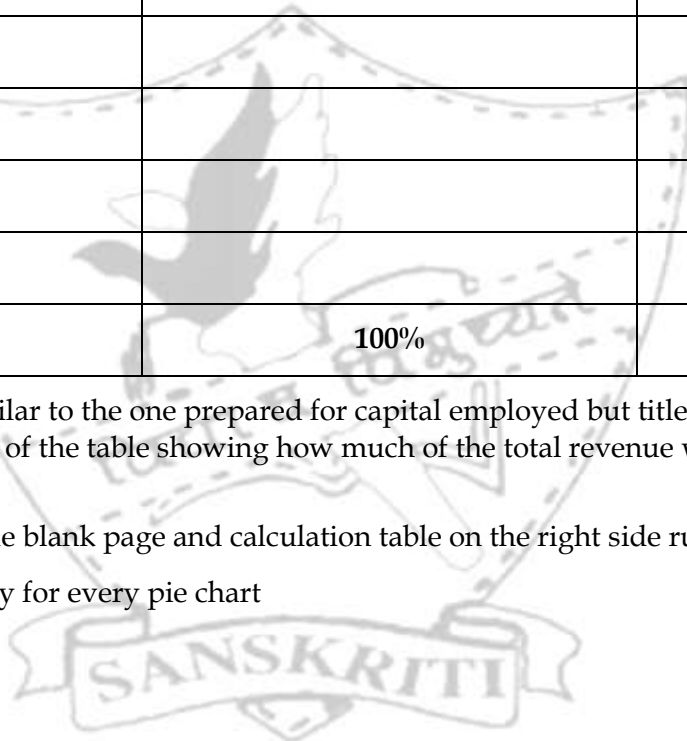
- (Pie Chart on the left side blank page and calculation table on the right side ruled page)
- You MUST prepare a key for every pie chart



Analysis of Segment revenue for the quarter ended \_\_\_\_.

Segment	Revenue (Rs)	% = $\frac{\text{Revenue from Segment}}{\text{Total Revenue}} * 100$	Angle = $3.6 * \% \text{ calculated}$
<b>TOTAL REVENUE</b>		<b>100%</b>	<b>360°</b>

- Prepare a *pie chart* (similar to the one prepared for capital employed but titled as 'SEGMENT REVENUE) on the basis of the table showing how much of the total revenue was contributed by which segment.
- (Pie Chart on the left side blank page and calculation table on the right side ruled page)
- You MUST prepare a key for every pie chart



○ ANALYSIS AND INTERPRETATION:

For Inter Segment(Intra Period) Analysis:

Name Of Segment	Percentage of:	
	Revenue	Capital Employed

(For each segment, see if the percentage of capital employed in the segment generates proportionate revenue and write a conclusion that according to you,

- which segment has justified the change in capital employed and
- would you advise the firm to reallocate capital in the coming financial period)

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## Specific Project II: CASH FLOW STATEMENT:

<p style="text-align: center;"><b><u>SPECIFIC PROJECT II</u></b> <b><u>CASH FLOW STATEMENT</u></b></p> <p style="text-align: center;">(TITLE PAGE 1)</p>	<ol style="list-style-type: none"> <li>1. Name of Project:</li> <li>2. Objective of Project:</li> <li>3. Period of Project:</li> <li>4. Source Material:</li> <li>5. Tools of Analysis:</li> <li>6. Processing of Data:</li> </ol>	<p style="text-align: center;"><b><u>SOURCE MATERIAL</u></b></p> <p style="text-align: right;">(TITLE PAGE 2)</p>
<p>.....Write the Balance Sheets provided to you for which Cash Flow Statement needs to be prepared</p>	<p style="text-align: center;"><b><u>PROCESING OF DATA:</u></b> <b><u>ASSESSING THE CASH POSITION OF THE BUSINESS</u></b></p> <p style="text-align: center;">(TITLE PAGE 3)</p>	<p>....Prepare Cash Flow Statement as per AS-3 (Revised)</p>
<p style="text-align: center;"><b><u>ANALYSIS AND INTERPRETATION</u></b></p> <p style="text-align: center;">(TITLE PAGE 4)</p>	<p style="text-align: center;"><b><u>Pie chart depicting cash generated from:</u></b></p> <ul style="list-style-type: none"> <li>• <b><u>Operating Activities</u></b></li> <li>• <b><u>Investing Activities</u></b></li> <li>• <b><u>Financing Activities</u></b></li> </ul> <p style="text-align: center;"><b><u>And its analysis</u></b></p> <p style="text-align: center;">(TITLE PAGE 5)</p>	<p>.....Table for pie chart and analysis</p>

1. **Name of Project:** Cash Flow Statement
2. **Objective of Project:**
  - The objective of the project is know the cash position of .....(Name of the company).....under the following activities:
    - i. Operating Activities
    - ii. Investing Activities
    - iii. Financing Activities
3. **Period of Project:** Year ended 31<sup>st</sup> of March 20\_\_ and 31<sup>st</sup> of March 20\_\_
4. **Source Material:**
  - Balance Sheets of ..... For the year ended 31<sup>st</sup> March..... & 31<sup>st</sup> March .....
5. **Processing of Data:**  
Calculation of Cash used/generated from:
  - a. Operating Activities
  - b. Investing Activities
  - c. Financing Activities
6. **Tools of Analysis:**
  - Format of Cash Flow Statement as per AS 3 (Revised)

**SOURCE MATERIAL:**

Write/Print the Balance Sheets of ..... for the year ended 31<sup>st</sup> March 2013 & 31<sup>st</sup> March 2014

**PROCESSING OF DATA:**

**Cash Flow Statement of**  
**For the year ended.....**

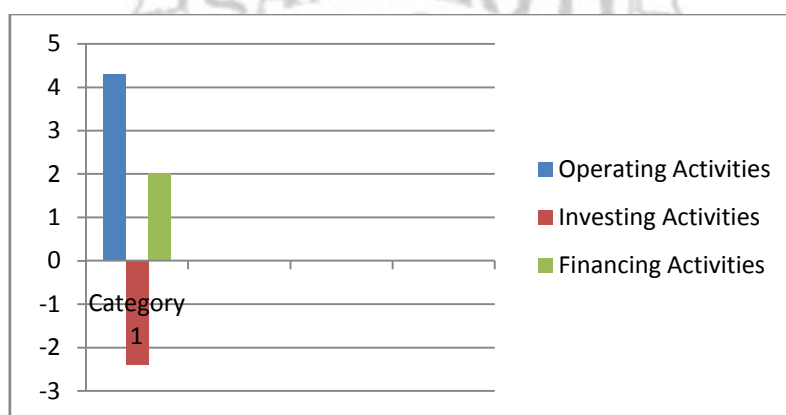
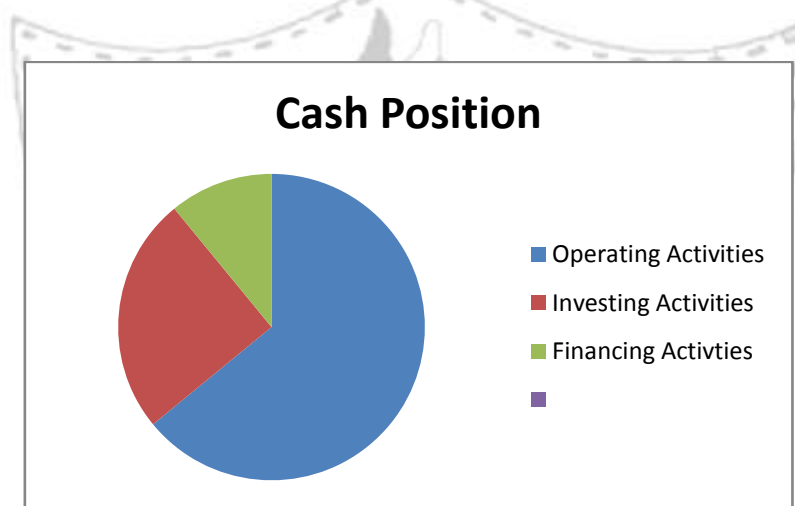
PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
<b><u>I. CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>NET PROFIT BEFORE TAXES AND EXTRAORDINARY ITEMS</b>		
<b>Adjustments related to non-cash/non-operating items:</b> <b><u>ADD</u></b> +Depreciation + fictitious assets written off <ul style="list-style-type: none"> <li>• Preliminary Expenses Written off</li> <li>• Discount on issue of shares/debentures written off</li> <li>• Expenses on Underwriting of shares Written off</li> <li>• Development Expenses Written off</li> <li>• Share issue expenses Written off</li> </ul>		

+Interest on borrowings +Goodwill/Patents/Trademarks/Copyright amortized or written off + loss on sale of Fixed assets or Investments +Premium payable on Redemption of Preference Shares/Debentures  <b>LESS</b> - Interest income - Dividend income - Rental Income - Profit on sale of fixed assets/Investments'		
<b>OPERATING PROFITS BEFORE WORKING CAPITAL CHANGES</b>		
<b>ADD ↑ IN CL AND ↓ IN CA</b> +↓ <b>IN</b> stock, +↓ <b>IN</b> debtors, +↓ <b>IN</b> B/R, +↓ <b>IN</b> Accrued Income, +↓ <b>IN</b> Prepaid Expenses etc. +↑ <b>IN</b> o/s expenses, +↑ <b>IN</b> B/P +↑ <b>IN</b> income recd in advance, +↑ <b>IN</b> Prov. For bad debts etc  <b>LESS ↑ IN CA AND ↓ IN CL</b> +↑ <b>IN</b> stock, +↑ <b>IN</b> debtors, +↑ <b>IN</b> B/R, +↑ <b>IN</b> Accrued Income, +↑ <b>IN</b> Prepaid Expenses etc. +↓ <b>IN</b> o/s expenses, +↓ <b>IN</b> B/P +↓ <b>IN</b> income recd in advance, +↓ <b>IN</b> Prov. For bad debts etc		
<b>CASH GENERATED FROM OPERATIONS</b>		
<b>Less:</b> Income Taxes <b>actually paid</b> <b>Add:</b> Income Tax refund (if any)		
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>		
<b>LESS:</b> Extraordinary Items debited to the P &L A/c		
<b>ADD:</b> Extraordinary items credited to the P & L A/c		
<b>NET CASH FROM (OR USED IN) OPERATING ACTIVITIES</b>		

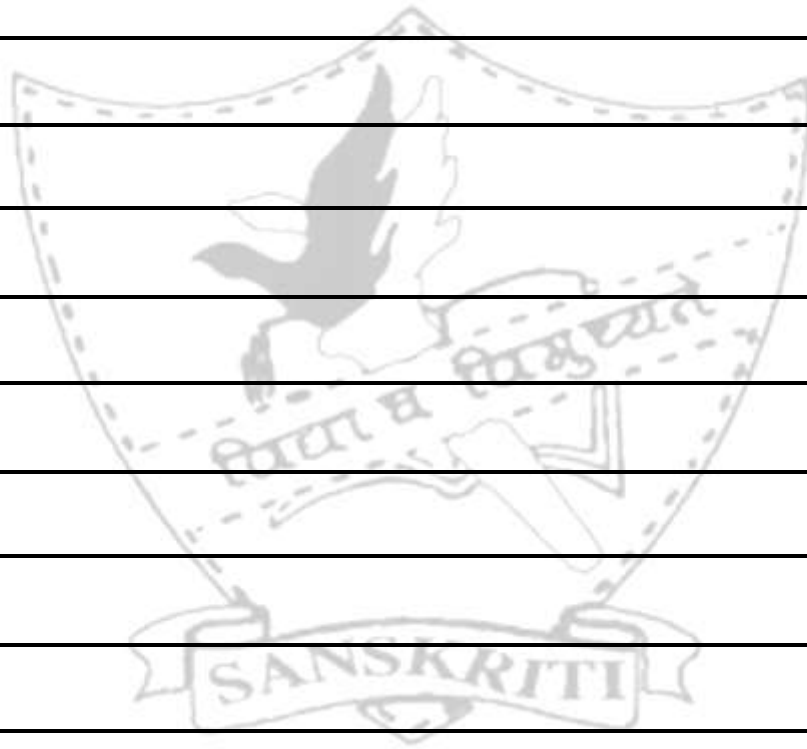
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<u><b>ADD CASH RECIEPTS FROM:</b></u> <ul style="list-style-type: none"> <li>• Sale of fixed assets</li> <li>• Sale of long term investments</li> <li>• Sale of Goodwill/Patents/Trademarks/Copyright</li> <li>• Interest received by a non-financial enterprise</li> <li>• dividend received by a non-financial enterprise</li> <li>• rental income of a firm not dealing in property</li> </ul> <u><b>LESS CASH PAYMENTS FOR:</b></u> <ul style="list-style-type: none"> <li>• Purchase of fixed assets</li> <li>• Purchase of investments</li> <li>• Purchase of Intangible assets like goodwill, patents, copyright etc.</li> </ul>		
<b><u>CASH FROM(USED IN) INVESTING ACTIVITIES</u></b>		
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<u><b>ADD CASH RECIEPTS</b></u> <ul style="list-style-type: none"> <li>• Proceeds/Receipts' from issue of shares</li> <li>• Proceeds/Receipts' from issue of debentures</li> <li>• Proceeds/Receipts' from any long term loans</li> <li>• Proceeds from Bank overdraft</li> </ul>		
<u><b>LESS CASH PAYMENTS</b></u> <ul style="list-style-type: none"> <li>• Dividends paid in cash</li> <li>• Interim dividends paid</li> <li>• Interest on long term borrowings</li> <li>• Interest on debentures paid</li> <li>• Repayment of loans</li> <li>• Redemption of Debentures</li> <li>• Redemption of Preference Shares</li> <li>• Repayment of Bank overdraft</li> </ul>		
(Any of the above items will be included in the @Financial Activities for <u><b>ALL COMPANIES-</b></u> i.e. both financial as well as non-financial companies.)		
<b><u>CASH FROM(USED IN) FINANCING ACTIVITIES</u></b>		
<b>IV. <u>NET INCREASE(OR DECREASE) IN CASH AND CASH EQUIVALENTS(I + II + III)</u></b>		

<p><b>V. <u>ADD CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</u></b></p> <p>a. Cash in hand  b. Cash at Bank  c. Marketable Securities  d. Short Term Deposits</p>		
<p><b>VI. <u>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</u></b></p> <p>a. Cash in hand  b. Cash at Bank  c. Marketable Securities  d. Short Term Deposits</p>		

**ANALYSIS AND INTERPRETATION:**







**FLASHBACK**

**BOOK II**

**ANALYSIS OF FINANCIAL**

**STATEMENTS**

**FLASH BACK**  
**Assignment I**

**Topic: Financial Statements of a Company**

**Assignment given on:** \_\_\_\_\_

**M.M: 15 marks**

**Date of Submission:** \_\_\_\_\_

Q1. Intex Ltd. Has opening credit balance of ₹10,00,000 in Surplus i.e. Balance in Statement of Profit & Loss and ₹2,00,000 in Capital Reserve. It earned a profit of ₹2,00,000 for the year ended 31<sup>st</sup> March, 2014. It was decided to transfer ₹50,000 to Workmen's Compensation Reserve and Proposed Dividend of ₹50,000 on its Equity Shares. Prepare a Note to Accounts on Reserves & Surplus. 2

Q2. Following balances have been extracted from the books of Bansal Ltd. as 31<sup>st</sup> March, 2013: 4

	₹
Equity Share capital	6,00,000
Sinking Fund	1,20,000
12% Debentures	3,60,000
Trade Payables	1,20,000
Outstanding salary	12,000
Statement of profit & loss (Dr.)	12,000
Land & Building	7,20,000
ICICI Bonds	2,40,000
Raw material	2,10,000
Discount on debentures written off in next three years	30,000

Show the above mentioned items in Companies Balance Sheet as per Companies Act.

Q3. Show how the following items would appear in the Company's Balance Sheet as at 31<sup>st</sup> March, 2013 as per Schedule VI 4

	₹
General Reserve	10,00,000
Statement of Profit & loss (Debit balance)	13,00,000
10% 80,000 debentures of ₹100 each repayable in five equal installments starting from 1 <sup>st</sup> January, 2013	80,00,000
12% Bank Loan repayable in 4 years	24,00,000
Interest on both borrowing is yet to be paid	

Q4. Under what heads and sub-heads the following items will appear in the Balance Sheet of a company as per Revised Schedule VI: 5

- a. Uncalled liability on partly paid up shares
- b. Premium on Redemption of Debentures
- c. Security Deposit for telephones
- d. Employee's earned leave payable on retirement
- e. Proposed Dividend

**FLASH BACK**  
**Assignment II**

**Topic: Financial Statements of a Company**

**Assignment given on:** \_\_\_\_\_

**M.M: 15 marks**

**Date of Submission:** \_\_\_\_\_

Q1. Calculate Revenue from operations, Other Income and Total Revenue of a non-financial company from the following information: 2  
Sales ₹9,50,000; Sales Return ₹5,000; Sale of Scrap ₹500; Interest on Fixed Deposit ₹5,000; Loss on sale of fixed asset ₹10,000

Q2. From the following information of Hotel Solutions Ltd. For the year ended 31<sup>st</sup> March, 2014, prepare the Note to Accounts on Change in Inventories of Finished Goods, WIP and Stock in trade: 2

Particulars	Opening Inventory	Closing Inventory
Finished Goods	5,00,000	5,50,000
Work in progress	4,50,000	4,25,000
Stock in trade	6,50,000	6,00,000

Q3. Under what headings will you show the following items in the financial statements of a company: 5

- Preliminary expenses
- Acceptances
- Sale of scrap
- Bonus
- Entertainment Expenses
- Commission paid for deposit mobilisation
- Calls in arrears
- Calls in advance
- Medical expenses
- Internet expenses
- Purchase of stock in trade
- Loan processing charges

Q4. a. From the following information prepare Notes to Accounts of Employee benefit Expense: 6  
Salaries ₹6,30,000; Bonus ₹52,500; Leave Travel Allowance ₹52,500; Staff Welfare Expenses ₹40,000 and Business Promotion Expense ₹50,000

b. From the following information prepare Notes to Accounts of Finance Cost:  
Interest on Term Loan ₹7,29,500; Interest on Cash Credit ₹1,45,300; Interest on Debentures ₹2,58,200; Bank charges ₹12,750; Discount on Issue of Debentures written off ₹15,000.

- c. Identify which of the following items will be shown in the Notes to Accounts on Other Expenses:
- i. Salaries
  - ii. Telephone Expenses
  - iii. Depreciation on Computers
  - iv. Postage Expenses
  - v. Rent on Warehouse
  - vi. Computer Hiring charges
  - vii. Advertisement expenses
  - viii. Bonus
  - ix. Audit fee



**FLASH BACK**  
**Assignment III**

**Topic: Comparative Statements**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. Comparison of financial statements of same firm but for two or more years is known as : 1
- a. Inter-firm comparison
  - b. Intra-firm comparison
  - c. All of the above
  - d. Both of the above

- Q2. Inventories as on 31.3.2013 and 31.03.2012 were ₹5,00,000 and ₹9,10,000 respectively. The absolute change is: 1
- a. ₹4,10,000
  - b. (₹4,10,000)
  - c. ₹5,00,000
  - d. None of the above

- Q3. How do you calculate percentage change in Comparative Statements? 1

- Q4. Prepare a Comparative Statement of Profit & Loss from the following information: 4

Particulars	2013-14	2012-13
Revenue from Operations	40,00,000	30,00,000
Employee Benefit Expenses	55% of Revenue from Operations	60% of Revenue from Operations
Other Income	25% of Employee Benefit Expenses	20% of Employee Benefit Expenses
Income tax	40%	40%

- Q5. Prepare a Comparative Statement of Profit & Loss of X Ltd. from the following information: 4

Particulars	2013-14	2012-13
Revenue from Operations	2,00,000	1,00,000
Employee Benefit Expenses	70% of Revenue from Operations	60% of Revenue from Operations
Other Expenses	?	?
Profit before tax	54,000	36,000
Rate of Income tax	50% of Net Profit before tax	50% of Net Profit before tax

- Q6. Fill in the missing figures: 4

S.No.	Particulars	2012-13	2013-14	Absolute change	% change
1.	Revenue from Operations	25,50,000	28,00,000	2,50,000	9.8
2.	Expenses:				
	Employee Benefit Expenses	.....	.....	.....	.....
	Other Expenses	2,40,000	2,16,000	.....	.....
	Total Expenses	.....	.....	.....	.....
3.	Profit before tax	.....	.....	.....	.....
4.	Less tax (50%)	7,45,000	7,10,000	.....	.....
5.	Profit after tax	.....	.....	.....	.....



**FLASH BACK**  
**Assignment IV**

**Topic: Common-size Statement**

Assignment given on: \_\_\_\_\_

**M.M: 15 marks**

Date of Submission: \_\_\_\_\_

- Q1. Why is Common-size Statement also known as 10% Statement? 1
- Q2. Do common-size Statements express changes in items between two periods? 1
- Q3. Clarify whether Common-size statement is a form of vertical analysis or horizontal analysis? 1
- Q4. Prepare a common size statement of X Ltd. & Y Ltd. For the year 31.3.13 & comment on the same: 4

Particulars	X Ltd.	Y Ltd.
Revenue from Operations	25,00,000	20,00,000
Other Income	3,00,000	2,00,000
Other expenses	6,00,000	8,00,000
Income tax	50%	50%

- Q5. Fill in the missing figures: 4

S.No.	Particulars	Absolute Amount		Percentage of Total	
		31.3.2013	31.3.2014	31.3.2013	31.3.2014
1.	<b>EQUITY &amp; LIABILITIES</b>				
	<b>Shareholder's Fund</b>				
	Share Capital	.....	.....	15	25
	Reserves & Surplus	.....	.....	25	20
	<b>Non-Current Liabilities</b>				
	Long term Borrowings	.....	.....	30	20
	<b>Current Liabilities</b>				
	Short term borrowings	.....	.....	30	35
	<b>TOTAL</b>			.....	.....
2.	<b>ASSETS</b>				
	<b>Non-Current Assets</b>				
	Fixed Assets				
	a. Tangible Assets	.....	.....	10	15



	b. Intangible Assets	.....	.....	15	10
	<b>Non-Current Investments</b>	.....	.....	20	30
	<b>Current Assets</b>				
	Trade Receivables	.....	.....	25	25
	Cash and Cash Equivalents	.....	.....	30	20
	<b>TOTAL</b>	<b>10,90,000</b>	<b>18,90,000</b>		

Q6. The following Balance Sheet relates to Modern Computers Ltd. convert these into common-size Balance Sheet and interpret the same:

4

Balance Sheet  
As at 31st March

Particulars	Note No.	2013	2012
<b>I. EQUITY &amp; LIABILITIES</b>			
1. Shareholder's Fund			
Share Capital		3,00,000	3,00,000
Reserves & Surplus		6,50,000	4,36,000
2. Non-Current Liabilities			
Long term borrowing		2,50,000	2,00,000
3. Current Liabilities			
Trade payables		2,85,000	2,40,000
Short term provision		15,000	24,000
<b>TOTAL</b>		<b>15,00,000</b>	<b>12,00,000</b>
<b>II. ASSETS</b>			
1. Non-Current Assets			
Fixed Assets		5,00,000	5,00,000
Non-Current investments		3,10,000	1,96,000
2. Current Assets			
Inventory		3,69,000	2,58,000
Trade Receivables		2,25,000	1,98,000
Cash & Cash equivalents		96,000	48,000
		<b>15,00,000</b>	<b>12,00,000</b>

**FLASH BACK**  
**Assignment V**

**Topic: Ratio Analysis**

**Assignment given on:** \_\_\_\_\_

**M.M: 15 marks**

**Date of Submission:** \_\_\_\_\_

Q1. From the following information calculate Current Ratio & Acid Test Ratio and comment on the short term solvency position for the same: 3

	₹
Cash at Bank	10,000
Trade Receivables	2,00,000
Prepaid Salaries	40,000
Accrued Commission	50,000
Inventory	
Raw Material	25,000
Work in progress	20,000
Finished goods	55,000
Plant & machinery	2,00,000
Patents	38,000
Loose Tools	52,000
Goodwill	65,000
Trade Payables	98,000
Bank Overdraft	1,00,000
Short term loan	70,000
12% Debentures	3,00,000
10% Preference Shares	1,00,000
Equity Share Capital	2,50,000

Q2. Current Liabilities of a company are ₹3,50,000. Its current ratio is 3:1 and acid test ratio 1.75:1. Calculate the value of current assets, liquid assets and inventory. 6

Q3 From the following Balance Sheet of Garg Ltd., calculate: 6

- Debt-Equity Ratio
- Total Assets to Debt Ratio
- Proprietary Ratio
- Interest Coverage Ratio

If Net profit after interest & tax ₹2,10,000 and rate of income tax is 40%.  
Also give your comment for the same

Balance Sheet of Garg Ltd.  
As at 31.3.12

Particulars	Note No.	₹
<b>I. EQUITY &amp; LIABILITIES</b>		
1. Shareholder's Fund		
Share Capital	1	8,40,000
Reserves & Surplus	2	1,61,000
2. Non-current Liabilities		
Long term borrowings	3	2,52,000
3. Current Liabilities		1,68,000
<b>TOTAL</b>		<b>14,21,000</b>
<b>II. ASSETS</b>		
1. Non-Current Assets		
Fixed Assets		
Tangible Assets		9,10,000
Other Non-Current Assets	4	16,800
2. Current Assets		4,90,000
Other Current Assets	5	4,200
<b>TOTAL</b>		<b>14,21,000</b>

Notes to Accounts:

Note No.	Particulars	₹
1	Share Capital	
	Equity Share Capital	7,00,000
	8% Preference Share Capital	1,40,000
		8,40,000
2.	Reserves & Surplus	
	Reserves	70,000
	Profit & Loss Balance	91,000
		1,61,000
3.	Long term borrowings	
	15% Mortgage loan	2,52,000
		2,52,000
4.	Other Non-Current Assets	
	Discount on issue of shares (to be written off after 12 months)	16,800
		16,800
5.	Other Current Assets	
	Discount on issue of shares (to be written off in the next 12 months)	4,200
		4,200

**FLASH BACK**  
**Assignment VI**

**Topic: Ratio Analysis**

Assignment given on: \_\_\_\_\_

**M.M: 15 marks**

Date of Submission: \_\_\_\_\_

- Q1. Calculate the Net Profit Ratio and Operating Profit Ratio from the following particulars: 3

	₹
Revenue from Operations	7,00,000
Revenue from Operations returns	30,000
Gross Profit	3,50,000
Selling & Distribution expenses	25,000
Office and Administration expenses	15,000
Interest on Debentures	10,000
Bank charges	5,000
Loss by fire	8,000
Profit on sale of machinery	18,000
Interest on investments	20,000
Discount allowed	3,000
Discount written off (Discount on Debentures)	5,000

- Q2. From the following Balance Sheet, calculate ROI: 3

Balance Sheet of Kamaskshi Ltd.  
As on 31<sup>st</sup> March, 2012

Particulars	Note No.	₹
<b>I. EQUITY &amp; LIABILITIES</b>		
1. Shareholder's Fund		
Share Capital		9,20,000
Reserves & Surplus		3,30,000
2. Non-Current Liabilities		
Long term Borrowings		4,00,000
3. Current Liabilities		
Trade Payables		3,30,000
Short term borrowings		2,64,000
Other Current Liabilities		88,400
Short term provision		4,00,000
<b>TOTAL</b>		<b>27,32,400</b>
<b>II. ASSETS</b>		
1. Non-Current Assets		
Fixed Assets		
Tangible Assets		11,61,600
Non-Current Investments		2,64,000
Other Non-Current Assets		52,800

2. Current Assets		
Inventory		8,50,000
Trade Receivables		3,50,000
Cash & Cash equivalents		40,800
Other Current assets		13,200
TOTAL		27,32,400

Notes to Accounts:

Note No.	Particulars	₹
1	Share Capital Equity Share Capital Preference Share Capital	6,60,000 2,60,000
		9,20,000
2.	Reserves & Surplus General Reserve	3,30,000
		3,30,000
3.	Long term borrowings 10% Debentures	4,00,000
		4,00,000
4.	Trade Payables Sundry Creditors Bills Payable	1,98,000 1,32,000
		3,30,000
5.	Other Current Liabilities Outstanding Expenses	8,84,000
		8,84,000
6.	Short term provisions Provision for tax	4,00,000
		4,00,000
7.	Tangible Assets Land & Building Machinery Furniture	6,00,000 5,00,000 61,600
		11,61,000
8.	Non-Current Investments DCM Ltd. Shares	2,64,000
		2,64,000
9.	Other Non-Current Assets Underwriting Commission (Amount to be written off after 12 months)	52,800
		52,800
10.	Cash & Cash Equivalents Bank Balance	40,800
		40,800
11.	Other Current Assets Underwriting Commission (Amount to be written off within next 12 months)	13,200
		13,200

Net profit for the year was ₹3,96,000 after charging interest on debentures but before tax

- Q3. Calculate the amount of opening trade receivables and closing trade receivables from the following figures: 3
- Trade Receivable Turnover ratio 4 times  
Cost of revenue from operations ₹6,40,000  
Gross Profit ratio 20%  
Closing revenue from operations were ₹20,000 more than at the beginning  
Cash revenue from operations being  $\frac{1}{3}$ rd of credit revenue from Operations
- Q4. Calculate Trade Payables Turnover Ratio from the following information: 3
- Trade Payables at the end of the year (including ₹27,000 due to supplier of a machinery) is ₹81,000  
Purchases ₹5,22,000  
Purchase Return ₹36,000  
Reserve for Discount on Closing Trade Payables ₹9,000



**FLASH BACK**  
**Assignment VII**

**Topic: Cash Flow Statement**

Assignment given on: \_\_\_\_\_

**M.M: 15 marks**

Date of Submission: \_\_\_\_\_

- Q1. Which of the following is not application for cash? 1
- a. Increase in debtors
  - b. Increase in inventory
  - c. Increase in bills payable
  - d. Increase in prepaid expenses
- Q2. How will you deal increase in balance of 'Securities Premium Reserve' while preparing Cash Flow Statement? 1
- a. Cash from Operating Activities
  - b. Cash from Investing Activities
  - c. Cash from Financing Activities
  - d. Cash Equivalent
- Q3. A Mutual Fund company receives a dividend of ₹20 lakhs on its investments in another company's shares. Where will it appear in Cash Flow Statement? Give reason. 1
- Q4. From the following statement of Profit & Loss, calculate the cash flow from Operating Activities: 3

Statement of Profit & Loss  
For the year ended 31<sup>st</sup> March, 2014

Particulars	Note No.	₹
I. Revenue from Operations		1,15,000
II. Other Incomes	1	25,000
III. Total Revenue		1,40,000
IV. Expenses:		
Employee Benefit Expenses		26,600
Depreciation and Amortisation Expenses		6,100
Other Expenses		8,200
Total Expenses		40,900
V. Profit before tax		99,100
Less: provision for tax		29,730
Profit for the period		69,370
Less appropriation		
Proposed Dividend		15,000
Balance of Profit		54,370

Notes to Accounts:

Note No.	Particulars	Amount
1	Other Income: Gain on sale of land	5,000

	Dividend received	6,000
	Accrued Commission	9,000
	Refund of Income tax	5,000
		25,000

Q5. From the following information relating to Kavya Ltd., calculate Cash Flow from Operating Activities:

3

Statement of Profit & Loss  
For the year ended 31<sup>st</sup> March, 2014

Particulars	Note No.	₹
I. Revenue from Operations		25,50,000
II. Other Incomes	1	1,76,000
III. Total Revenue		27,26,000
IV. Expenses:		
Purchase of Stock in trade		18,76,100
Changes in inventories of stock in trade		80,200
Depreciation and Amortisation Expenses		70,200
Other Expenses	2	1,72,100
Total Expenses		21,98,600
V. Profit before tax		5,27,400
Less: provision for tax		1,58,220
Profit after tax		3,69,180

Notes to Accounts:

Note No.	Particulars	Amount
1	Other Income: Rent Gain on sale of furniture Miscellaneous	16,000 50,000 1,10,000 1,76,000
2	Other Expenses Office Expenses Loss on sale of machinery	1,30,000 42,100 1,72,100

Additional Information:

Particulars	31.3.14	31.3.13
Trade Receivables	4,40,000	4,50,100
Inventories	1,10,200	1,90,400
Trade Payables	1,72,100	1,81,900
Outstanding Expenses	5,600	6,800

Q6. Compute Cash flow from Financing Activities from the following information:

3

Particulars	31.3.13	31.3.12
Share Capital	15,00,000	10,00,000
10% Debentures	8,00,000	1,00,000
Securities Premium Reserve	90,000	70,000



Discount on issue of Debentures	50,000	40,000
---------------------------------	--------	--------

Additional Information:

- Dividend paid during the year 2012-13 ₹1,00,000
- Interest paid ₹10,000
- Purchased furniture costing ₹1,00,000 and issued shares of ₹1,00,000 at par
- Dividend paid during the year 2012-13 ₹6,300

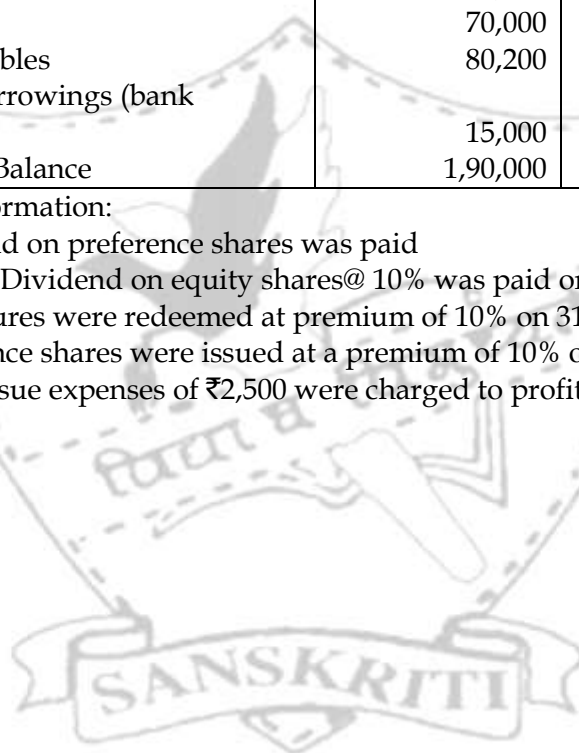
Q7. From the following information, calculate Cash Flow from financing activities:

3

Particulars	31.3.13	31.3.12
Equity Share Capital	10,00,000	10,00,000
9% Preference Share Capital	7,00,000	6,00,000
10% Debentures	5,00,000	8,50,000
Securities Premium Reserve	55,000	80,000
Inventories	70,000	80,000
Trade Receivables	80,200	50,700
Short term Borrowings (bank overdraft)	15,000	10,000
Profit & Loss Balance	1,90,000	1,70,000

Additional Information:

- Dividend on preference shares was paid
- Interim Dividend on equity shares@ 10% was paid on 31.3.2013
- Debentures were redeemed at premium of 10% on 31.03.2013
- Preference shares were issued at a premium of 10% on 1.04.2012
- Share issue expenses of ₹2,500 were charged to profit during 2012-13



**FLASH BACK**  
**Assignment VIII**

**Topic: Cash Flow Statement**

Assignment given on: \_\_\_\_\_

**M.M: 15 marks**

Date of Submission: \_\_\_\_\_

- Q1. Is increase in share capital due to bonus shares shown in Cash Flow Statement? 1
- Q2. If the amount of goodwill is ₹2,00,000 at the beginning of a year and ₹2,75,000 at the end of that year then while preparing Cash Flow Statement its effect on cash flow will be: 1
- a. Cash used in Investing Activities ₹75,000
  - b. Cash received from Operating Activities ₹75,000
  - c. Cash used in Operating Activities ₹75,000
  - d. Cash used in Financing Activities ₹75,000
- Q3. Kohinoor Diamond Ltd. is engaged in the export of diamond jewellery. The company purchased a machinery of ₹10,00,000 for the use in packaging for such jewelry. Cash flow due to the purchase of machinery will be cash flow from: 1
- a. Cash from Operating Activities
  - b. Cash from Investing Activities
  - c. Cash from Financing Activities
  - d. Cash and Cash Equivalents
- Q4. From the given notes to accounts and Cash Flow Statement of Sunder Stuti Ltd. complete the missing figures: 6

**Notes to Accounts:**

Note No.	Particulars	31.3.2014	31.3.2013
1.	Share Capital Equity Share Capital	2,00,000	1,50,000
		2,00,000	1,50,000
2.	Reserves & Surplus Balance in Statement of Profit & Loss General Reserve Securities Premium Reserve	56,000 24,500 10,500	35,000 17,500 7,000
		91,000	59,500
3.	Cash & Cash Equivalents Cash at Bank	7,000	9,450
		7,000	9,450

Additional Information:

During the year 2013-14, ₹12,250 has been charged as depreciation on plant & machinery

**CASH FLOW STATEMENT**  
For the year ended 31<sup>st</sup> March 2014

Particulars	₹	₹
<b>A. Cash flow from Operating Activities</b>		
Profit before tax & extraordinary items	....	
Adjustment for:		
Depreciation on P & M	....	
<b>Operating Profit before working capital changes</b>	.....	
Add: Decrease in CA, Increase in CL		
Inventories 12,250		
Trade Payables .....	29,750	
Less: Decrease in CL, Increase in CA		
Other Current Liabilities .....		
Trade Receivables (15,750)	(19,950)	
<b>Cash from Operating Activities</b>		70,000
<b>B. Cash flow from Investing Activities</b>		
Purchase of Land & Building	(17,500)	
Purchase of Plant & Machinery	.....	
Purchase of Land & Patents	(7,000)	
<b>Cash used in Investing Activities</b>		.....
<b>C. Cash flow from Financing Activities</b>		
Proceeds from issue of shares at premium	.....	
<b>Cash from Financing Activities</b>		.....
Net decrease in cash & cash equivalents		(2,450)
Add Opening balance of cash & cash equivalents		.....
Closing balance of cash & cash equivalents		.....

Q5. From the following Balance Sheets of Khan Industries Ltd., prepare Cash Flow Statement as per AS 3(Revised):

6

Balance Sheet of Khan Industries Ltd  
As at 31<sup>st</sup> March

Particulars	Note No.	31.3.2014	31.3.2013
<b>I. EQUITY &amp; LIABILITIES</b>			
Shareholder's Fund			
Share Capital	1	15,00,000	14,00,000
Reserves & Surplus	2	2,50,000	1,10,000
Non-Current Liabilities			
Long term borrowings	3	2,00,000	1,25,000
Current Liabilities			
Short term borrowings	4	12,000	10,000
Trade Payable	5	15,000	83,000
Short term provisions	6	18,000	11,000
		19,95,000	17,39,000
<b>II. ASSETS</b>			
Non-Current Assets			

Fixed Assets			
Tangible Assets	7	18,60,000	16,10,000
Non-Current Investments	8	50,000	30,000
Current Assets			
Current Investments	9	8,000	5,000
Trade Receivables	10	61,000	80,000
Cash & cash equivalents	11	14,000	14,000
Other Current assets	12	2,000	--
		19,95,000	17,39,000

**Notes to Accounts:**

Note No.	Particulars	31.3.2014	31.3.2013
1.	<b>Share Capital</b>		
	Equity Share Capital	13,50,000	12,00,000
	15% Preference Share Capital	1,50,000	2,00,000
		15,00,000	14,00,000
2.	<b>Reserves &amp; Surplus</b>		
	Reserve	2,50,000	1,10,000
		2,50,000	1,10,000
3.	<b>Long term Borrowings</b>		
	10% Debentures	2,00,000	1,25,000
		2,00,000	1,25,000
4.	<b>Short term Borrowing</b>		
	Bank Overdraft	12,000	10,000
		12,000	10,000
5.	<b>Trade Payables</b>		
	Bills Payable	15,000	83,000
		15,000	83,000
6.	<b>Short term provision</b>		
	Provision for tax	18,000	11,000
		18,000	11,000
7.	<b>Tangible Assets</b>		
	Plant & machinery	18,60,000	16,10,000
		18,60,000	16,10,000
8.	<b>Non-Current Investments</b>		
	10% Investments	50,000	30,000
		50,000	30,000
9.	<b>Current Investments</b>		
	Trade Investments	8,000	5,000
		8,000	5,000
10.	<b>Trade Receivable</b>		
	Sundry Debtors	61,000	80,000
		61,000	80,000
11.	<b>Cash &amp; cash equivalents</b>		
	Cash in hand	14,000	14,000
		14,000	14,000
12.	<b>Other current assets</b>		
	Discount on issue of shares		--
		2,000	--
		2,000	--

**Additional Information:**

- a. Preference Shares were redeemed on 31.3.2014 at premium of 10%
- b. Dividend at 2% was paid on equity shares
- c. Depreciation provided during the year were ₹50,000
- d. Fresh debentures were issued at 1.4.2013
- e. All current investments are marketable securities



# FLASHBACK



## BOOK I

### DOUBLE ENTRY BOOK-

### KEEPING

**FLASH BACK**  
**Assignment I**  
**Topic: Fundamentals**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

Q1. Closing Capital of A & B were ₹1,10,000 & ₹2,20,000 respectively. Calculate interest on capital if interest was 10% p.a. 1

Q2. A and B are partners sharing profits and losses in the ratio of 3:2 with capitals of ₹2,00,000 and ₹1,00,000 respectively. Show the distribution of profits in each of the following alternatives cases: 3

- a. If the partnership deed is silent as to the Interest on Capital and the profits for the year are ₹50,000
- b. If the partnership deed provides for Interest on Capital @8% p.a. and the losses for the year are ₹50,000
- c. If the partnership deed provides for Interest on Capital @8% p.a. and the profits for the year are ₹50,000

Q3. Ram & Rahim are partners in a firm. Ram was to get a commission of 10% on the net profits before charging any commission. However, Rahim was to get commission of 10% of net profits after charging all commissions. Compute the missing figures from the following Profit & Loss Appropriation A/c for the year ended 31<sup>st</sup> March, 2014 and redraw it: 3

Profit & Loss Appropriation A/c  
For year ending 31<sup>st</sup> March, 2014

Particulars	Amount	Particulars	Amount
To Ram's Commission (..... X 10%)	66,000	By Profit & Loss A/c	.....
To Rahim's Commission (..... X .....	.....		
To profit transferred to Capital A/c			
Ram	.....		
Rahim	.....		
	.....		.....

Q4. A & B entered into partnership on 1<sup>st</sup> April, 2013 without any partnership deed. They introduced capital of ₹5,00,000 and ₹3,00,000 respectively. On 31<sup>st</sup> October, 2013, A advanced ₹2,00,000 by way of loan to the firm without any agreement as to interest. Books are closed on 31<sup>st</sup> March each year. Fill in the missing figures in the following accounts and redraw them: 3

Profit & Loss A/c  
For year ending 31<sup>st</sup> March, 2014

Particulars	Amount	Particulars	Amount
To .....	.....	By Net Profit	.....
To Profit transferred to Profit & Loss Appropriation A/c	4,25,000		
	.....		.....

Profit & Loss Appropriation A/c  
For year ending 31<sup>st</sup> March, 2014

Particulars	Amount	Particulars	Amount
To profit transferred to Capital A/c		By Profit & Loss A/c	.....
A	.....		
B	.....		
	.....		.....

- Q5. The partnership agreement of Maneesh and Girish provides that: 5
- a. Profits will be shared equally
  - b. Maneesh will be allowed a salary of ₹400 p.m.
  - c. Girish who manages the sales department will be allowed a commission equal to 10% of the net profit after allowing Maneesh's salary
  - d. 7% interest will be allowed on partner's fixed capital
  - e. 5% interest will be charged on partner's annual drawings
  - f. The fixed capitals of Maneesh and Girish are ₹1,00,000 and ₹80,000 respectively. Their annual drawings were ₹16,000 and ₹14,000 respectively. The net profit for the year ending 31<sup>st</sup> March, 2012 amounted to ₹40,000

Prepare firm's Profit & Loss Appropriation A/c





**FLASH BACK**  
**Assignment II**  
**Topic: Fundamentals**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. Anju and Bindu started business on 1<sup>st</sup> January, 2013 with ₹10,000 and ₹6,000 as capital respectively. They agreed to share profits in their capital ratio. With the following details, calculate Capital Ratio and Interest on Capital if it is @12% p.a. 3

Particulars	Capital Introduced		Capital Withdrawn	
	Anju	Bindu	Anju	Bindu
1 <sup>st</sup> March, 2013	2,000	-	-	-
1 <sup>st</sup> April, 2013	-	7,000	3,000	-
1 <sup>st</sup> June, 2013	4,000	-	-	6,000
30 <sup>th</sup> Sept, 2013	-	8,000	8,000	-

- Q2. From the following particulars, prepare the capital accounts of the partners in both the cases: 6
- When the capitals are fixed
  - When the capitals are fluctuating

Books close on 31<sup>st</sup> December each year.

Particulars	A	B
Capital as on 1 <sup>st</sup> January 2013	1,60,000	1,28,000
Drawings	16,000	12,800
Partner's Salaries	10,000	12,800
Partner's Commission	9,200	16,000
Share of Profit	38,400	25,600
Interest on Partner's Loan	3,200	-
Interest on Capital	16,000	12,800
Interest on Drawings	800	640
Current A/c	3,200 (Cr.)	3,200 (Dr.)

- Q3. X, Y & Z were partners in firm sharing profits in the ratio of 4:3:1 with opening capital of ₹50,000; ₹40,000 and ₹20,000 respectively on 1<sup>st</sup> January, 2013. During the year, X introduced an additional capital of ₹15,000 on 1<sup>st</sup> April, 2012 and Y withdrew ₹10,000 on 1<sup>st</sup> July, 2013 out of his capital. Partnership Deed provides for: 6
- Interest on Capital @12% p.a. on Opening Capital only
  - For working in firm, X is allowed a salary of 750 p.m. Due to illness, he could not work for 4 months
  - Interest on Drawings @15% p.a., X draws 400 p.m. in the beginning of each month. Y draws ₹200 p.m. at the end of each month, while

- Z draws ₹100 p.m. in the middle of each month
- d. Z is also entitled to 1% commission on sales. Sales amounted to ₹4,39,800

Firm earned a profit of ₹43,050 during the year ended 31<sup>st</sup> December, 2013 before charging the manager's commission. Manager is to be paid commission @ 5% on net profit before charging his commission  
Prepare Profit & Loss Appropriation A/c and Partner's Capital Account when

- i. Capitals are fluctuating
- ii. Capitals are fixed



**FLASH BACK**  
**Assignment III**

**Topic: Fundamentals**

**Assignment given on:** \_\_\_\_\_

**M.M: 15 marks**

**Date of Submission:** \_\_\_\_\_

- Q1. In a partnership, one property is brought in the name of the firm. Is this action right? Explain. 1
- Q2. Ahmed, Bheem and Daniel are partners in affirm. On 1<sup>st</sup> April, 2011, the balance in their capital accounts stood at ₹8,00,000, ₹6,00,000 and ₹4,00,000 respectively. They shared profits in the proportion of 5:3:2 respectively. Partners are entitles to interest on capital @ 5% p.a. and salary to Bheem @ ₹3,000 p.m. and a commission of ₹12,000 to Daniel as per the provisions of Partnership Deed. Ahmed's share of profit excluding interest on capital, is guaranteed at not less than ₹25,000 p.a. Bheem's share of profit including interest on capital but excluding salary, is guaranteed at not less than ₹55,000 p.a. Any deficiency arising on that account shall be met by Daniel. The profits for the firm for year ended 31<sup>st</sup> March, 2012 amounted to ₹2,16,000. Prepare Profit & Loss Appropriation A/c for the year ended 31<sup>st</sup> March, 2012. 4
- Q3. A, B & C are partners sharing profits in the ratio of 3:2:1. After closing the accounts for year ended 2013-14, it was discovered that interest on capital @10% p.a. and interest on drawing @10% p.a. were omitted. Their fixed capitals were ₹60,000 which was divided in the ratio of 3:2:1. Each partner has drawn ₹1,000 per month:  
A : in the beginning of every month  
B: in the middle of every month  
C: at the end of every month  
Pass a single adjustment entry in order to rectify the accounts. 4
- Q4. Ramesh and Rakesh are partners sharing profits in the ratio of 3:2. They decided to admit Suresh, their manager, as a partner with effect from 1.4.2012 giving 1/4<sup>th</sup> share in profit. Suresh as a manager was earning a salary of ₹54,000 p.a. and a commission of 10% of net profit after charging such salary and commission. It was decided that any excess amount, which Suresh will be entitled to receive as a partner over amount which would have been due to him if he continued to be the manager, would have to be borne by Ramesh personally. Show the Profit & Loss Appropriation A/c for the year ended 31<sup>st</sup> march, 2013 in each of the following cases: 6
- Profit is ₹4,50,000
  - Profit amounted to ₹4,40,000 after charging salary
  - Profit amounted to ₹4,30,000 after Suresh's remuneration as manager.

**FLASH BACK**  
**Assignment IV**  
**Topic: Goodwill**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. The capital of Ram and Shyam in the business of partnership was ₹1,40,000. And the rate of interest in the market was 15%. Salary of Ram and Shyam was ₹8,400 each. The three years profits for the firm were ₹42,000; ₹50,400 and ₹58,800. Calculate the value of goodwill on the basis of 2 years purchase of the past 3 year's average super profits. 3
- Q2. On April 2014, an existing firm had assets of ₹75,000 including cash of ₹5,000. The partner's capital account showed a balance of ₹60,000 and reserve constituted the rest. If the normal rate of return is 10% and the goodwill is valued at ₹24,000 at 4 years purchase of super profits, find the average profits of the firm. 3
- Q3. Compute the value of firm's goodwill on the basis of 2.5 years purchase of average profit for last 4 years which were ₹58,000; ₹9,000 (loss); ₹62,000 and ₹46,000. There was an abnormal loss of ₹5,000 in the first year and an abnormal gain of ₹10,000 in the second year. Partner's remuneration to be paid is expected to be ₹9,000 p.a. Firm has to pay Insurance Premium of ₹700 p.a. in future. 3
- Q4. Following are some information provided to you of a partnership business: 6
- a. Average capital employed in that business was ₹9,80,000
  - b. Normal rate of return was 18%
  - c. Profit/Losses for the past years were:

2010	₹2,06,640
2011	₹(2,07,340)
2012	₹6,28,180
  - d. Remuneration to one of the partners was ₹16,800 p.a.
  - e. Assets (excluding goodwill) was ₹10,56,667 and Liabilities ₹43,860
- You are required to calculate goodwill on the basis of:
- a. Three years purchase of average profits
  - b. Three years purchase of super profits
  - c. Capitalisation of average profit
  - d. Capitalisation of super profits

**FLASH BACK**  
**Assignment V**

**Topic: Change in Profit Sharing Ratio**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. Ram, Shyam and Mohan were partners in the ratio of 5:4:2. On 1<sup>st</sup> January, 2014, they decided to change their ratio to 4:3:2. On this date, there was a loss of ₹41,880 on revaluation of assets and liabilities and general reserve was ₹6,240. You are required to pass a single journal entry for the above adjustment without altering the figures of assets & liabilities in the Balance Sheet. 3
- Q2. Krishan, Gopal and Mohan were partners with equal contribution of their fixed capital of ₹2,00,000 each. Their profit sharing ratio was 3:2:1. On 1<sup>st</sup> January 2013, they decided to change their ratio to equal. For this purpose goodwill of the firm was valued at ₹1,50,000. On this date, accumulated losses of the previous year were ₹54,000. Gopal suggested that accumulated losses should not be carried forward in future due to change in the ratio so should be written off now itself. All of them gave their consent to avoid any kind of confusion. 3
- a. Pass necessary journal entries  
b. Show the values highlighted in this case.
- Q3 3
- a. X, Y & Z are partners sharing profits and losses in the ratio of 5:3:2. They decided to share future profits in equal ratio. On that date, appear in the books, Profit & Loss (Cr.) ₹20,000 and Reserves ₹10,000.
- i. Credit X, Y & Z with ₹30,000 in 1:1:1  
ii. Credit X, Y & Z with ₹10,000 in 1:1:1  
iii. Credit X, Y & Z with ₹30,000 in 5:3:2  
iv. None of the above
- b. X, Y and Z were partners sharing profits and losses in the ratio of 4:3:2. Goodwill does not appear in the books but it is worth ₹36,000. The partners decide to share future profits in equal proportion. Record the journal entry to record the above change:
- i. Z's Capital A/c Dr 4,000  
To X's Capital A/c 4,000
- ii. Y's Capital A/c Dr 36,000  
To Z's Capital A/c 36,000
- iii. X's Capital A/c Dr 4,000  
To Z's Capital A/c 4,000
- iv. Z's Capital A/c Dr 36,000  
To Y's Capital A/c 36,000

- c. Chawla and Khurana are partners sharing profits & losses in the ratio of 3:2. It was decided to share future profits in the ratio of 1:1. For this purpose liabilities are revalued from ₹5,00,000 to ₹8,00,000. Liabilities were to be shown at their original value. In this case, journal entry that shall be passed will be:

i.	Chawla's Capital A/c	Dr	3,00,000	
	To Khurana's Capital A/c			3,00,000
ii.	Khurana's Capital A/c	Dr	30,000	
	To Chawla's Capital A/c		30,000	
iii.	Chawla's Capital A/c	Dr	3,00,000	
	To Khurana's Capital A/c		3,00,000	
iv.	Khurana's Capital A/c	Dr	30,000	
	To Chawla's Capital A/c		30,000	

- Q4. X, Y and Z were partners in the ratio of 3:2:1. Their Balance Sheet as at 31<sup>st</sup> December, 2014 was as follows:

6

Liabilities	₹	Assets	₹
Creditors	1,04,400	Cash	36,000
Reserves	50,400	Debtors	74,400
Profit & Loss	25,200	Less provision	2,400
Capital A/c:		Stock	2,16,000
X	3,60,000	Furniture	36,000
Y	3,60,000	Plant	2,40,000
Z	60,000	Building	3,60,000
	9,60,000		9,60,000

On 1<sup>st</sup> January, 2015, it was decided that their profit sharing ratio will be 4:4:1. Other terms were agreed as follows:

- Goodwill is valued at ₹54,000
- Provision for Doubtful debts to be increased by ₹1,800
- Stock is reduced by 20%
- Plant & Furniture will be depreciated by 15% and 20% respectively
- Outstanding expenses were ₹4,200
- Building is increased up to ₹4,20,000

It was also decided among the partners that assets & liabilities were not shown at their revised value in the Balance Sheet and they will not distribute the general reserve and accumulated profits.

You are required to pass a single journal entry to give effect to the above. Also prepare the Balance Sheet.

**FLASH BACK**  
**Assignment VI**

**Topic: Admission of a Partner**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. A, B and C were partners sharing profits in the ratio of 5:3:2 respectively. Their summarized Balance Sheet was as follows: 6

Liabilities	Amount ₹	Assets	Amount ₹
Capital:		Goodwill	80,000
A 2,80,000		Machinery	3,60,000
B 2,00,000		Debtors	1,40,000
C 1,20,000	6,00,000	Stock	1,80,000
Current Liabilities	1,84,000	Cash	24,000
	7,84,000		7,84,000

C retired on 1<sup>st</sup> April 2012. It was agreed that:

- a. Machinery be revalued at ₹4,80,000
- b. C's interest in the firm is valued at ₹1,88,000 after taking into consideration revaluation of assets and liabilities and accumulated profits/losses etc.
- c. The entire sum payable to C is to be brought in by A & B in such a way that their capital should be in their new profit sharing ratio of 2:1
- d. A cash balance of ₹17,000 should be kept in the firm as minimum balance.

Prepare Revaluation A/c, Partner's Capital A/c, Cash A/c and Balance Sheet.

- Q2. A & B were partners in the ratio of 4:1. They admit C for 1/6<sup>th</sup> share. C brings ₹90,000 as his share of goodwill. New ratio of A, B & C was 3:2:1. Pass necessary journal entries. 3

- Q3. Aman and Shubham were partners with capital of ₹4,00,000 and ₹6,00,000 respectively. Their profit sharing ratio was 4:3. Vimal was admitted. The new ratio was decided as 3:2:2. Vimal brings ₹1,20,000 as his share of premium. Pass necessary journal entries if capital accounts of the partners are fixed. Also find out the sacrificing ratio. 3

**FLASH BACK**  
**Assignment VII**

**Topic: Admission of a partner**

Assignment given on: \_\_\_\_\_

M.M: 20 marks

Date of Submission: \_\_\_\_\_

Q1. A & B are partners sharing profits in the ratio of 3:2. Their Balance Sheet as at 31<sup>st</sup> March, 2014 was as under: 8

Liabilities	₹	Assets	₹
Bank Overdraft	27,000	Cash	89,000
Sundry Creditors	70,000	Debtors	70,000
Bills Payable	70,200	Bills Receivable	12,000
Workmen's Compensation Fund	2,400	Loose Tools	2,500
Investment Fluctuation Reserve	300	Machinery	20,200
Provision for Bad Debts	6,000	Fax Machine	6,710
Capital		Furniture	6,780
A	6,35,000	Computer	45,200
B	6,91,790	Printer	10,100
		Stock	70,200
		Buildings	1,98,000
		Land	5,04,000
		Patent	42,000
		Trade Marks	2,20,000
		Copyrights	90,000
		Investments	6,000
		Goodwill	1,10,000
	15,02,690		15,02,690

On the above date, C was admitted and the following adjustments were agreed upon:

- a. Value of machinery is to be reduced by ₹2,000
- b. Printer is to be written down by ₹1,000
- c. Value of Computer is to be reduced to ₹21,000
- d. Buildings was found overvalued by ₹12,000
- e. Trademarks were found overvalued by 10%
- f. Value of furniture is to be increased by ₹2,000
- g. Fax Machine is to be written up by ₹2,500
- h. Value of Patent is to be increased by ₹5,000
- i. Stock was found undervalued by ₹6,000
- j. Copyrights were found undervalued by 10%
- k. Land of ₹10,000 was taken over by A & B at ₹15,000 in the ratio of 2:1
- l. Bills Receivable were taken over by B at ₹10,000
- m. A agreed to pay off Bank overdraft
- n. Creditors of ₹6,000 agreed to take ₹5,000 in full settlement of their claim
- o. Bills Payable of ₹10,000 agreed to take ₹9,500 in full settlement of their claim and A assumes to pay off bills payable at this value



- p. An amount of ₹1,500 included in Sundry Creditors is to be written back as no longer payable
- q. A provision of ₹900 is to be made for Outstanding Repair Bill.
- r. A provision of 10% is to be made on debtors
- s. The value of Loose Tools be appreciated by 10% and the same is taken over by A
- t. The liability against Workmen's Compensation Fund is determined at ₹2,500
- u. Z, an old customer whose account was written off as bad, has paid ₹20,150 in full settlement of his dues of ₹35,000
- v. The market value of Investments be taken as ₹5,500 and the same is taken over by A & B in equal ratio
- w. C brings ₹50,000 for his share of capital and ₹10,000 for his share of goodwill in cash.

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

Q2. On 31<sup>st</sup> March, 2014, the Balance Sheet of Ram & Rahim, who were sharing profits in the ratio of 3:1 was as follows:

6

Liabilities	₹	Assets	₹
Creditors	2,800	Cash at Bank	2,000
Employee's Provident Fund	1,200	Debtors	6,000
General Reserve	2,000	Stock	3,000
Capital		Investments	5,000
Ram	6,000		
Rahim	4,000		
	16,000		16,000

They decided to admit Nanak for 1/5<sup>th</sup> share. He brings in proportionate capital in the new firm. Their Balance Sheet after admission was as under:

Liabilities	₹	Assets	₹
Creditors	2,800	Cash at Bank	12,500
Employee's Provident Fund	1,200	Debtors	6,000
Capital		Stock	3,000
Ram	12,000	Investments	4,500
Rahim	6,000	Accrued Interest	100
Nanak	4,500	Bills Receivable	400
	26,500		26,500

Fill in the missing figures in the following accounts:

Revaluation A/c

Particulars	₹	Particulars	₹
To.....	.....	By.....	.....
		By.....	.....
	.....		.....

Partner's Capital A/c

Particulars	Ram	Rahim	Nanak	Particulars	Ram	Rahim	Nanak
To Bal c/d	...	....	....	By Bal b/d	....	....	
				By .....	....	....	
				By Premium	4,500	.....	
				By cash			.....
	....	.....	.....		....	.....	.....

Q3. X & Y are partners sharing profits in the ratio of 3:1. Their Balance Sheet as on 31<sup>st</sup> March, 2014 stood as follows: 6

Liabilities	₹	Assets	₹
Capital:		Land	1,65,000
X	1,76,000	Furniture	24,200
Y	1,45,200	Stock	1,32,000
Creditors	91,300	Debtors	35,200
		Bills Receivable	28,600
		Cash	27,500
	4,12,500		4,12,500

On 1<sup>st</sup> April, 2014, they admitted Z for 1/5<sup>th</sup> share on the following terms:

- a. Goodwill is to be valued at 3.5 years purchase of average profits of last four years which were ₹20,000; ₹17,000; ₹9,000 and ₹2,000 (loss) respectively
- b. Bills receivable are found to be overvalued by ₹2,000, Furniture is to be reduced and land to be appreciated by 10%. Provision for bad debts @12% on debtors and 4% for discount on creditors are to be created
- c. A liability to the extent of ₹1,500 should be created for claim against the firm for damages
- d. An item of ₹1,00 included in creditors is not likely to be claimed, and hence it should be written off
- e. Bill of ₹5,000 accepted on account of goods purchased on credit. However, both goods and bill were omitted to be recorded in the books
- f. Bill of ₹10,000 received from Mr. A was under discount

Prepare Revaluation A/c, Partner's Capital A/c and Balance Sheet of the new firm if Z is to contribute proportionate capital and goodwill.

**FLASH BACK**  
**Assignment VIII**  
**Topic: Retirement of a Partner**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. Ram, Shyam and Mohan are partners in a firm sharing profits in the ratio of 1:2:3. Mohan retires and his capital after making adjustments for reserves and profit on revaluation, stands at ₹2,40,000. Continuing partners agreed to pay him ₹3,00,000 in full settlement of his claim. Record necessary journal entries for treatment of goodwill if the new ratio 1:3. 2
- Q2. Radha, Rukmini and Krishan are partners in a firm. Rukmini retires and her claim including her capital and her share of goodwill is ₹80,000. She is paid in kind, a car valued at ₹40,000 which was not recorded in the books of the firm till the date of retirement and the balance in cash. Give the journal entries for recording the payment to Rukmini in the books of the firm. 3
- Q3. P, Q and R were partners. They were sharing profits in the ratio of 8:7:5. Their capitals were ₹70,000, ₹50,000 and ₹40,000. General Reserve stood at ₹30,000 and revaluation resulted in loss of ₹10,000. Q retired and his share in the firm was purchased by P & R for ₹80,400 bringing in cash in the proportion in which they will share profit in future. Prepare entries and prepare Partner's Capital Account. 4
- Q4. A, B & C were partners in a firm sharing profits in 3:2:1 ratio. On 31<sup>st</sup> March, 2013, B retired. On the date of his retirement, the balance in his capital account was ₹35,000. The other assets and liabilities of the firm on that date were as follows:  
Cash ₹10,000; Building ₹1,00,000; Plant & machinery ₹40,000; Stock ₹20,000; Debtors ₹20,000; Investments ₹30,000 & Creditors ₹20,000  
The following was agreed between the partners on B's retirement:  
a. Building to be appreciated by 20%  
b. Plant & Machinery to be depreciated by 10%  
c. A provision of 5% on debtors to be created for bad & doubtful debts  
d. Stock was to be valued at ₹18,000 and investments at ₹35,000  
e. A old photocopier previously written off was sold for ₹2,000  
f. Partners had to pay ₹5,000 to the family of an employee who died in an accident  
g. Liability for Workmen's Compensation to be created to the extent of ₹1,000  
h. Creditors agreed to allow 2.5% discount  
B was paid ₹25,000 in cash and balance in three equal yearly instalments with interest @ 10% p.a. starting from 31<sup>st</sup> March, 2014.  
Pass the necessary journal entries to record the above adjustments. Prepare B's loan account till it is finally paid. The firm closes its books on 31<sup>st</sup> March every year. Also identify the value being highlighted in the ques. 6

**FLASH BACK**  
**Assignment IX**  
**Topic: Death of a partner**

Assignment given on: \_\_\_\_\_

M.M: 20 marks

Date of Submission: \_\_\_\_\_

- Q1. X, Y & Z were sharing profits in the ratio of 3:4:3. On 1<sup>st</sup> June, 2013, X died. According to partnership agreement decreased partner's share in profit was to be computed on the basis of last year's profit which was ₹2,52,000 which includes ₹20,000 of abnormal gain and ₹8,000 of abnormal loss. For the last several year's firm's profits are showing upward trend of 10% every year. Compute X's profit for broken period assuming that accounts are closed on 31<sup>st</sup> December every year. 3
- Q2. X, Y & Z were partners in the ratio of 4:3:3. Firm's accounts are closed on every 31<sup>st</sup> December. Z died on 1<sup>st</sup> April, 2014. On Z's death, it was agreed that Z's share in current profits till death be calculated on the basis of last year's sale and profit. Last year's sale was ₹25,60,000 and profit was ₹2,65,000. Sales include sale of obsolete goods of ₹60,000 cost of which was ₹70,000. Due to decrease in cost and increase in efficiency, Gross Profit rate for the year 2013 is expected to increase by 2%. Sales till death amounted to ₹8,00,000. Compute Z's share in profits. 3
- Q3. A, B, C & D are partners in a firm sharing profits in the ratio of 2:1:2:1. C dies two months after the date of last balance sheet. His share of loss to date of death is ₹24,000. A, B & D decided to share future profits equally. Pass the necessary journal entries for the treatment of C's share of loss. 3
- Q4. A, B & C were partners sharing profits and losses in the ratio of 5:3:2. On 31<sup>st</sup> March, 2014, their Balance Sheet stood as: 6

Liabilities	₹	Assets	₹
Sundry Creditors	1,55,000	Goodwill	25,000
Workmen's Compensation Reserve	10,000	Leasehold	1,00,000
Reserve Fund	20,000	Patents	30,000
Capital:		Machinery	1,50,000
A	1,50,000	Stock	50,000
B	1,25,000	Debtors	1,40,000
C	75,000	Cash at Bank	40,000
	5,35,000		5,35,000

C died on 1<sup>st</sup> August, 2014. It was agreed that:

- a. Goodwill of the firm is to be valued at 2.5 years purchase of the average of annual profits of the last four years. The profits for the preceding years were ₹65,000; ₹60,000; ₹80,000 and ₹75,000
- b. Machinery be valued at ₹1,40,000; Patents be valued at ₹40,000; Leasehold be valued at ₹1,25,000 on 1<sup>st</sup> August, 2014
- c. For the purpose of calculating C's share in the profits of 2013-14, the profits in 2013-14 should be taken to have accrued on the same scale as in 2013-14

- d. A sum of ₹21,000 to be paid immediately to the executor's of C and the Balance to be paid in four equal half yearly instalments together with interest @10% p.a.

Prepare the C's Capital Account & C's Executor's Account for 2013-14 assuming that the books close on 31<sup>st</sup> March every year.

Q5. A, B and C were partners in a firm sharing profits in the ratio of 5:3:2. The firm closes its books on 31<sup>st</sup> March every year and balance of general reserve as on 31.3.2013 was ₹ 10,000. 5

C died on 1<sup>st</sup> Oct, 2013. It was agreed between his executors and the remaining partners that:

- Goodwill be valued at 2 years' purchase of the average profits of the previous five years. The average profits of previous five years were ₹ 15,000.
- Revaluation profit was ₹ 10,000.
- Profit for the year 2013-14 be taken as having accrued at the same rate as the previous year which was ₹ 20,000.
- Interest on capital be provided at 10% p.a.

Rewrite the following accounts after filling the missing figures:

Dr.		C's Capital Account		Cr.	
Particulars	₹	Particulars	₹		
To ....	....	By ....	....		
		By ....	....		
		By ....	....		
		By ....	....		
		By ....	....		
		By A's Capital A/c	....		
		By B's Capital A/c	....		
	....		....		

Dr.		C's Executor's Account		Cr.	
Particulars	₹	Particulars	₹		
To Cash A/c	7,750	By ....	....		
To Executor's Loan A/c	20,000				
or Bal c/d					
	....		....		

**FLASH BACK**  
**Assignment X**  
**Topic: Dissolution of a firm**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. X, Y & Z were partners in affirm in the ratio of 3:2:1. Their capital contribution was ₹3,00,000; ₹2,00,000 and ₹1,00,000 respectively. Y has also provided loan to the firm amounting to ₹50,000. In the first two years, they earned profit sufficiently but after that their profit were declining year after year. To run the business they had to take secured loan from the bank which amounted to ₹80,000. But the profits could not be raised and return was not according to their investments. So they have decided to close down the business. At the time of winding up of business creditors of the firm were ₹40,000 and loan of Mrs. X was ₹20,000. Expenses of realisation were ₹5,000. At the time of winding up, Z says he will take the machinery of the firm. X & Y says it can be done but he has to pay the machinery amount according to market value whereas Z wants 50% discount on machinery. It was not agreed to the partners so they sold it off in the market. All the dues were paid immediately
- 3
- According to Section 48 in which order liabilities will be paid?
  - What values are reflected in the above case?

- Q2. A & B were partners whose firm was dissolved on 31<sup>st</sup> March, 2014. Fill in the missing figures in the following ledger accounts:
- 6

Realisation A/c

Particulars	₹	Particulars	₹
To Building	60,000	By provision on debtors	2,000
To Investments	15,300	By Creditors	40,000
To Goodwill	2,000	By Mrs. A's loan	20,000
To Debtors	17,000	By IFF	4,000
To Bills Receivable	18,700	By Cash (Debtors)	12,000
To A's Capital A/c (Mrs. A's loan)	20,000	By B's Capital	13,500
To cash (creditors)	....	By Cash (Buildings)	76,000
To cash (expenses)	....	By Cash (B/R)	....
To profit transferred to:			
A's Capital	....		
B's Capital	....		
	.....		....

Capital A/c

Particulars	A	B	Particulars	A	B
To Profit & Loss	2,400	1,600	By.....	.....	....
To Realisation (investments)		13,500	By General Reserve	1,200	800
To cash A/c	47,200	11,000	By Realisation (Mrs. A's loan)	.....	.....

			By.....	.....	.....
	.....	.....		.....	.....

Cash A/c

Particulars	₹	Particulars	₹
To Bal b/d	3,000	By realisation (creditors)	36,000
To Realisation (debtors)	12,000	By realisation (expenses)	2,500
To Realisation (buildings)	76,000	By .....	....
To Realisation (B/R)	....	By .....	....
		By B's loan a/c	12,000
	1,09,000		1,09,000

B's loan A/c

Particulars	₹	Particulars	₹
To .....	....	By .....	....
	.....		.....

Q3. A, B & C were partners in a firm and shared profits in the ratio of 3:2:1. On 31<sup>st</sup> December, 2012, their Balance Sheet was as follows:

6

Balance Sheet as on 31<sup>st</sup> December, 2012

Liabilities	₹	Assets	₹
Creditors	65,000	Cash	22,500
Bills Payable	20,000	Debtors	52,300
Provident Fund	12,000	Stock	36,000
Investment		Investments	15,000
Fluctuation Fund	6,000	Plant	91,200
Commission received in advance	8,000	Profit & Loss A/c	54,000
Capital			
A	80,000		
B	50,000		
C	30,000		
	2,71,000		2,71,000

On this date the firm was dissolved. A was appointed to realise the assets. A was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation

A realised the assets as follows:

Debtors ₹30,000; Stock ₹26,000; Investments 75% of book value, Plant ₹42,750. Expenses of realisation amounted to ₹4,100

Commission received in advance was returned to the customers after deducting ₹3,000

Firm had to pay ₹7,200 for outstanding salary not provided for earlier.

Compensation paid to employees amounted to ₹9,800. This liability was not provided for in the above Balance Sheet. ₹25,000 had to be paid for Provident Fund.

Prepare Realisation A/c, Partner's capital A/c and Cash A/c

**FLASH BACK**  
**Assignment XI**  
**Topic: Issue of Shares**

Assignment given on: \_\_\_\_\_

M.M: 30 marks

Date of Submission: \_\_\_\_\_

- Q1. Beeta Ltd. was formed with an authorised capital of ₹10,00,000 in shares of ₹10 each. It issued to vendors 35,000 shares of ₹10 each as fully paid in payment of the purchase consideration. Further 40,000 shares were allotted on payment of cash, on which ₹7.50 per share was called-up. On 10,000 shares only ₹5 per share was received and on remaining 30,000 shares the whole amount of ₹7.50 per share was received. Show the amount of different classes of Share Capital in the Balance Sheet of Beeta Ltd. as at 31<sup>st</sup> March, 2014 4
- Q2. Aryan Ltd. issued 10,000 equity shares of ₹100 each at a discount of 10% payable as follows: 6  
On application ₹40 (1.1.2014); on allotment ₹30 (1.2.2014); on first and final call ₹20 (1.3.2014)  
The applications were received for 9,000 shares. Two shareholders A & B could not pay call money on 600 and 400 shares respectively in time. However, A paid his arrears of call after three months with interest.  
a. Pass Journal entries and prepare Balance Sheet  
b. What value is highlighted in case of under subscription of shares?
- Q3. Hari Haran Ltd. issued 10,000 shares of ₹10 each. The amount payable was as under: 6  
On application ₹2; on allotment ₹3; on first call ₹2 and on final call ₹3  
Mr. Ajay, a holder of 100 shares could not pay allotment and first call money. The company did not make final call. The Board of Directors forfeited his shares and immediately reissued the forfeited shares at ₹6 as ₹7 paid-up.  
Pass necessary Journal entries and prepare the Opening Balance Sheet.
- Q4. Pass journal entries in the following cases: 6  
a. X Ltd. forfeited 100 shares of ₹10 each, ₹8 called-up issued at a discount of 10% to Mahesh on which he had paid ₹2 per share. Out of these 80 shares were reissued at ₹6 per share to Suresh, ₹8 called up  
b. X Ltd. purchased assets of ₹3,80,000 from Ram Traders. It issued shares of ₹100 each fully paid at a discount of 5% in settlement of purchase consideration  
c. M Ltd. forfeited 2,000 equity shares of ₹10 each, issued at a premium of ₹5 per share, held by Ram for non-payment of final call of ₹3 per share. Of these, 100 shares were reissued to Vishu at a discount of ₹4 per share.



Q5.

Priyanshu Ltd. was registered with a nominal capital of ₹25,00,000 divided into 20,000 equity shares of ₹100 each and 5,000 12% Preference shares of ₹100 each. Company issued its 800 equity shares at par to the promoters free of cost as qualifying shares. It also purchased sundry assets of ₹2,60,000 and make the full and final payment of the same by the allotment of 2,500 fully paid-up preference shares. Company also issued 10,00 equity shares to the public at a discount of 5%. Public applied for 14,500 shares. Amount was payable as ₹20 on application, ₹25 on allotment, ₹30 on first call and balance on second and final call.

Company allotted the shares as follows:

Group A which applied for 5,000 shares were allotted 4,000 shares

Group B which applied for 3,500 shares was allotted no shares

Group C which applied for 6,000 shares were allotted 6,000 shares

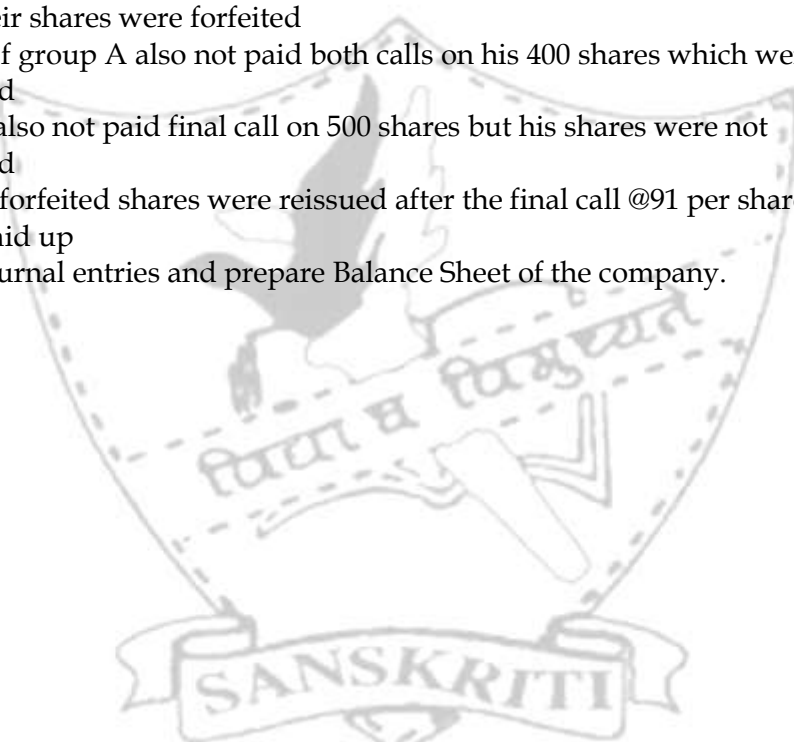
Mr. X & Mr. Y belonging to Group A & C respectively and who applied for 250 and 300 shares respectively failed to pay allotment and first call money and their shares were forfeited

Mr. Z of group A also not paid both calls on his 400 shares which were forfeited

Mr. M also not paid final call on 500 shares but his shares were not forfeited

All the forfeited shares were reissued after the final call @91 per share as fully paid up

Give journal entries and prepare Balance Sheet of the company.



8

**FLASH BACK**  
**Assignment XII**  
**Topic: Issue of Debentures**

**Assignment given on:** \_\_\_\_\_

**M.M: 15 marks**

**Date of Submission:** \_\_\_\_\_

- Q1. Pass journal entries for the issue of debentures in the following cases and also prepare Balance Sheet in each case: 6
- a. Issued 80,000 8% Debentures of ₹100 each at par, redeemable at par
  - b. Issued 80,000 8% Debentures of ₹100 each at premium of 4%, redeemable at par
  - c. Issued 80,000 8% Debentures of ₹100 each at par, redeemable at premium of 5%
  - d. Issued 80,000 8% Debentures of ₹100 each at discount of 5%, redeemable at par
  - e. Issued 80,000 8% Debentures of ₹100 each at discount of 10%, redeemable at premium of 5%
- Q2. A company issued ₹80,000 10% Debentures on 1<sup>st</sup> January, 2012. Interest on these debentures is paid on 30<sup>th</sup> June and 31<sup>st</sup> December. Pass journal entries for the year ending 31<sup>st</sup> December, 2012 assuming that income tax is deducted @20% on the amount of interest. What value is highlighted from the regular payment of interest on the due dates by the company? 3
- Q3. Paul Ltd. was in the business of manufacturing cement. In spite of repeated reminders received from Labour Department, management of the company is still not providing fair wages to its labourers. The management of the company decided to organise cleanliness drives in villages. The company had ₹5,00,000 8% Debentures of ₹100 each outstanding as on 1<sup>st</sup> April, 2013. During the year, 2013-14, the company took a loan of ₹10,00,000 from State Bank of India by issuing 1,50,000 8% Debentures of ₹10 as collateral security. The company also forfeited 1,000 shares of ₹10 each held by Sharma for non-payment of first & final call of ₹3 per share. 6
- a. Pass necessary journal entries
  - b. Identify the value which according to you has motivated the State Bank of India to insist the company for issuing debentures of ₹15,00,000 against a loan of ₹10,00,000
  - c. Identify the value which according to you motivated the company to organise a cleanliness drive
  - d. Identify the value ignored by the company.

**FLASH BACK**  
**Assignment XIII**  
**Topic: Redemption of Debentures**

Assignment given on: \_\_\_\_\_

M.M: 15 marks

Date of Submission: \_\_\_\_\_

- Q1. Sachin Ltd. redeemed its entire outstanding 9% Debentures of ₹10 each at a premium of 10% on 31<sup>st</sup> March, 2014. Fill in the missing figures in the following journal of Sachin Ltd. 3

Date	Particulars	L.F	Debit	Credit
31.3.14	Balance in Statement of P&L Dr To Debenture Redemption Reserve		.....	.....
31.3.14	.....Dr .....Dr To Debenture holder A/c (being payment due to debenture holder)		..... .....	.....
31.3.14	Debenture holder A/c Dr To .....		.....	.....
31.3.14	Debenture Redemption Reserve Dr To ..... (Being balance in DRR transferred to General Reserve)		5,00,000	5,00,000

- Q2. On 1<sup>st</sup> January, 2011 Yusuf Manzil Ltd. issued 5,000 12% Debentures of ₹100 each at premium of 10%. The terms of issue provided for the redemption of ₹50,000 every year commencing from the end of the year 2011-12, either by purchase or by draw at par at the company's option. On 31<sup>st</sup> March, 2013, the company purchased some debentures at 5% discount and paid ₹42,750 for immediate cancellation. The brokerage being 1% 4
- Journalise the transactions relating to issue and redemption of debentures assuming that 50% of the nominal value of debenture were redeemed out of profits. Treat the securities premium and profit on redemption in the best way you consider fit (ignore interest on debentures)

- Q3. Show the following transactions in their respective Balance Sheet: 4
- Mehta issued 2,00,000 9% debentures of ₹100 each at par and redeemable at premium of 5% within 12 months of the date of Balance Sheet
  - Khurana Ltd. issued 2,00,000 9% Debentures of ₹100 each at a premium of 10% but redeemable at 10% premium after 12 months of the date of Balance Sheet.

- Q4. Suraj Construction Ltd. issued 15,000 9% debentures of ₹500 each on 1<sup>st</sup> January 2009. The Board of Directors decided to purchase 500 debentures at a price of ₹485 each for investment purpose on 31<sup>st</sup> December, 2013. After 3 months they decided to sell of these debentures @₹505 each in the market. Record necessary journal entries to show above transactions assuming sufficient balance in Debenture Redemption Reserve as per legal requirements.

4



## Value Based Questions

1. A and B are partners in a firm. A manages all business as a representative of firm. For execution of sales order to a valuable customer, A incurred ₹ 5,000 for delivery in quick time. B is not agreeing to reimburse the above expenses from the firm's accounts. Explain the treatment of above expense and describe which value is violated by the partners.

Ans. It is the right of A to get indemnified against the payment which he paid for the firm's business. B violated the following values:

- a. Mutual trust and cooperation.
- b. Integrity
- c. Truth
- d. Acknowledgement

2. Abir, Ahaan and Saksham are partners in a firm, manufacturing cycles and tri-cycles. Saksham proposed to donate 100 tri-cycles worth ₹ 5,00,000 to differently abled children in the CWSN (Children with special needs) assessment camp organized by Directorate of Education, Delhi on 3<sup>rd</sup> December on occasion of "World Disabled Day". Abir and Ahaan consented to it.

State the values that are being reflected in the above case.

Ans. Following values are being reflected in the given case:

- a. By Helping the differently abled children to come school, firm is promoting R.T.E (Right to Education Act).
- b. Fulfillment of social responsibility
- c. Promoting the rights of differently abled children.

3. Ram is a graduate in Business Administration. After completing B.B.A, he tried very hard for a job but he didn't get any opportunity to work due to recession in the economy. Then he realized that he should start his own business at the ground floor of his house lying vacant. Since he didn't have sufficient funds to invest in the business, he cannot start the business alone. Ram contacted one of his friend, Anuj and convinced him to start a business with him in partnership. Anuj decided to invest in the business and to form a partnership with Ram but Anuj wants to get the firm registered.

State the values that are being reflected in the above case.

Ans. Following values are being reflected in this case:

- a. Best use of available resources.
- b. Decision making.
- c. Mutual trust.
- d. Cooperation

- e. Initiative.
  - f. Awareness of legal environment.
4. A, B and C are in a partnership. A is appointed for carrying on the business of the firm by the other partners. A has decided to purchase the goods from a firm in which his wife and his sons are partners at a double rate than the prevailing market rate without disclosing this fact to other partners of the firm. State which values have been violated by A by not disclosing this information to B and C.

**Ans.**

5. Renu and Reshma shared profits as 7 : 3. Renu want to give admission to her friend Rehanna as a new partner. Reshma agrees with this decision of Renu. Rehanna is a physically challenged lady and admitted with a  $\frac{1}{4}$ <sup>th</sup> share in profits. Renu and Reshma gave her a guarantee that her share of profit will never be less than ₹ 1,20,000 p.a. The profits for the last two years ended March 31, 2011 and March 31, 2012 were ₹ 1,60,000 and ₹ 2,40,000 respectively. Identify the human value involved in this case and prepare Profit and Loss Appropriation Account for the two years.

Ans. Following are the human values involved in this case:

- a. Good relations between persons of different religion.
  - b. Woman empowerment
  - c. Welfare of differently abled persons.
  - d. Protection of the interest of different abled.
  - e. National integration.
6. A and B are partners in a firm having a workmen compensation reserve of ₹ 10,00,000. A worker, Rohan died in an accident while working for the firm. The firm paid ₹ 5,00,000 as compensation to his family and offered a job to his wife and also arranged for the education of his son. State which values are being reflected in the above case and also show the treatment of workmen compensation reserve if A and B now decide to change their profit sharing ratio from 3 : 1 to equal ratio. Workmen compensation reserve will not be shown in the books of new firm.

Ans. Following values are being reflected:

- a. Mutual trust and cooperation.
- b. Fulfillment of social responsibility.
- c. Sympathy

7. A and B are partners in a firm having work compensation of ₹ 10,00,000. A worker, Rohan, died with an accident. The firm paid his successors ₹ 5,00,000 and gave employment to his wife and arranged for his children education.

Which values are being indicated in the question and what will be the treatment of workmen compensation reserve if A and B decide to change their profit sharing ratio from 3 : 2 to 2 : 3.

Ans. Values involved:

- a. Gratitude towards employees
- b. Promoting education
- c. Concern for family.

8. Saksham, Salma and Mary are partners dealing in manufacturing of electric power saver machines. They admitted Nirmal Singh who is physically handicapped. What values you can identify in the problem?

Ans

- a. Environmentally friendly enterprise and conservation of natural resources.
- b. Secularism ie running an enterprise by persons of different religions.
- c. Empowering woman entrepreneurship.
- d. Support to the needy ie physically handicapped person.

9. Deepa and Shweta are friends and after completion of their study a business of readymade garments by constituting a partnership with a profit sharing ratio as 3 : 2 respectively. Their partnership firm earns a huge profit during few years. They decided to start a scholarship of ₹ 10,000 p.a. for meritorious and poor students. On January 1, 2013 they admit Joney, their manager as a new partner with  $\frac{1}{5}$ th share in future profits. The value of goodwill of the firm is ₹ 3,50,000 and Joney is not able to bring his share of goodwill in cash. Joney belongs to a Religious minority community and is expert in business management. He contributes ₹ 50,000 as his capital and old partners want to pass an adjusting entry for the treatment of goodwill.

Identify the values involved in this question and pass the journal entries on admission of Joney. Also calculate the new profit sharing ratio.

Ans. Following are the values involved in this question:

- a. Woman entrepreneurship
- b. Women empowerment
- c. Contribution for welfare of meritorious and poor students.
- d. Welfare of minorities
- e. National integration

10. Ajit, Gaurav and Nitin are partners with capitals of ₹ 5,00,000, ₹ 5,00,000 and ₹ 2,00,000 respectively. They shared profits in the ratio of 5 : 3 : 2. Nitin joined a NGO working for old aged persons. As a result, Nitin could not attend the business of the firm regularly. Hence, he retired from the firm. Ajit and Gaurav decided to share future profits equally. Nitin requested the firm to pay off his dues immediately as he needs money for donation to NGO. Identify the values which are highlighted in the problem.

Ans

- a. Honesty on the part of Nitin to see retirement because he was not attending the business of firm regularly.
- b. Sensitivity of Nitin towards old aged persons.
- c. Charity for social cause.
- d. Preference for social cause over business.
- e. Equity as the remaining partners decide to share future profits equally because their capitals are also equal.

11. Anju, Manju and Sanju were partners. On 1<sup>st</sup> Aug 2013, Sanju died. According to partnership deed, a deceased partner will be entitled to profit upto the date of death to be computed on the basis of last year's profit. However, the will of Sanju contained a clause which require the firm to pay one-half of his total claim to be paid to his widowed sister who is financially week to support her family. Identify the values shown in the problem.

Ans.

- a. Value of fairness as profit of deceased partner upto the date of death is based on sales and not on the period. There is a direct relationship between sales and profit.
- b. Sympathy towards the needy person and charity for a good cause.

12. Khanak, Nitya and Vaani are the partners sharing profits in the ratio of 3 : 2 : 1. On 1<sup>st</sup> April 2013, Nitya was declared physically incapable of doing business and firm was dissolved. Khanak claims that her loan to firm should be paid in priority to loan from bank. Other partners refused and Khanak's loan was paid after the payment of external liabilities but before the payment of capitals. Khanak and Vaani offered a special allowance to Nitya to facilitate her medical treatment. Identify the values in the above problem.

Ans.

- A. Priority of payment as per Indian Partnership Act as payment of Khanak's loan is made after the payment of external liabilities.
- B. Sympathy and charity to needy person.



13. Noya Ltd. was registered with an authorized share capital of ₹ 50,00,000 divided into 50,000 equity shares of ₹ 100 each. It issues 25,000 equity shares at part payable was ₹ 25 on Application; ₹ 40 on Allotment and ₹ 35 on first and final call. Applications were received for 30,000 equity shares.

The company has two options to handle this oversubscription of shares.

Options I: To reject the excess applications received for 5,000 shares.

Option II: To make pro-rate allotment and adjust the excess application money received for allotment.

What value is observed or highlighted in the above two options?

Ans

Option I: The value of "equality" and "social justice" is neglected. The rejected applicants are deprived off from getting the shares.

Option II: The value of "equality" and "social justice" can be seen existing in the second option.

14. Rehan Ltd. issues 50,000 shares of ₹ 10 each payable ₹ 4 on application and ₹ 6 on allotment. According to the SEBI guidelines, a minimum of the net offer should be reserved for small investors. Therefore, out of these 50,000 shares, 50% portion is reserved for retail (small) investors. Issue has been fully subscribed. Identify the values involved in this question and pass the Journal entries in the books of Rehan Ltd.

Ans. Following are the values involved in this question:

- a. Protection of interest of small investors.
- b. Promoting the habit of saving in people.
- c. Helpful in capital formation.

15. Meenakshi Ltd. wants to start a new manufacturing unit in a backward tribal area at Jharkhand.

The new unit can be started in the form of labour intensive with a capital of ₹ 5 crore or in the form of automatic plant with a capital of ₹ 30 crore. Directors decided to start this unit in the form of labour intensive for generation of employment opportunities in remote areas. Therefore company purchases land for ₹ 2,00,00,000 and machinery for ₹ 3,00,00,000. In consideration of these assets Company issues 13% Debentures at par.

Identify the value involved in the decision of directors of Meenakshi Ltd.

Ans. Following values are involved in the decision of directors or Meenakshi Ltd.

- a. Economic development of backward areas of Jharkhand.

- b. Creation of maximum employment opportunities by adopting labour intensive technique of production
- c. Facilitating “trading on equity” by issuing debentures in place of shares and enjoying tax benefits since interest on debentures is deductible expense for calculating tax liability.

16. Gaurav Infrac Ltd. is an infrastructure company. It issued 6 lacs 10% debentures of ₹ 100 each on 1<sup>st</sup> April 2008, redeemable on 1<sup>st</sup> April 2013. How much amount of debenture redemption reserve is required before the redemption of debentures. Which value SEBI wants to promote by having special provision for infrastructure company.

Ans. No DRR is to be created since SEBI has exempted infrastructure companies as it wants to promote national development so that funds can be utilized in timely completion of infrastructural projects.

17. On 1<sup>st</sup> April 2008, Annu Ltd issued 10,000 12% debentures of ₹ 100 each, redeemable after 5 years. For this purpose company transferred ₹ 2,00,000 every year to DRR so that debenture holders get their amount on due date. What values are highlighted in the given problem.

Ans.

- a. Systematic approach.
- b. Foresightedness
- c. Responsibility
- d. Sincerity and commitment.

18. Prepare a comparative income statement of Ekta Ltd., with the help of following information and identify the value involved in it.

	2011	2012
Revenue from operations	1,00,000	2,00,000
Cost of goods sold	60% of sales	70% of sales
Indirect Expenses	10% of gross profit	10% of gross profit
Rate of Income tax	50%	50%

Ans. Values involved

- a. Estimation with due care
- b. Analytical ability

19. Prepare a comparative income statement of A Ltd., with the help of following information and identify the value involved in it.

	2011	2012
Revenue from operations	10,00,000	12,50,000
Cost of goods sold	5,00,000	6,50,000
Operating Expenses	50,000	60,000

Ans. Values involved

- a. Estimation with due care
- b. Analytical ability

20. The operating ratio of A Ltd. is 55% and that of B Ltd. is 65%. Which company is following the value of efficient utilization of resources and explain your answer?

Ans. A Ltd. is using the value of “efficient utilization of resources” because operating ratio shows the percentage of sales that is absorbed by the cost of sales and operating expenses. A lower operating ratio is always better.

21. Balance sheet of A Ltd. showed a balance of ₹ 25 lacs as Cash and Cash equivalents while working capital requirement of ₹ 5 lacs on an average. Which value do you think is missing in the financial planning of the company?

Ans. The company is violating the value of “efficient utilization of resources”. It should utilize the funds productively so that it can earn extra income.

22. The debt-equity ratios of Alpha Co. and Salpha co. are 1 : 1 and 2 : 1 respectively. Which company, in your opinion, has got better debt-equity ratio and why? Presume that both the companies produce and sell similar kind of products, having growing demand.

Ans. Debt-equity ratio measures the solvency of the concern. It is an index of the degree of protection enjoyed by the creditors of an enterprise. In the problem, Alpha co. has got better debt-equity ratio because its debt and equity are the same. It means that degree of protection enjoyed by long-term liabilities is equal to owners' fund. Salpha Co. on the other hand, has debt-equity ratio of 2 : 1. It means that the debt is double of its equity.

23. LNT Ltd. with an authorized capital of ₹ 15,00,000 issued 15,000 shares of ₹ 100 each. Payments to be made as on application, allotment and first and final call were ₹ 30, ₹ 50 and ₹ 20 respectively. Applications were received for 13,500 shares and all were accepted. The company later decided to offer the remaining 1,500 shares to senior citizens at a discount of 10% from their existing pool of shareholders. The balance shares too were duly subscribed

and all the money was received. It was decided to right off discount on issue of debentures within a period of 10 years.

- I. State the value that the LNT Ltd. upheld by offering balance shares to senior citizens at a discount. Suggest a socially centered better alternative to attract subscription for the remain shares.
- II. Pass necessary journal entries in the books of the company and prepare the Balance Sheet.

Ans. The value upheld by LNT Ltd. are respect and care for senior citizens who at later stage in life generally tend to have great value to even a little better portion of income.

Another better alternative could have been to offer shares to senior citizens from lower income group on a priority basis than other senior citizens. If all of the remaining shares were not accepted by senior citizens then these could have been offered to women who are shouldering great responsibilities and looking out for good investment options, etc.

24. Sinha Industries Ltd. issued 1,00,000 debentures of ₹ 100 each under the following two arrangements wherein equal number o debentures were offered for sale.
- a. Debentures offered in Urban Open Markets: Issued at a premium of 10% redeemable at par.
  - b. Debentures offered to Small scale industries units. Issued at par, redeemable at a premium of 10%.
- Which needs of society are being met by this arrangement of Sinha Industries for the subscription of their debentures.
  - Pass journal entries for the above transactions in the Books of Sinha Industries.

Ans. Through the arrangement of offering debentures at urban open market and in Small scale industries unit equally though at different conditions, Sinha Industries clearly plan to promote the objective of equitable development of the nation ie supporting even growth amongst all parts of the country which is one of the impending needs in our society today. In the above setup, by offering debentures, at a premium to urban market and utilizing the benefit so derived to redeem debentures at a premium of 10% for small scale units, Sinha Industries fulfill the said goal.

25. (Distribution of Profit) Salman Kahn from West Bengal, Honey Singh from Punjab, Rajnikant from Chennai and Merry from Goa formed a partnership

without any partnership deed. They contributed ₹ 5,00,000, ₹ 6,00,000, ₹ 7,00,000 and ₹ 8,00,000 as their respective capital. During the year 2012-13 Honey Singh had user his personal car for marketing purpose for which he has charged nothing. The profits for the year ending 31<sup>st</sup> March 2013 were ₹ 25,00,000. In the absence of partnership deed they were not in the position to distribute the profits. Salman Khan and Rajnikant proposed the following to which they all agreed.

1. Honey Singh shall be given commission at 10% pa.
2. Profits shall be distribute equally.
  - a. Identify any two values which according to you motivated them to form a partnership.
  - b. Prepare Profit and Loss Appropriation account of the firm for the year ending 31<sup>st</sup> March 2013.

Ans. Values

- a. Acceptance or tolerance amongst partners
- b. Secularism
- c. Respect for law and order. By abiding by the provisions of Partnership Act 1932 in the absence of partnership deed.

26. Parv Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each. Applications for 3,00,000 shares were received and pro-rata allotment was made to all the applicants. Identify the value which according to you motivated Parv limited in making pro-rata allotment to all the applicants.

Ans. Value of equality.

27. Amir Ltd. issued 5,000 12% debentures of ₹ 100 each payable as ₹ 25 on application and rest on allotment. The public applied for 8,000 debentures. The company allotted 5,000 debentures to applicants for 7,000 debentures and rejected remaining applications. Application money in excess of that required on allotment is to be refunded.

- a. Which value has been affected by rejecting the applications of the applicants of 1,000 debentures. Suggest a better alternative for the same.
- b. Journalize in books of Amir Ltd.

Ans. Values

- a. Value of equality has been affected

Better alternative is pro-rata allotment.

28. Shiv Shakti Ltd furnished the following information.

Current Ratio	= 1.7 : 1
Current Assets	= ₹ 51,000
Current Liabilities	= ₹ 30,000

Management is interested in maintaining the current ratio of 2 : 1 by paying a part of its current liability.

Calculate the amount of current liabilities to be paid.

Identify the value which motivated the management of the company to maintain the current ratio of 2 : 1.

Ans. Value of Safety.

29. Shiv Ltd. has furnished the following information:

6% Debentures	= ₹ 5,50,000
Fixed Assets	= ₹ 8,00,000
Current Assets	= ₹ 5,40,000
Current Liabilities	= ₹ 3,70,000
Profit before interest	= ₹ 6,51,000
Tax Rate	= 50%

Management desires to declare dividend on profits after complying with all legal provisions.

- Identify the value which motivated the management to declare dividend on profits and that too after complying with all the legal provisions.
- Calculate ROI

Ans. Values

- Sharing
- Responsibility
- Respect for law.

ROI = 67.11%

30. P Ltd. has furnished the following information:

Net profit before interest and tax	= ₹ 4,00,000
Income Tax Rate	= 30%
10% debentures	= ₹ 10,000

The interest coverage ratio acceptable in the same type of business is 5 times. Hence the management decides to redeem some of the debentures so that interest coverage ratio could be 5 times.

Identify the value involved in the decision and debentures of how much amount should be redeemed for the same.

Ans. Value of Safety.