

ACCOUNTANCY

CONTENTS

S.No	Topic	Page No
1	Design Of Question Paper:	2
2	Rationale, General Objectives, Methodology And Syllabus:	3
3	Project Work In Accountancy	7
a.	Comprehensive Project	11
b.	Specific Project I: Segment Analysis	19
c.	Specific Project II: Cash Flow Statement	27
4	Topic Wise Flash Backs:	
a.	Flash Back I: Analysis of Financial Statements	33
b.	Flash Back II: Accounting for Not-for-profit organisations	54
c.	Flash Back III: Accounting for Partnership firms	59
d.	Flash Back III: Accounting for Companies	80
5	EXTRA ASSIGNMENTS	86
6	NCERT QUESTIONS	123

DESIGN OF QUESTION PAPER: ACCOUNTANCY

S.No	Name of Chapter	Number Of Questions					Total Marks
	MARKS \Rightarrow	1	3	4	6	8	
1	Accounting for Partnership Firms	2	1	1	3	1	30
2	Accounting for Companies	3	2	2	-	1	20
3	Analysis of Financial Statements	1	1	2	-	-	12
4	Cash Flow Statement	2	-	-	1	-	8
	Total Marks	8	12	20	24	16	80
5	<u>Project Work</u> Unit 1 : Project File :4 marks Unit 2 : Written Test :12 marks (one hour) Unit 3 : Viva Voce' :4 marks						20
	Total Marks						100

GENERAL LEARNING OBJECTIVES, METHODOLOGY AND SYLLABUS
FOR THE ACADEMIC YEAR 2020-21: 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

Part A : Accounting for Partnership Firms and Companies	Marks	Periods
1. Accounting for Not-for-profit organisations	10	25
2. Accounting for Partnership Firms	30	90
2. Accounting for Companies	20	35
TOTAL	60	150
Part B: Financial Statement Analysis	Marks	Periods
3. Analysis of Financial Statements	12	30
4. Cash Flow Statement	08	20
5. Project Work	20	40
Unit 1 : Project File :4 marks		
Unit 2 : Written Test :12 marks (one hour)		
Unit 3 : Viva Voce' :4 marks		
TOTAL	40	90

Part A : Accounting for Partnership Firms and Companies**Unit 1: Accounting for Not-for-profit organisations****Content**

- Not for profit organizations: concept
- Receipts and Payment Account : features and preparation
- Income and Expenditure Account: features, preparation of income and expenditure account and balance sheet from the given receipts and payment account with additional information.

Unit 2: 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

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, 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 and draw of lots

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 III, Companies Act, 2013).
- 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.

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.

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>ACCOUNTANCY PROJECT</p> <p>Name: Roll No:</p>	<p><u>CERTIFICATE OF AUTHENTICITY</u></p> <p>(to be pasted)</p>	<p><u>INDEX</u></p> <p>(to be pasted)</p>
<p><u>COMPREHENSIVE PROJECT</u></p>	<p><u>SPECIFIC PROJECT I:</u></p> <p><u>SEGMENT ANALYSIS</u></p>	<p><u>SPECIFIC PROJECT II:</u></p> <p><u>CASH FLOW STATEMENT</u></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
2021-22.*

Date of Submission:

Name of Subject Teacher:

Teacher's Signature:

School Stamp:

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>			

<p><u>COMPREHENSIVE PROJECT</u></p> <p>(TITLE PAGE)</p>	<p>Details page</p>	<p><u>SOURCE MATERIAL</u></p> <p>(TITLE PAGE)</p>
<p>...Write the story you have formulated</p>	<p><u>PROCESSING OF DATA:</u></p> <ul style="list-style-type: none"> • <u>JOURNALS</u> • <u>LEDGERS</u> • <u>TRIAL BALANCE</u> • <u>ADJUSTING ENTRIES</u> • <u>FINAL ACCOUNTS</u> <p>(TITLE PAGE)</p>	<p>... prepare the above mentioned</p>
<p><u>INTERPRETATION OF RESULTS</u></p> <p><u>I</u></p> <p><u>PIE CHARTS DEPICTING ASSEST AND LIABILITIES</u></p> <p>(TITLE PAGE)</p>	<p>Pie chart depicting Assets And its analysis</p>	<p>Pie chart depicting Liabilities And its analysis</p>
<p><u>INTERPRETATION OF RESULTS</u></p> <p><u>II</u></p> <p><u>RATIO ANALYSIS</u></p> <p>(TITLE PAGE)</p>	<p>Calculation of Ratios and write a note about the results</p>	<p><u>OBSERVATIONS AND ANALYSIS</u></p> <p>(TITLE PAGE)</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)	Date	Particulars	Jf	Amt (Rs)
Total				Total							

- 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)
TOTAL				

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)
TOTAL		TOTAL	
TOTAL		TOTAL	

Balance Sheet Of -----
As at -----

Liabilities	Amount (Rs)	Assets	Amount (Rs)
TOTAL		TOTAL	

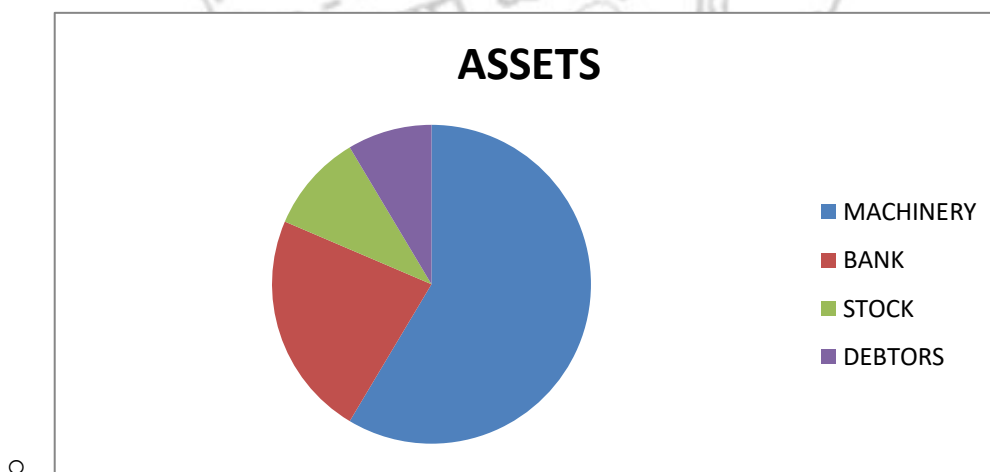
(Balance Sheet to be made in the order of permanence)

(D) Interpretation I : Pie-Charts

- Calculations For Pie-Charts For Assets of the firm:

Name of Asset	Amount (Rs)	$x^\circ = \frac{\text{Value of Asset} * 360}{\text{Total Assets}}$	Angle calculated
TOTAL ASSETS	Rs		360°

- Pie chart depicting the composition of assets:

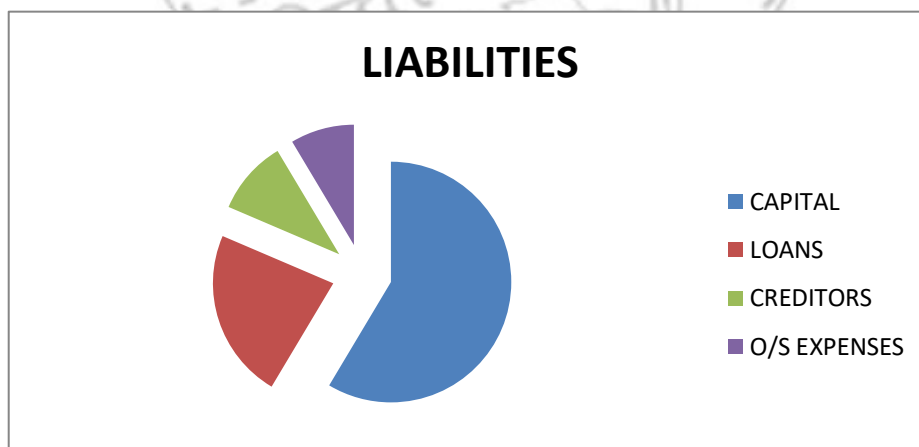


- Prepare a *pie chart* on the basis of the table showing the distribution of total assets.
- (Pie Chart on the left side blank page and calculation table on the right side ruled page of your project file)
- You MUST prepare a key for every pie chart

- Calculations For Pie-Charts For Liabilities of the firm:

Name of Liability	Amount (Rs)	$x^\circ = \frac{\text{Value of Liability} *}{360}$ Total Liability	Angle calculated
TOTAL LIABILITY	Rs		360%

- Pie chart depicting the composition of liabilities:



- Prepare a *pie chart* on the basis of the table showing the distribution of total liabilities.
- (Pie Chart on the left side blank page and calculation table on the right side ruled page of your project file)
- You MUST prepare a key for every pie chart

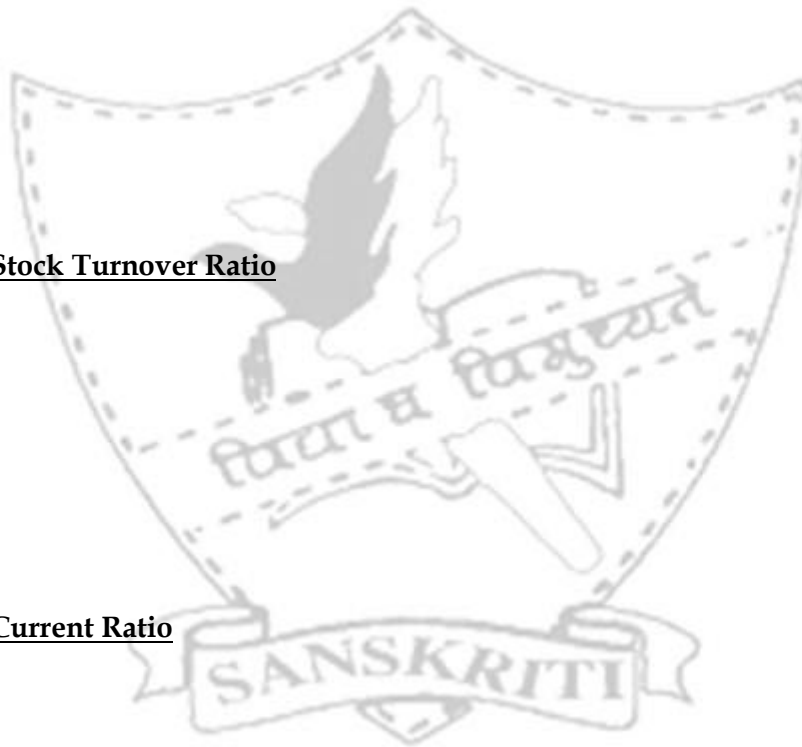
Interpretation I : RATIO ANALYSIS

- Gross Profit Ratio

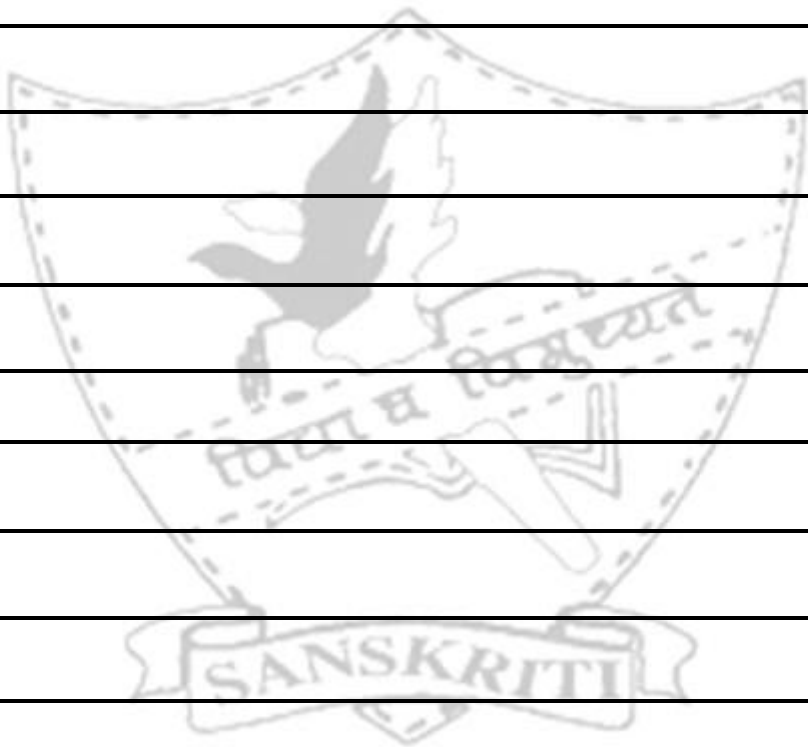
- Net Profit Ratio

- Stock Turnover Ratio

- Current Ratio



ANALYSIS AND INTERPRETATION:



Specific Project I: SEGMENT ANALYSIS:**Format for presentation:**

<p><u>SPECIFIC PROJECT II</u> <u>SEGMENT</u> <u>ANALYSIS</u></p> <p>(TITLE PAGE 1)</p>	<ol style="list-style-type: none"> 1. Name of Project: 2. Objective of Project: 3. Period of Project: 4. Source Material: 5. Tools of Analysis: 6. Processing of Data: 	<p><u>SOURCE MATERIAL</u></p> <p>(TITLE PAGE 2)</p>
<p><u>PROCESING OF</u> <u>DATA:</u></p> <p>(TITLE PAGE3)</p>	<p><u>a. Inter-Period Comparison:</u></p> <p>(TITLE PAGE4)</p>	<p>Analysis of :</p> <ol style="list-style-type: none"> <u>i.</u> Capital Employed <u>ii.</u> Segment Revenue <u>iii.</u> Segment Result <p>(TITLE PAGE5)</p>
<p>.....show the calculations for the firm with diagrams.</p>	<p><u>b. Inter Segment Analysis:</u></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><u>ANALYSIS AND INTERPRETATION</u></p> <ol style="list-style-type: none"> <u>a.</u> Inter-period comparison <u>b.</u> Inter segment analysis <p>(TITLE PAGE 8)</p>	<p><u>Analysis</u></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:** Quarter ended results for the year ended 31st March, and 31st March,
4. **Source Material:**
 - Segment Report of the(Name of the company).....downloaded from the internet.
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
 - Common-size Statements
 - Pie charts
 - Bar-Diagrams

SOURCE MATERIAL:

Stick **original print outs** of the company's Balance Sheet and Cash Flow Statement

PROCESSING:a. Inter-Period Comparison:

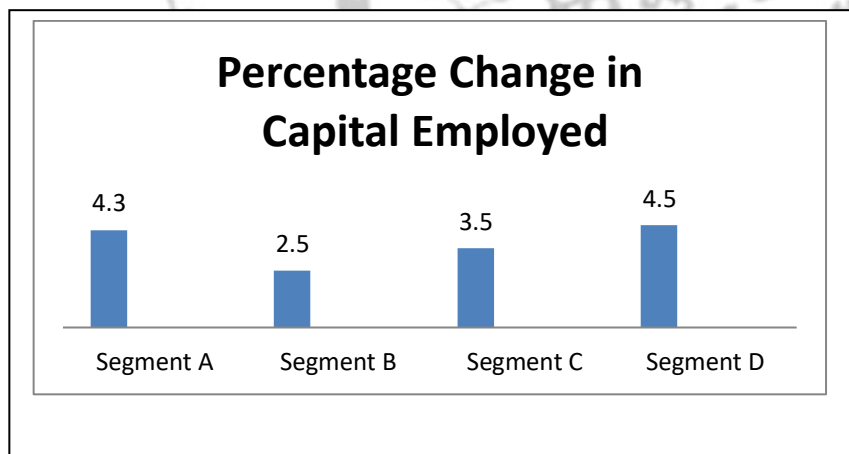
Analysis of :

- Capital Employed
- Segment Revenue
- Segment Result

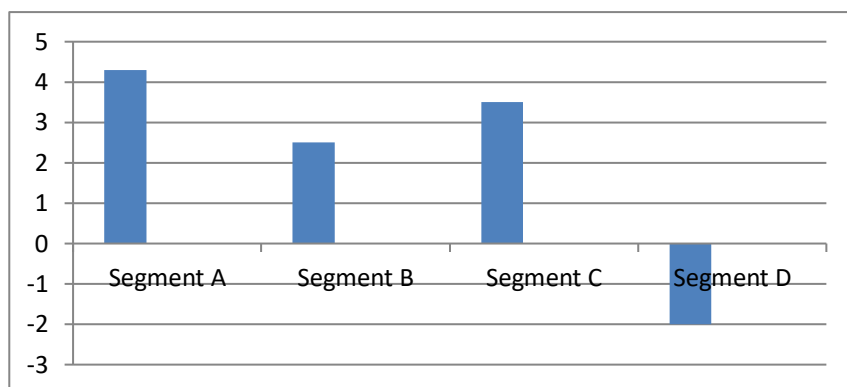
COMPARATIVE STATEMENT: CAPITAL EMPLOYED

SEGMENT	PERIOD I	PERIOD II	ABSOLUTE CHANGE (↑ OR ↓)	PERCENTAGE CHANGE (↑ OR ↓)
TOTAL				

- 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 ↓)
TOTAL				

(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 ↓)
TOTAL				

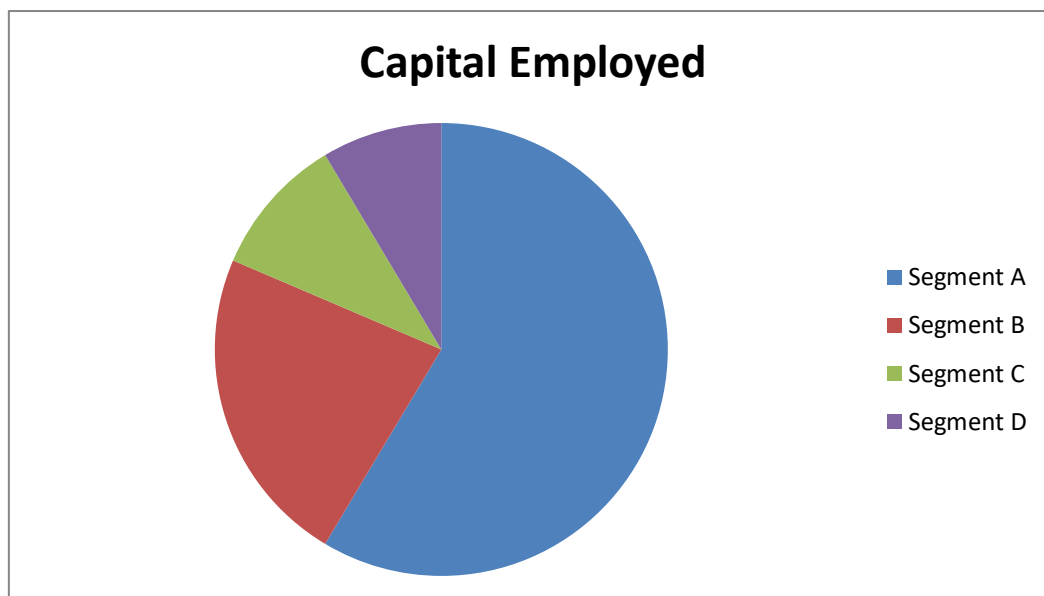
(Bar diagram on the left side blank page and calculation table on the right side ruled page)

b. Inter Segment Analysis:

Analysis of Capital Employed for the quarter ended ____.

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

- 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)	% = $\frac{\text{Revenue from Segment}}{\text{Total Revenue}} \times 100$	Angle = $3.6 \times \% \text{ calculated}$
TOTAL REVENUE		100%	360°

- 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)

For Inter Period Analysis:

Compare the percentage change in revenue an result and see if the change in capital employed justifies it. Also, see if we can see which segment is most efficient.

Name Of Segment	Percentage Change In:		
	Revenue	PBIT	Capital Employed

Specific Project II: CASH FLOW STATEMENT

<p style="text-align: center;"><u>SPECIFIC PROJECT II</u> <u>CASH FLOW STATEMENT</u></p> <p style="text-align: right;">(TITLE PAGE 1)</p>	<ol style="list-style-type: none"> 1. Name of Project: 2. Objective of Project: 3. Period of Project: 4. Source Material: 5. Tools of Analysis: 6. Processing of Data: 	<p style="text-align: center;"><u>SOURCE MATERIAL</u></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;"><u>PROCESING OF DATA:</u> <u>ASSESSING THE CASH POSITION OF THE BUSINESS</u></p> <p style="text-align: right;">(TITLE PAGE 3)</p>	<p>....Prepare Cash Flow Statement as per AS-3 (Revised)</p>
<p style="text-align: center;"><u>ANALYSIS AND INTERPRETATION</u></p> <p style="text-align: right;">(TITLE PAGE 4)</p>	<p style="text-align: center;"><u>Pie chart depicting cash generated from:</u></p> <ul style="list-style-type: none"> • <u>Operating Activities</u> • <u>Investing Activities</u> • <u>Financing Activities</u> <p style="text-align: center;"><u>And its analysis</u></p> <p style="text-align: right;">(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 31st of March 20__ and 31st of March 20__

4. **Source Material:**

- Balance Sheets of For the year ended 31st March..... & 31st 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 31st March 2013 & 31st March 2014

PROCESSING OF DATA:

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

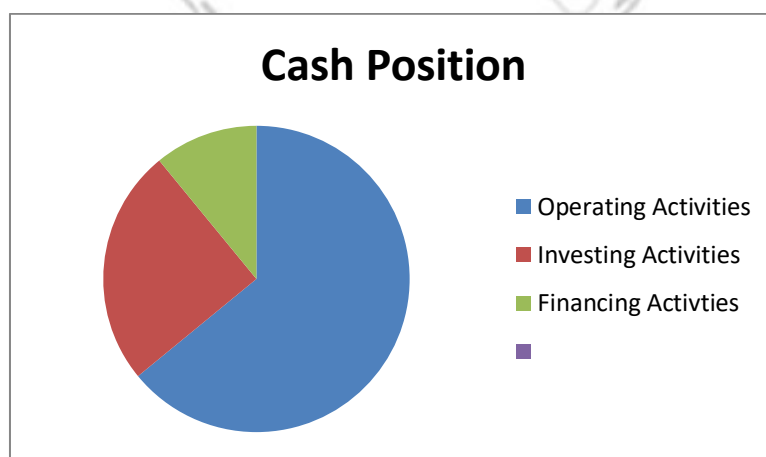
PARTICULARS	AMOUNT ()	AMOUNT ()
<u>I. CASH FLOWS FROM OPERATING ACTIVITIES</u>		
NET PROFIT BEFORE TAXES AND EXTRAORDINARY ITEMS		
Adjustments related to non-cash /non-operating items: <u>ADD</u> +Depreciation + fictitious assets written off		

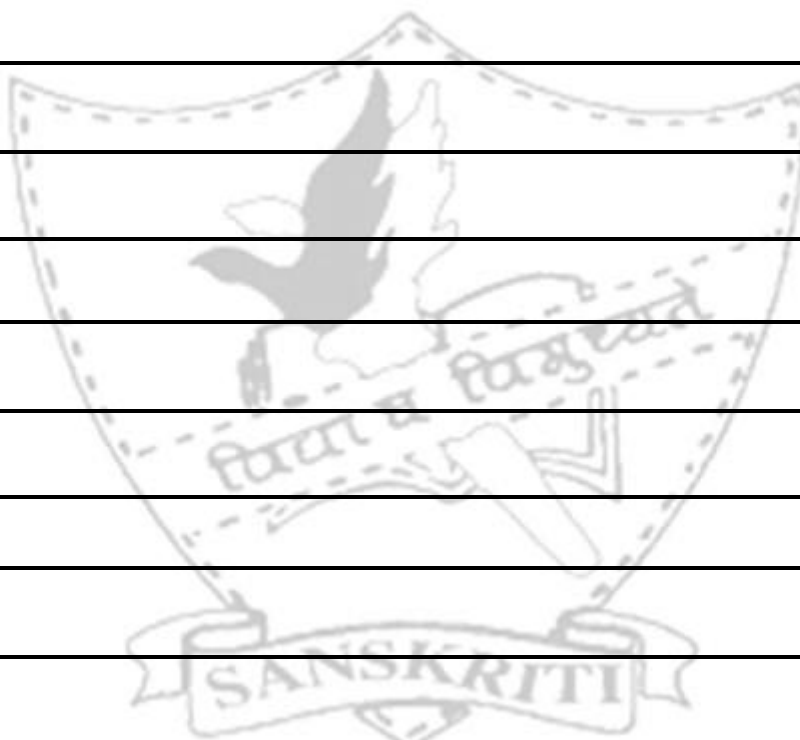
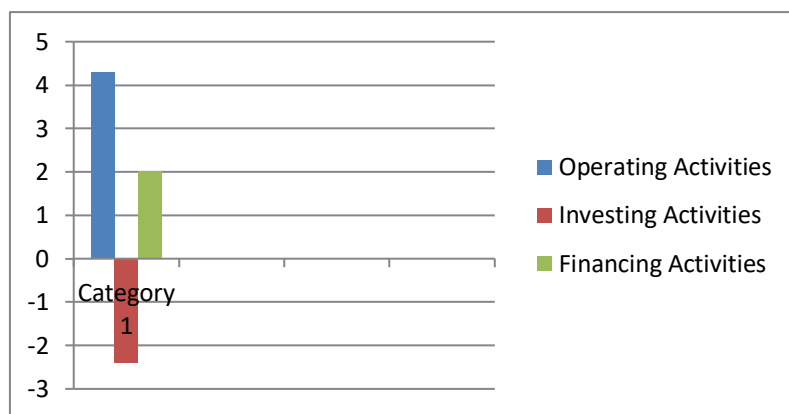
<ul style="list-style-type: none"> • Preliminary Expenses Written off • Discount on issue of shares/debentures written off • Expenses on Underwriting of shares Written off • Development Expenses Written off • Share issue expenses Written off <p>+Interest on borrowings +Goodwill/Patents/Trademarks/Copyright amortized or written off + loss on sale of Fixed assets or Investments +Premium payable on Redemption of Preference Shares/Debentures</p> <p>LESS</p> <ul style="list-style-type: none"> - Interest income - Dividend income - Rental Income - Profit on sale of fixed assets/Investments' 		
OPERATING PROFITS BEFORE WORKING CAPITAL CHANGES		
<p><u>ADD ↑ IN CL AND ↓ IN CA</u></p> <p>+↓ <u>IN</u> stock, +↓ <u>IN</u> debtors, +↓ <u>IN</u> B/R, +↓ <u>IN</u> Accrued Income, +↓ <u>IN</u> Prepaid Expenses etc. +↑ <u>IN</u> o/s expenses, +↑ <u>IN</u> B/P +↑ <u>IN</u> income recd in advance, +↑ <u>IN</u> Prov. For bad debts etc</p> <p><u>LESS ↑ IN CA AND ↓ IN CL</u></p> <p>+↑ <u>IN</u> stock, +↑ <u>IN</u> debtors, +↑ <u>IN</u> B/R, +↑ <u>IN</u> Accrued Income, +↑ <u>IN</u> Prepaid Expenses etc. +↓ <u>IN</u> o/s expenses, +↓ <u>IN</u> B/P +↓ <u>IN</u> income recd in advance, +↓ <u>IN</u> Prov. For bad debts etc</p>		
<u>CASH GENERATED FROM OPERATIONS</u>		

<u>Less:</u> Income Taxes <u>actually paid</u>		
<u>Add:</u> Income Tax refund (if any)		
<u>CASH FLOW BEFORE EXTRAORDINARY ITEMS</u>		
<u>LESS:</u> Extraordinary Items debited to the P & L A/c		
<u>ADD:</u> Extraordinary items credited to the P & L A/c		
<u>NET CASH FROM (OR USED IN) OPERATING ACTIVITIES</u>		
<u>II. CASH FLOWS FROM INVESTING ACTIVITIES</u>		
<u>ADD CASH RECIEPTS FROM:</u> <ul style="list-style-type: none"> • Sale of fixed assets • Sale of long term investments • Sale of Goodwill/Patents/Trademarks/Copyright • Interest received by a non-financial enterprise • dividend received by a non-financial enterprise • rental income of a firm not dealing in property 		
<u>LESS CASH PAYMENTS FOR:</u> <ul style="list-style-type: none"> • Purchase of fixed assets • Purchase of investments • Purchase of Intangible assets like goodwill, patents, copyright etc. 		
<u>CASH FROM(USED IN) INVESTING ACTIVITIES</u>		
<u>III. CASH FLOWS FROM FINANCING ACTIVITIES</u>		
<u>ADD CASH RECIEPTS</u> <ul style="list-style-type: none"> • Proceeds/Receipts' from issue of shares • Proceeds/Receipts' from issue of debentures • Proceeds/Receipts' from any long term loans • Proceeds from Bank overdraft 		
<u>LESS CASH PAYMENTS</u> <ul style="list-style-type: none"> • Dividends paid in cash • Interim dividends paid • Interest on long term borrowings • Interest on debentures paid • Repayment of loans • Redemption of Debentures • Redemption of Preference Shares 		

<ul style="list-style-type: none"> • Repayment of Bank overdraft 		
(Any of the above items will be included in the @Financial Activities for <u>ALL COMPANIES</u> - i.e. both financial as well as non-financial companies.)		
<u>CASH FROM(USED IN) FINANCING ACTIVITIES</u>		
<u>IV. NET INCREASE(OR DECREASE) IN CASH AND CASH EQUIVALENTS(I + II + III)</u>		
<u>V. ADD CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR</u> a. Cash in hand b. Cash at Bank c. Marketable Securities d. Short Term Deposits		
<u>VI. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</u> a. Cash in hand b. Cash at Bank c. Marketable Securities d. Short Term Deposits		

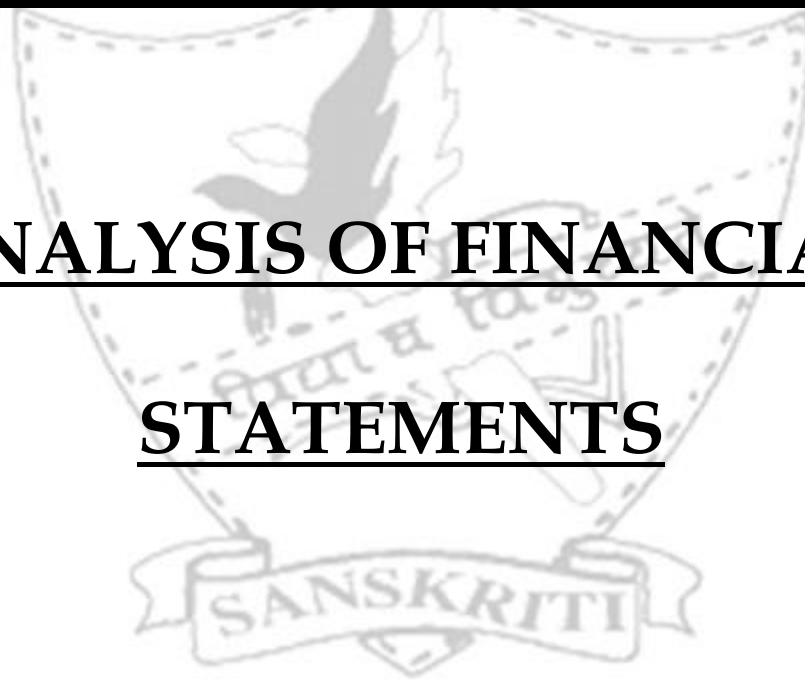
ANALYSIS AND INTERPRETATION:





FLASHBACK

ANALYSIS OF FINANCIAL STATEMENTS



FLASH BACK Assignment I

Topic: Financial Statements of a Company

After going through this Unit, the students will be able to :

- Develop the understanding of major headings and sub-headings (as per Schedule III to the Companies Act, 2013) of balance sheet as per the prescribed norms / formats.

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 31st 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 31st 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 31st 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 st 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
- Uncalled liability on partly paid up shares
 - Premium on Redemption of Debentures
 - Security Deposit for telephones
 - Employee's earned leave payable on retirement
 - Proposed Dividend



FLASH BACK Assignment II

Topic: Financial Statements of a Company

After going through this Unit, the students will be able to :

- Develop the understanding of major headings and sub-headings (as per Schedule III to the Companies Act, 2013) of balance sheet as per the prescribed norms / formats.

Assignment given on: _____

M.M: 15 marks

Date of Submission: _____

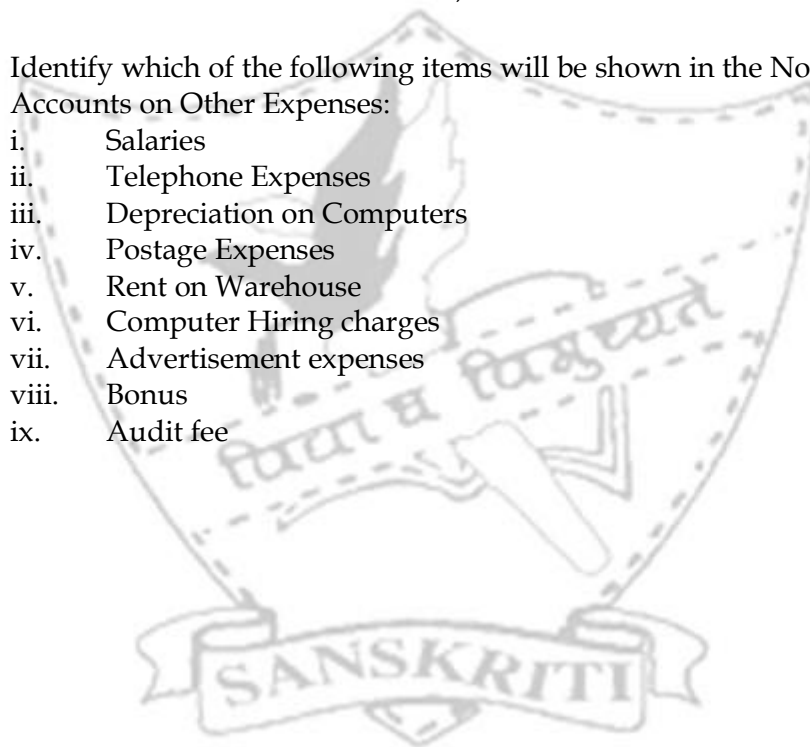
- Q1. Calculate Revenue from operations, Other Income and Total Revenue of a non-financial company from the following information: 2
Sales `9,50,000; Sales Return `5,000; Sale of Scrap `500; Interest on Fixed Deposit `5,000; Loss on sale of fixed asset `10,000

- Q2. From the following information of Hotel Solutions Ltd. For the year ended 31st 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
- a. Preliminary expenses
 - b. Acceptances
 - c. Sale of scrap
 - d. Bonus
 - e. Entertainment Expenses
 - f. Commission paid for deposit mobilisation
 - g. Calls in arrears
 - h. Calls in advance
 - i. Medical expenses
 - j. Internet expenses
 - k. Purchase of stock in trade
 - l. 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:
- Salaries
 - Telephone Expenses
 - Depreciation on Computers
 - Postage Expenses
 - Rent on Warehouse
 - Computer Hiring charges
 - Advertisement expenses
 - Bonus
 - Audit fee



FLASH BACK Assignment III

Topic: Comparative Statements

After going through this assignment, the students will be able to :

Develop the understanding and skill of preparation of comparative and common size financial 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
- Inter-firm comparison
 - Intra-firm comparison
 - All of the above
 - 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
- `4,10,000
 - (`4,10,000)
 - `5,00,000
 - 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

After going through this assignment, the students will be able to :

Develop the understanding and skill of preparation of comparative and common size financial statements.

Assignment given on: _____

M.M: 15 marks

Date of Submission: _____

- Q1. Why is Common-size Statement also known as 100% 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.	EQUITY & LIABILITIES				
	Shareholder's Fund				
	Share Capital	.....	.....	15	25
	Reserves & Surplus	.....	.....	25	20
	Non-Current Liabilities				
	Long term	.....	.....	30	20

	Borrowings				
	Current Liabilities				
	Short term borrowings	.....	.....	30	35
	TOTAL			.....	.....
2.	ASSETS				
	Non-Current Assets				
	Fixed Assets				
	a. Tangible Assets	.....	.....	10	15
	b. Intangible Assets	.....	.....	15	10
	Non-Current Investments	.....	.....	20	30
	Current Assets				
	Trade Receivables	.....	.....	25	25
	Cash and Cash Equivalents	.....	.....	30	20
	TOTAL	10,90,000	18,90,000		

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
I. EQUITY & LIABILITIES			
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
TOTAL		15,00,000	12,00,000
II.. ASSETS			
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
		15,00,000	12,00,000

FLASH BACK Assignment V

Topic: Ratio Analysis

After going through this assignment, the students will be able to :

State the meaning, objectives and significance of different types of ratios.
 Develop the understanding of computation of current ratio and quick ratio.
 Develop the skill of computation of debt equity ratio, total asset to debt ratio, proprietary ratio and interest coverage ratio.
 Develop the skill of computation of inventory turnover ratio, trade receivables and trade payables ratio and working capital turnover ratio.
 Develop the skill of computation of gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.

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 6

acid test ratio 1.75:1. Calculate the value of current assets, liquid assets and inventory.

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

6

- a. Debt-Equity Ratio
- b. Total Assets to Debt Ratio
- c. Proprietary Ratio
- d. 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.	`
I. EQUITY & LIABILITIES		
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
TOTAL		14,21,000
II. ASSETS		
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
TOTAL		14,21,000

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 B/R(Maturing after 12 months)	16,800
		16,800
5.	Other Current Assets B/R(Maturing within 12 months)	4,200
		4,200



FLASH BACK Assignment VI

Topic: Ratio Analysis

After going through this assignment, the students will be able to :

State the meaning, objectives and significance of different types of ratios.
 Develop the understanding of computation of current ratio and quick ratio.
 Develop the skill of computation of debt equity ratio, total asset to debt ratio, proprietary ratio and interest coverage ratio.
 Develop the skill of computation of inventory turnover ratio, trade receivables and trade payables ratio and working capital turnover ratio.
 Develop the skill of computation of gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.

- 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 31st March, 2012

Particulars	Note No.	`
I. EQUITY & LIABILITIES		
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
TOTAL		27,32,400
II. ASSETS		
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	6,60,000
	Preference Share Capital	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	1,98,000
	Bills Payable	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	6,00,000
	Machinery	5,00,000
	Furniture	61,600
		11,61,000
8.	Non-Current Investments	
	DCM Ltd. Shares	2,64,000

		2,64,000
9.	Other Non-Current Assets Bills receivable (Amount to be received after 12 months)	52,800
		52,800
10.	Cash & Cash Equivalents Bank Balance	40,800
		40,800
11.	Other Current Assets B/R (Amount to be received 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 1/3rd 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

After going through this assignment, the students will be able to :

- State the meaning and objectives of cash flow statement.
- Develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.

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 31st 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 31st March, 2014

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

After going through this assignment, the students will be able to :

- State the meaning and objectives of cash flow statement.
- Develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.

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
- Cash used in Investing Activities `75,000
 - Cash received from Operating Activities `75,000
 - Cash used in Operating Activities `75,000
 - 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
- Cash from Operating Activities
 - Cash from Investing Activities
 - Cash from Financing Activities
 - Cash and Cash Equivalents
- Q 4. 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 &	56,000	35,000

	Loss	24,500	17,500
	General Reserve	10,500	7,000
	Securities Premium Reserve		
		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 31st March 2014

Particulars	₹	₹
A. Cash flow from Operating Activities		
Profit before tax & extraordinary items	....
Adjustment for:		
Depreciation on P & M	....
Operating Profit before working capital changes	.....
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)	
Cash from Operating Activities		70,000
B. Cash flow from Investing Activities		
Purchase of Land & Building	(17,500)	
Purchase of Plant & Machinery	.....
Purchase of Land & Patents	(7,000)	
Cash used in Investing Activities		.....
C. Cash flow from Financing Activities		
Proceeds from issue of shares at premium	....
Cash from Financing Activities		.....
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 31st March

Particulars	Note No.	31.3.2014	31.3.2013
-------------	----------	-----------	-----------

I. EQUITY & LIABILITIES			
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
II. ASSETS			
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.	Share Capital		
	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.	Reserves & Surplus		
	Reserve	2,50,000	1,10,000
		2,50,000	1,10,000
3.	Long term Borrowings		
	10% Debentures	2,00,000	1,25,000
		2,00,000	1,25,000
4.	Short term Borrowing		
	Bank Overdraft	12,000	10,000
		12,000	10,000
5.	Trade Payables		
	Bills Payable	15,000	83,000
		15,000	83,000
6.	Short term provision		
	Provision for tax	18,000	11,000

		18,000	11,000
7.	Tangible Assets		
	Plant & machinery	18,60,000	16,10,000
		18,60,000	16,10,000
8.	Non-Current Investments		
	10% Investments	50,000	30,000
		50,000	30,000
9.	Current Investments		
	Trade Investments	8,000	5,000
		8,000	5,000
10.	Trade Receivable		
	Sundry Debtors	61,000	80,000
		61,000	80,000
11.	Cash & cash equivalents		
	Cash in hand	14,000	14,000
		14,000	14,000
12.	Other current assets		
	Discount on issue of shares		--
		2,000	
		2,000	--

Additional Information:

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



FLASHBACK

ACCOUNTING FOR

NOT-FOR-PROFIT

ORGANISATION

Assignment IX _Topic: Not-for-profit organisations

After going through this assignment, the students will be able to:

state the meaning of a Not-for-profit organisation and its distinction from a profit making entity.
 state the meaning of receipts and payments account, and understanding its features.
 develop the understanding and skill of preparing receipts and payments account.
 state the meaning of income and expenditure account and understand its features.
 develop the understanding and skill of preparing income and expenditure account and balance sheet of a not-for-profit organisation with the help of given receipts and payments account and additional information.

Q1. How is Income and Expenditure Account different from Receipts and Payment Account? 1

Q2. Show the treatment of subscription in the books of not-for-profit organization, while preparing final accounts for the year 2016-17 3
 Receipts & Payments A/c (an extract)
 For the year ended 31st March 17

Receipts	Amount	Payments	Amount
To Subscription			
2015-16	10,000		
2016-17	1,45,000		
2017-18	20,000		

Additional Information:

There are 120 members each paying annual subscription of Rs.1,500.
 Subscription outstanding as on 31st March 16 Rs.18,000. Subscription received in advance during the year 2015-16 Rs.12,000 (including Rs.4,000 for 2016-17)

Q3. Show the treatment of the following transactions while preparing final accounts for the year ended 31st March 2017: 3

Tournament Fund	50,000
Interest accrued on Tournament Fund Investment	3,000
Tournament Expenses	20,000
Tournament Fund Investment	30,000
Tournament Fund Receipts	7,500

Q 4. From the following Receipts & Payment A/c prepare Income & Expenditure for The JMD Educational Society for the year ended 31st March 2017: 4

Receipts & Payment A/c
For the year ending 31st March 2017

Particulars	Amount	Particulars	Amount
-------------	--------	-------------	--------

To Balance b/d	1,800	By Building	40,000
To Donations for Building	50,000	By Match Expenses	9,000
To Life Membership Fees	4,000	By Furniture	12,100
To Match Fund	8,000	By Investments	16,000
To Subscriptions	5,200	(Purchased on 1 st July 2016 @10% p.a.)	7,000
To Locker Rent	400	By Salaries	350
To Interest on Investments	1,000	By Insurance	470
To Sale of Furniture (Book vale Rs.8,000)	10,000	By Sundry Expenses	480
To Entrance Fees	5,000	By Balance c/d	
	85,400		85,400

Additional Information:

- During the year, the Club had 550 members & each paying an annual subscription of Rs.10
- 50% of the Entrance Fees are to be capitalized
- Donations for Building include 10% General Donations
- Salaries Outstanding as on 1st April 2016 were Rs.1,000 & as on 31st March 2017 was Rs.500

Q5. From the following Receipts & Payment A/c prepare Income & Expenditure for The Bookers Club for the year ended 31st March 2017:

4

Receipts & Payment A/c
For the year ending 31st March 2017

Particulars	Amount	Particulars	Amount
To Balance b/d		By Salaries	3,500
Cash	550	By Rent	1,200
Bank	2,800	By Printing & Stationery	190
To Subscription including Rs.200 for 2016 & Rs.150 for 2018	3,900	By Postage	350
To Investments	850	By Steel Almirahs	1,000
To Sale of Furniture	600	By Defence Bonds	
To Sale of Old newspapers	40	By Balance c/d	960
To Entrance Fees	100	Cash	2,500
To Life Membership Fees	1,000	Bank	
	9,840		9,840

FLASH BACK**Assignment X****Topic: Not-for-profit organizations**

After going through this Unit, the students will be able to:

state the meaning of a Not-for-profit organisation and its distinction from a profit making entity.

state the meaning of receipts and payments account, and understanding its features.

develop the understanding and skill of preparing receipts and payments account.

state the meaning of income and expenditure account and understand its features.

develop the understanding and skill of preparing income and expenditure account and balance sheet of a not-for-profit organisation with the help of given receipts and payments account and additional information.

Assignment given on: _____

M.M: 15 marks

Date of Submission: _____

Q1. How is Life Membership Fees treated in the accounts for Not-for-profit organizations? 1

Q2. From the following particulars, prepare Income & expenditure Account & Balance Sheet as on 31st December 2011: 6

Receipts & Payment A/c
For the year ending 31st March 2017

Particulars	Amount	Particulars	Amount
To Balance b/d	7,000	By Prizes	2,200
To Subscriptions	24,000	By Games Equipment	2,000
To Profit on Dance Show	14,800	By Rent	10,500
TO Collections	2,500	By Rates	3,000
(Matches)	1,800	By Printing	1,600
To Competition Fees	8,200	BY Stationery	2,200
To sales from Refreshments		By Postage	1,900
		By Secretary's Expenses	1,400
		BY Repairs	2,700
		BY Wages	12,000
		BY Refreshments	5,100
		By Balance c/d	13,700
	58,300		58,300

Additional Information:

- Capital Fund as on 1st April 2016 Rs.42,000
- Fixed Assets owed by the Club on 1st April 2010: Furniture & Fittings Rs.15,000; Games Equipment Rs.20,000. They are to be depreciated by 10% p.a.
- Amounts outstanding as on 31st March 2017: Printing Rs.400; Refreshments Rs.700
- On 31st March 2017: Rent paid in Advance Rs.1,500; Subscriptions due Rs.1,200; Subscriptions in advance Rs.500

Q3. A club has provided the following Balance Sheet as on 31st March 2016 & Receipts & Payment A/c for the year ending 31st March 2017, you are required to prepare Income & Expenditure A/c & Balance Sheet on the above date:

8

**Receipts & payment A/c
For the year ending 31st March 2017**

Receipts	Amount	Payment	Amount
To Opening Balance	3,900	By Wages & Salaries	6,000
To Subscriptions	18,100	By Upkeep of	1,000
To Sale of Old	150	Grounds	1,500
Materials	600	BY Stationery	200
To Sale of Sports		By Audit fees	6,500
Equipment (cost	200	By Expenses on Teams	2,000
Rs.1,000)	5,000	BY Sports Equipment	4,000
To Entrance fees	2,000	BY Investments @5%	
To Life Membership		(on 1 st October 2016)	8,750
Fees		BY Cash & Bank	
To Donations for		Balances	
Tournament			
	29,950		29,950

Balance Sheet as on 31st march 20106

Liabilities	Amount	Assets	Amount
Subscription in	600	Sports Equipment	5,000
advance	1,100	Grounds	12,000
Salaries unpaid	20,000	Billiards Tables	6,000
Capital Fund	6,000	Subscriptions	800
Tournament Fund		Outstanding	3,900
		Cash & Bank Balance	
	27,700		27,700

Additional Information:

Subscription still to be received are Rs.550 but subscriptions already received include Rs.400 for next year. Salaries still unpaid are Rs.600. Sports

Equipment are now valued at Rs.4,500 & depreciate Billiard Tables @10%



FLASHBACK

ACCOUNTING FOR

PARTNERSHIP FIRMS

FLASH BACK
Assignment XI
Topic: Fundamentals

After going through this assignment, the students will be able to:

Discuss the significance of provision of Partnership Act in the absence of partnership deed.

Differentiate between fixed and fluctuating capital, outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account.

Develop the understanding and skill of preparation profit and loss appropriation account involving guarantee of profits.

Develop the understanding and skill of making past adjustments.

- 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
- If the partnership deed is silent as to the Interest on Capital and the profits for the year are `50,000
 - If the partnership deed provides for Interest on Capital @8% p.a. and the losses for the year are `50,000
 - 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 31st March, 2014 and redraw it: 3

Profit & Loss Appropriation A/c
For year ending 31st 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 1st April, 2013 without any partnership deed. They introduced capital of `5,00,000 and `3,00,000 respectively. On 31st October, 2013, A advanced `2,00,000 by way of loan to the firm without any agreement as to interest. Books are closed on 31st March each year. Fill in the missing figures in the following accounts and redraw them:

3

Profit & Loss A/c
For year ending 31st 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 31st 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:
- Profits will be shared equally
 - Maneesh will be allowed a salary of `400 p.m.
 - Girish who manages the sales department will be allowed a commission equal to 10% of the net profit after allowing Maneesh's salary
 - 7% interest will be allowed on partner's fixed capital
 - 5% interest will be charged on partner's annual drawings
 - 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 31st March, 2012 amounted to `40,000

5

Prepare firm's Profit & Loss Appropriation A/c

FLASH BACK
Assignment XII
Topic: Fundamentals

After going through this assignment, the students will be able to:

Discuss the significance of provision of Partnership Act in the absence of partnership deed.

Differentiate between fixed and fluctuating capital, outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account.

Develop the understanding and skill of preparation profit and loss appropriation account involving guarantee of profits.

Develop the understanding and skill of making past adjustments.

- Q1. Anju and Bindu started business on 1st 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 st March, 2013	2,000	-	-	-
1 st April, 2013	-	7,000	3,000	-
1 st June, 2013	4,000	-	-	6,000
30 th 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 31st December each year.

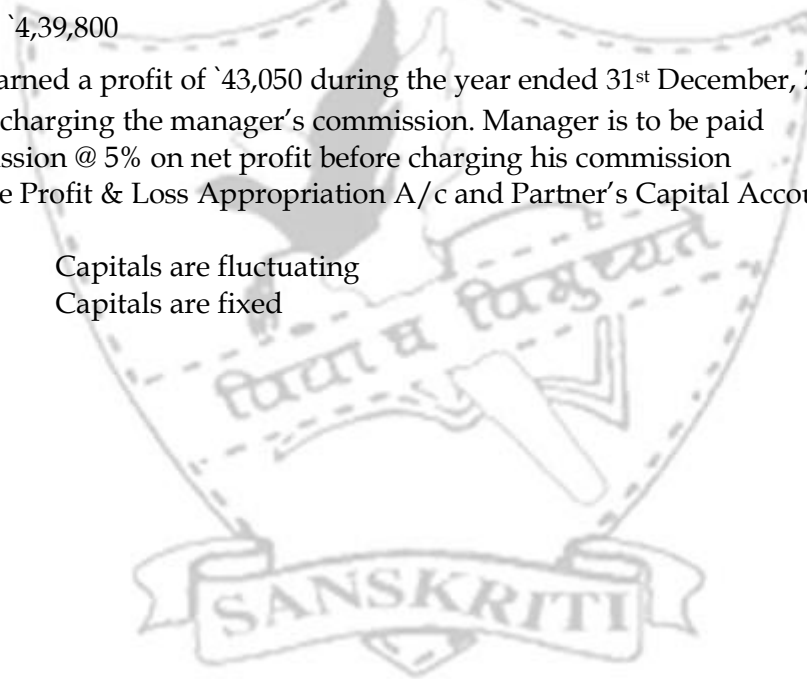
Particulars	A	B
Capital as on 1 st January 2013	1,60,000	1,28,000
Drawings	16,000	12,800
Partner's Salaries	10,000	12,800
Partner's Commission	9,200	16,000
Share of Profit	38,400	25,600
Interest on Partner's Loan	3,200	-
Interest on Capital	16,000	12,800
Interest on Drawings	800	640
Current A/c	3,200 (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 1st January, 2013. During the year, X introduced an additional capital of ₹15,000 on 1st April, 2013 and Y withdrew ₹10,000 on 1st July, 2013 out of his capital. Partnership Deed provides for:

- a. Interest on Capital @12% p.a. on Opening Capital only
- b. For working in firm, X is allowed a salary of ₹750 p.m. Due to illness, he could not work for 4 months
- c. 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 31st 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 XIII

Topic: Fundamentals

After going through this assignment, the students will be able to:

Discuss the significance of provision of Partnership Act in the absence of partnership deed.

Differentiate between fixed and fluctuating capital, outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account.

Develop the understanding and skill of preparation profit and loss appropriation account involving guarantee of profits.

Develop the understanding and skill of making past adjustments.

- | | | |
|-----|--|---|
| Q1. | In a partnership, one property is brought in the name of the firm. Is this action right? Explain. | 1 |
| Q2. | <p>Ahmed, Bheem and Daniel are partners in affirm. On 1st 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.</p> <p>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 31st March, 2012 amounted to `2,16,000. Prepare Profit & Loss Appropriation A/c for the year ended 31st March, 2012.</p> | 4 |
| Q3. | <p>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.</p> <p>Their fixed capitals were `60,000 which was divided in the ratio of 3:2:1.</p> <p>Each partner has drawn `1,000 per month:</p> <p>A : in the beginning of every month
 B: in the middle of every month
 C: at the end of every month</p> <p>Pass a single adjustment entry in order to rectify the accounts.</p> | 4 |
| Q4. | <p>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 1/4th share in profit. Suresh as a manager was earning a</p> | 6 |

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 31st march, 2013 in each of the following cases:

- 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 XIV
Topic: Goodwill

After going through this assignment, the students will be able to:

- state the meaning, nature and factors affecting goodwill
- develop the understanding and skill of valuation of goodwill using different methods

- 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 XV

Topic: Change in Profit Sharing Ratio

After going through this assignment, the students will be able to:

- state the meaning of sacrificing ratio, gaining ratio and the change in profit sharing ratio among existing partners.
- develop the understanding of accounting treatment of revaluation assets and reassessment of liabilities and treatment of reserves and accumulated profits by preparing revaluation account and balance sheet

- Q1. Ram, Shyam and Mohan were partners in the ratio of 5:4:2. On 1st 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 1st 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. 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. 3
- 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 31st 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	72,000
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 1st January, 2015, it was decided that their profit sharing ratio will be 4:4:1. Other terms were agreed as follows:

a. Goodwill is valued at `54,000

- b. Provision for Doubtful debts to be increased by `1,800
- c. Stock is reduced by 20%
- d. Plant & Furniture will be depreciated by 15% and 20% respectively
- e. Outstanding expenses were `4,200
- f. 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 XVI

Topic: Admission of a Partner

After going through this assignment, the students will be able to:

- explain the effect of change in profit sharing ratio on admission of a new partner. develop the understanding and skill of treatment of goodwill as per AS-26,
- treatment of revaluation of assets and re-assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet of the new firm.

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 1st 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 1/6th 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

3

are fixed. Also find out the sacrificing ratio.

FLASH BACK Assignment XVII

Topic: Admission of a partner

After going through this assignment, the students will be able to:

- explain the effect of change in profit sharing ratio on admission of a new partner. develop the understanding and skill of treatment of goodwill as per AS-26,
- treatment of revaluation of assets and re-assessment of liabilities, treatment of reserves and accumulated profits, adjustment of capital accounts and preparation of balance sheet of the new firm.

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 1st April 2012. It was agreed that:

- e. Machinery be revalued at `4,80,000
- f. 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.
- g. 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
- h. 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 $\frac{1}{6}$ th 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
- Q1. A & B are partners sharing profits in the ratio of 3:2. Their Balance Sheet as at 31st 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		Fax Machine	6,710
Capital	6,000	Furniture	6,780
A		Computer	45,200
B	6,35,000	Printer	10,100
	6,91,790	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:

- Value of machinery is to be reduced by ₹2,000
- Printer is to be written down by ₹1,000
- Value of Computer is to be reduced to ₹21,000
- Buildings was found overvalued by ₹12,000
- Trademarks were found overvalued by 10%
- Value of furniture is to be increased by ₹2,000
- Fax Machine is to be written up by ₹2,500
- Value of Patent is to be increased by ₹5,000
- Stock was found undervalued by ₹6,000
- Copyrights were found undervalued by 10%
- Land of ₹10,000 was taken over by A & B at ₹15,000 in the ratio of 2:1
- Bills Receivable were taken over by B at ₹10,000
- 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 31st 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 $\frac{1}{5}$ th 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 31st 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 1st April, 2014, they admitted Z for 1/5th share on the following terms:

- 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
- 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
- A liability to the extent of `1,500 should be created for claim against the firm for damages
- 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 XVIII
Topic: Retirement of a Partner

After going through this assignment, the students will be able to:

- explain the effect of retirement / death of a partner on change in profit sharing ratio.
- develop the understanding of accounting treatment of goodwill, revaluation of assets and re-assessment of liabilities and adjustment of accumulated profits and reserves on retirement / death of a partner and capital adjustment.

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 1st April 2012. It was agreed that:

- Machinery be revalued at ₹4,80,000
- 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.
- 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
- 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 1/6th 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

- 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 31st 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 31st March, 2014. 6

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 31st March every year.



FLASH BACK

Assignment XIX

Topic: Death of a partner

After going through this assignment, the students will be able to:

- explain the effect of retirement / death of a partner on change in profit sharing ratio.
- develop the understanding of accounting treatment of goodwill, revaluation of assets and re-assessment of liabilities and adjustment of accumulated profits and reserves on retirement / death of a partner and capital adjustment.

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 1st April 2012. It was agreed that:

- Machinery be revalued at `4,80,000
- 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.
- 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
- 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 1/6th 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

Assignment given on: _____

M.M: 20 marks

- Q1. X, Y & Z were sharing profits in the ratio of 3:4:3. On 1st 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 31st December every year. 3
- Q2. X, Y & Z were partners in the ratio of 4:3:3. Firm's accounts are closed on every 31st December. Z died on 1st 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 31st 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 1st August, 2014. It was agreed that:

- 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
- Machinery be valued at ₹1,40,000; Patents be valued at ₹40,000; Leasehold be valued at ₹1,25,000 on 1st August, 2014
- 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 31st 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 31st March every year and balance of general reserve as on 31.3.2013 was ₹10,000.

5

C died on 1st 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 XX
Topic: Dissolution of a firm

After going through this assignment, the students will be able to:

- understand the situations under which a partnership firm can be dissolved.
- develop the understanding of preparation of realisation account and other related accounts..

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 1st April 2012. It was agreed that:

- q. Machinery be revalued at `4,80,000
- r. 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.
- s. 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
- t. 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 1/6th 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

- Q1. X, Y & Z were partners in firm 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 was 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
- 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 31st March, 2014. Fill in the missing figures in the following ledger accounts:

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
			By Realisation	.....	.....

To cash A/c	47,200	11,000	(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 31st December, 2012, their Balance Sheet was as follows:

6

Balance Sheet as on 31st 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



FLASHBACK



ACCOUNTING FOR COMPANIES

FLASH BACK
Assignment XXI
Topic: Issue of Shares

After going through this assignment, the students will be able to:

- state the meaning of share and share capital and differentiate between equity shares and preference shares and different types of share capital.
- understand the meaning of private placement of shares and Employee Stock Option Plan.
- explain the accounting treatment of share capital transactions regarding issue of shares. develop the understanding of accounting treatment of forfeiture and re-issue of forfeited shares.
- describe the presentation of share capital in the balance sheet of the company as per schedule III part I of the Companies Act 2013

- 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 31st 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.

FLASH BACK
Assignment XXII
Topic: Issue of Debentures

After going through this assignment, the students will be able to:

- understand the concept of collateral security and its presentation in balance sheet.
- develop the skill of calculating interest on debentures and its accounting treatment

- 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 1st January, 2012. Interest on these debentures is paid on 30th June and 31st December. Pass journal entries for the year ending 31st 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 1st 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 6
- The company also forfeited 1,000 shares of ₹10 each held by Sharma for non-payment of first & final call of ₹3 per share.
- 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 XXIII
Topic: Redemption of Debentures

After going through this assignment, the students will be able to:

- state the meaning of redemption of debentures.
- develop the understanding of accounting treatment of transactions related to redemption of debentures by lump sum, draw of lots and Creation of Debenture Redemption Reserve.

Q1. Sachin Ltd. redeemed its entire outstanding 9% Debentures of `10 each at a premium of 10% on 31st 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 (Being payment to debenture holder discharged)		.....	.....
31.3.14	Debenture Redemption Reserve Dr To (Being balance in DRR transferred to General Reserve)		5,00,000	5,00,000

Q2. On 1st 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 31st 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

a. 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

- b. 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 1st January 2009. The Board of Directors decided to purchase 500 debentures at a price of ₹485 each for investment purpose on 31st 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





EXTRA **ASSIGNMENTS**

CHAPTER 1: FINANCIAL STATEMENTS OF A COMPANY
FORMAT OF BALANCE SHEET OF A COMPANY
AS PER NEW SCHEDULE III OF COMPANIES ACT, 2013

Particulars	Note No.	Figures as at the end of the current reporting period	Figures as at the end of the previous reporting period
I. <u>EQUITY AND LIABILITIES</u> (1) Shareholder's Fund (a) Share Capital (b) Reserves & Surplus (c) Money received against share warrant (2) Share application Money Pending Allotment (3) Non-Current Liabilities (a) Long term Borrowings (b) Deferred Tax Liability (c) Other long term liabilities (d) Long term provisions (4) Current Liabilities (a) Short term borrowings (b) Trade Payables (c) Other Current Liabilities (d) Short term provisions			
TOTAL			
II. <u>ASSETS</u> (1) Non-Current Assets (a) Fixed Assets (i) Tangible Assets (ii) Intangible Assets (iii) Capital Work in progress (iv) Intangible assets under development (b) Non-current investments (c) Deferred tax assets (d) Long term loans & advances (e) Other non-current assets (2) Current Assets (a) Current Investments (b) Inventories (c) Trade receivables (d) Cash & cash equivalents (e) Short term loans & advances			

(f) Other current assets			
TOTAL			

Notes to accounts:**A.Share Capital:**

Particulars	Amount
a) Authorised Capital	
b) Issued Capital	
c) Subscribed and fully paid up capital	
d) Subscribed but not fully paid up capital	
Less: Calls in Arrear	
Add: Forfeited Shares a/c	

B. Reserves and surplus:

Particulars	Amount
a) Capital Reserves	
b) Capital Redemption Reserve	
c) Securities Premium Reserve	
d) Debenture Redemption Reserve	
e) Revaluation Reserve	
f) Share Options Outstanding Account	
g) Other Reserves :	
i. Dividend Equalisation reserve	
ii. General reserve	
iii. Tax reserve	
h)Balance in the Statement of Profit & Loss Account (Debit or Credit)	

C. Long Term Borrowings

Particulars	Amount
a) Debentures/Bonds	
b) Term Loans:	
from Banks	
from other parties	
c) Deposits	
d) Other Loans & Advances	
e) (Long Term Borrowings are classified as Secured & Unsecured)	

D. Other Long Term Liabilities:

Particulars	Amount
a) Trade payables(if payable after 12 months)	
b) Premium payable on redemption of debentures	
c) Premium payable on redemption of preference shares	

E. Long Term provisions

Particulars	Amount
-------------	--------

a) Provision for Employee Benefits	
b) Provision for warranty(if payable after 12 months)	

F. Short term borrowings:

Particulars	Amount
a) Loans repayable on demand: <ul style="list-style-type: none"> from banks from other parties 	
b) Cash credit limits	
c) Short term Loans repayable on demand from other sources	
d) Security Deposits	
e) Bank Overdraft	
f) Other Loans & advances	

G. Trade Payables

Particulars	Amount
a) Creditors	
b) Bills Payable/ Acceptances	

H. Other Current Liabilities:

Particulars	Amount
a) Current Maturities of Long Term Debt	
b) Interest accrued but not due on borrowing	
c) Interest accrued & due on borrowings	
d) Income received in advance	
e) Unpaid dividends	
f) Application Money received on securities due for refund & interest thereon	
g) Unpaid matured deposits/debentures & interest accrued thereon	
h) Outstanding Expenses	
i) Calls in advance	
j) Statutory Dues such as VAT, CST etc.	
k) Premium on redemption of debentures(due for redemption in 1 year)	
l) Advances from customers	

I. Short term Provisions

Particulars	A Amount
a) Provision for Employee Benefits e.g. Leave encashment, gratuity etc.	
b) Provision for doubtful debts	
c) Provision for expenses	
d) Provision for tax	
e) Other provisions	

J. Tangible Assets

Particulars	Amount
a) Land b) Plant & Equipment c) Buildings d) Furniture & Fixtures e) Vehicles f) Office Equipment g) Others	

K. Intangible Assets

Particulars	Amount
a) Goodwill b) Brands/Trademarks c) Computer Software d) Mastheads & Publishing Titles e) Copyrights, Patent & other intellectual rights f) Services & Operating rights g) Licenses & franchise h) Recipes, formulae, models & designs i) Others	

L. Non-Current Investments

Particulars	Amount
a) Inv. In property b) Inv. In Equity Instruments c) Inv. In Preference Shares d) Inv. In Govt. Or Trust Securities e) Inv. In Debentures or Bonds f) Inv. In Mutual Funds g) Inv. In Partnership Firms h) Other Non-current Inv.	

M. Long Term Loans and Advances

Particulars	Amount
(Loans & Advances that are not to be received back in cash or in the form of an asset within 12 months) a) Capital Advances b) Security Deposits c) Loans & Advances to related parties d) Other loans & advances	

N. Other Non-Current assets

Particulars	Amount
(Non-current assets which do not fall in any other category) a) Trade receivables on long term deferred credit terms	

b) Long term trade receivables	
c) Others	

O. Current investments

Particulars	Amount
(Invt. Which are held to be converted into cash within 12 months)	
a) Invt. In Equity Instruments	
b) Invt. In Preference Shares	
c) Invt. In Govt. Or Trust Securities	
d) Invt. In Debentures or Bonds	
e) Invt. In Mutual Funds	
f) Invt. In Partnership Firms	
g) Other current Invt.	

P. Inventories

Particulars	Amount
a) Raw materials	
b) Work in Progress	
c) Finished Goods	
d) Stock in Trade	
e) Stores & spares	
f) <u>Loose Tools</u>	
g) Others	

Q. Trade receivables

Particulars	Amount
a) Debtors	
b) B/R	

R. Cash and Cash Equivalents

Particulars	Amount
(They are short term highly liquid invt. that are readily convertible into known amt. of cash with an insignificant risk of change in value.)	
a) Balance with banks	
b) Cheques, drafts	
c) Cash in hand	
d) Others	

S. Short term loans & advances

Particulars	Amount
a) Loans & advances to related parties	
b) Security deposits	
c) Loans to employees	
d) Deposits with customs and excise department	
e) Advance income tax	

f) Others	
-----------	--

T. Other current assets

Particulars	Amount
a) Accrued income	
b) Prepaid expenses	
c) Interest accrued on investments/loans & advances	
d) Income tax refund due	

U. Contingent liabilities and commitments

Particulars	Amount
a) Proposed dividend	
b) Claims against the company not acknowledged as debt	
c) Guarantees	
d) Discounted bills not yet matured	
e) Estimated amount of contracts remaining to be executed on capital account and not provided for	
f) Uncalled liability on shares and other investments partly paid	
g) Arrear of fixed cumulative preference dividend	
h) Other money for which company is contingently liable	

Important theory points for preparation of a balance sheet

1. An asset shall be classified as **current** when it satisfies any of the following criteria:

- It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realized within twelve months after the reporting date; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets shall be classified as non-current.

2. A liability shall be classified as **current** when it satisfies any of the following criteria:

- It is expected to be settled in company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be settled within twelve months after the reporting date; or
- The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All other liabilities shall be classified as non-current.

3. An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. When the operating cycle cannot be identified, it is assumed to have duration of 12 months.

4. Money received against a share warrant-A share warrant is a financial instrument which is issued by a public company against which the holder have the right to acquire specified no. of equity shares at a future date at a predetermined price. It is part of shareholders fund because it can only be converted into shares according to terms of issue. Money received against share warrant is shown under the head "shareholders fund".

5. Share application money pending allotment-It is the money which is received by the company against share application but shares are yet to be allotted.

6. Contingent liabilities and commitments-

- a) **Contingent liabilities**-Contingent liability is a liability which is not arisen yet but it may be a liability in future depending on the future circumstances .It is an uncertain liability. It should be noted that contingent liability is never shown in the balance sheet but always comes in notes to accounts.

It can be classified into:

- i. Proposed dividend
- ii. Claims against the company not acknowledged as debt
- iii. Guarantees
- iv. Other money for which company is contingently liable

- b) **Commitments**-It is an agreement to perform a particular activity at a certain time in future under certain circumstances.

It can be classified into:

- i. **Estimated amount of contracts remaining to be executed on capital account and not provided for**
- ii. **Uncalled liability on shares and other investments partly paid**
- iii. **Arrear of fixed cumulative preference dividend**

7. Preliminary expenses-As per AS-26, preliminary expenses are to be written off in the year in which they are incurred. So, **it does not appear in the balance sheet**. It is either written off from the securities premium reserve, as is permitted under section 78 of the companies act, 1956, or is debited to the Statement of profit or loss.

8. Share option outstanding account: It is a type of employee compensation wherein employees are offered an option to apply, and get allotment of company's share at a future date at a predetermined price which is generally below the market price significantly.

Type I Questions:

Q1. Name the major headings under the Equity and Liabilities side of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q2. Name the major headings under the Assets side of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Type II Question:

Q1. Name the sub-headings under the head Shareholder's Fund of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q2. Name the sub-headings under the head Non-Current Liabilities of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q3. Name the sub-headings under the head Current Liabilities of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q4. Name the sub-headings under the head Non-Current Assets of the company's Balance Sheet as per Part I of new Schedule III of Companies Act,2013.

Q5. Name the sub-headings under the head Current Assets of the company's Balance Sheet as per Part I of new Schedule III of Companies Act,2013.

Q6. Name the sub-headings under the sub-head Fixed Assets of the company's Balance Sheet Part I of new Schedule III of Companies Act,2013.

Type III Questions:

Q1. List any four items that can be shown under the following headings:

Reserves & Surplus:

Other Non-Current Liabilities:

Long term Provisions:

Short term borrowings:

Other Current Liabilities:

Inventories:

Cash & Cash Equivalents:

Type IV Questions: How will you treat the following items in the company's balance sheet:

a) Forfeited shares

b) Calls in advance

c) Contingent liability

d) Calls in arrears



Type V Questions:

Under what heads and subheads will you classify the following items?

ITEM	MAIN HEAD	SUB HEAD
1) Bills Receivable		
2) Loose tools		

3) Unclaimed dividend		
4) Proposed dividend		
5) Long term loans and advances		
6) Reserves and surplus		
7) Capital reserve		
8) Live stock		
9) Debentures		
10) Interest accrued on investments		
11) Bills Payable		
12) Cash at bank		
13) Stock in trade		
14) Prepaid insurance		
15) Unclaimed dividend		
16) Provision for provident fund		
17) Contingent liability		
18) Mortgage loan		
19) General reserve		
20) Authorised capital		
21) Loan repayable on demand		
22) Deferred tax asset		

23) Building under construction		
24) Mining rights		
25) Provision for doubtful debts		
26) Share option outstanding		
27) Debit balance of statement of profit and loss		
28) Public deposits		
29) Debtors		
30) Work in progress		
31) Outstanding wages		
32) Preference shares in ABC Ltd.(to be redeemed after 2 years)		
33) Provision for tax		
34) Share application money pending allotment		
35) Estimated amount of contracts remaining to be executed on capital a/c and not provided for		
36) Guarantees		
37) Cheques in hand		
38) Computer software		

STATEMENT OF PROFIT AND LOSS

Details of certain items:

- 1) REVENUE FROM OPERATIONS:
 - a) Revenue from sale of products(gross)
Less:returns
 - b) Revenue from sale of services(net)
 - c) Other operating revenues ex.sale of scrap
Less excise duty collected

Note: In case of financing companies, RFO will include Interest income, Dividend income, Net gain/loss on sale of investments and revenue from other financial services.

- 2) Other income:
 - i. Interest income
 - ii. Dividend income
 - iii. Gain on sale of investments
Less: loss on sale of investments(if net loss then goes to other expenses)
 - iv. Other incomes:
Rent recd
Discount recd
Transfer fees
Sundry creditors written back
Excess provision for bad debts written back
Profit on sale of fixed assets
Prior period income
Sale of miscellaneous items(newspapers etc)
Revenue from project consultancy
Fees received from arranging loans
Refund of income tax
- 3) Employee benefit expenses:
 - a. Wages, salaries, bonus and leave encashment
 - b. Contribution to provident fund and other funds ex. gratuity and superannuation fund etc.
 - c. Staff welfare expenses ex. canteen expenses, medical expenses, expense on employee stock option scheme(ESOP),Employee stock purchase plan(ESPP)
- 4) Finance costs:
Interest expenses-interest paid on term loans, bank overdraft, cash credit, Debentures, Public deposits and bonds
Other borrowing costs-Discout/Loss on issue of debentures written off, premium payable on redemption of debentures written off, Loan processing

charges, Guarantee charges, Commitment charges, commission paid for deposit mobilization

5) Other expenses: Consumption of loose tools, power and fuel

Carriage both inwards and outwards

Freight

Manufacturing expenses

Rent, rates and taxes including income tax

Insurance

Discount/commission allowed

Bad debts written off

Provision for bad debts

Repairs and Trade expenses

Administration, office and telephone expenses

Prior period expenses

Bank charges

Loss on sale of fixed assets

Lease rent and computer hiring charges

Director's fees

Audit fee

Conveyance/travelling expenses

Courier expenses

Telephone/internet/entertainment/business promotion expenses

Share issue expenses w/o, underwriting commission on issue of shares w/o

Q1. Under which head of the Statement of P & L of a financial company will you show the following:

- a) Interest paid on debentures
- b) Interest earned
- c) Prior period expenses
- d) Profit on sale of investments
- e) Patents w/o
- f) Contribution to sure annuation fund
- g) Profit on sale of fixed assets
- h) Gratuity paid

Q2. Under which head the following are recorded in a Company's financial statements:

- I. Computer software
- II. B/R
- III. Interest accrued and due on Debentures
- IV. Calls in arrears
- V. Preliminary expenses
- VI. Discount of issue of debentures w/o
- VII. Fees received for arranging loans

Q3. Prepare Statement of P & L from the following for Alisa Ltd. as at 31st March, 2007:

	Rs.
Sales	15,00,000
Cost of material consumed	8,00,000
10% Debentures (issued on 1 oct, 2006)	2,00,000
Depreciation on machinery	30,000
Wages	1,80,000
Salaries	60,000
Sale of scrap	10,000

Q4. Prepare Statement of P & L from the following for Alisa Ltd. as at 31st March, 2007:

	Rs.
Sales	50,00,000
Purchase of stock in trade	30,00,000
Wages	10,00,000
Interest received	60,000
Bonus	1,20,000
Gratuity paid	80,000
Opening stock in trade	3,00,000
Closing stock in trade	5,00,000

Q5. Prepare Statement of P & L from the following information:

Particulars	Amount (Rs.)
Sales	8,20,000
Returns	20,000
Sale of scrap	25,000
Interest on deposits	45,000
Dividends received	28,000
Purchase of material	2,50,000
Opening inventory of :	
Material	10,000
Finished goods	36,000
Work in progress	18,000
Wages	48,000
Bonus	10,000
Salaries	1,02,000
Medical expenses	18,000
Interest on loans	30,000
Interest on overdraft	11,000
Discount on issue of debentures	25,000
Interest on public deposits	70,000
Carriage inward	12,000
Depreciation	23,000

Selling expenses	1,02,000
Bank charges	7,000

Additional information:

1. Closing inventory:

Finished goods 20,000 ; Work in progress 28,000; Materials 12,000

2. tax rate 40%

DEPICTION OF RESERVES AND SURPLUS IN A COMPANY'S BALANCE SHEET

RESERVES & SURPLUS

- Capital Reserves
- Capital Redemption Reserve
- Securities Premium Reserve
- Debenture Redemption Reserve
- Revaluation Reserve
- Share Options Outstanding Account
- Other Reserves (specify nature & purpose)
- Balance in the Statement of Profit & Loss Account after appropriations

Revised schedule III requires that if the balance of the statement of Profit and Loss is negative (i.e. Loss), it will be shown under reserves and surplus as a negative amount.

- Q1. Sony Ltd. Has an opening debit balance of ₹ 1,00,000 in reserves and surplus as Balance in the Statement of Profit & Loss Account. During the year ended 31st March, 2013, it earned a profit of ₹ 3,00,000. You are required to determine the amount that will be carried to the Balance Sheet as balance of Statement of Profit and Loss. Where and how will you show the balance in the account?
- Q2. HP computers Ltd. Has an opening credit balance in the reserves and surplus as securities premium reserve and statement of profit and loss of ₹ 2,00,000 and ₹ 1,00,000 respectively. During the year it incurred a loss of ₹ 1,50,000. How will it be shown?
- Q3. Casio Ltd. Has an opening credit balance of ₹ 5,00,000 in Securities premium reserve and also debit balance ₹ 1,00,000 of statement of profit and loss. During the year ended 31st March, 2013, it incurred a loss of ₹ 15,00,000. How will it be shown?
- Q4. Samsung Ltd has opening credit balance of ₹ 5,00,000 in statement of profit and loss. Debenture redemption reserve has opening balance of ₹ 1,25,000. It earned a profit of ₹ 2,00,000 for the year ended 31st March, 2013. It was decided to transfer ₹ 50,000 to DRR and also proposed a final dividend of ₹ 1,00,000 on its equity shares. Show the appropriations and how it will be shown in the reserves and surplus?

- Q5. Premium Ltd. Has the following balances in the reserves and surplus as follows:
Debenture redemption reserve ` 5,00,000
Securities premium reserve ` 6,00,000
Statement of profit and loss ` (1,50,000)
During the year ended 31st March,2013,it earned a profit after tax of `5,00,000.It decided to appropriate `1,00,000 towards DRR , ` 1,25,000 towards general reserve and declare a final dividend of ` 75,000.Show how these items will be depicted in the Balance Sheet?



Liquidity ratios



Q 1. Calculate Current Ratio and Liquid Ratio from the following Balance Sheet:

Particulars	Note no.	31.3.2014 (Rs.)
I.EQUITY AND LIABILITIES		
1.Shareholder's funds		
Equity Share capital		2,00,000
Reserves and surplus	1	70,000
2.Current liabilities		
Trade payables	2	50,000
Short term provisions (Provision for repairs)		10,000
Other Current liabilities (Bank overdraft)		20,000
Total		3,50,000
II.ASSETS		
1.Non -Current assets		
Fixed assets		90,000
Tangible assets		60,000
Intangible assets{goodwill}		
2.Current assets:		70,000
Inventories		80,000
Trade receivables		40,000
Cash and Cash equivalent		10,000
Other current assets(prepaid expenses)		
Total		3,50,000

Notes to accounts:

1.Reserves and surplus:	
Statement of profit and loss	30,000
General reserve	40,000
	<u>70,000</u>
2.Trade payables:	
Creditors	40,000
Bills payable	10,000
	<u>50,000</u>
3.Trade receivables:	
Debtors	50,000
Bills receivables	30,000
	<u>80,000</u>

Q2. Comment on the short term solvency position of A Ltd.:

Current assets		Current liabilities	
Inventories	25,000	Trade payables	10,000
Trade receivables	6,500	Short term borrowings	3,000
Cash and Cash equivalent	25,000	Bank overdraft	2,000
Short term loans and advances	2,500	Provision for taxation	4,000
Marketable securities	5,000	Unclaimed dividend	2,000
Prepaid expenses	6,000	Outstanding expenses (salaries)	7,000

Q 3. The liquid ratio of ABC Ltd. is 80% of its current ratio. The value of inventory is Rs.70,000. Find out the amount of prepaid expenses if current assets and current liabilities are worth Rs.4,50,000 and Rs.1,80,000 respectively.

Q4. Calculate Current Ratio and Liquid Ratio from the following Balance Sheet:

Particulars	Note no.	31.3.2014 (Rs.)
I.EQUITY AND LIABILITIES		
1.Shareholder's funds		2,00,000
Equity Share capital		50,000
Reserves and surplus		
2.Non-current liabilities		1,00,000
Long term borrowings		
3. Current liabilities	1	40,000
Trade payables		
Total	2	3,90,000
II.ASSETS		
1. Non -Current assets		
Fixed assets		
Tangible assets		2,25,000
2.Current assets:		
Inventories		40,000
Trade receivables		70,000
Cash and Cash equivalent		50,000
Other current assets(prepaid expenses)		5,000
Total		3,90,000

Q 5. X Ltd has the current ratio of 2:1.It has current liabilities of Rs.1,20,000.The current ratio was calculated without considering the following:
Provision for doubtful debts Rs.15,000

Amount waived off by creditors Rs.5,000
You are required to calculate the correct current ratio.

- Q 6. A firm had current assets of Rs.3,00,000. It then paid current liabilities of Rs.60,000. After the payment the current ratio was 2:1. Determine the size of current liabilities and working capital before and after the payment.

LIQUIDITY RATIOS II

- Q1. Following is the Balance Sheet of X Ltd. As at 31st March, 2012 :

Particulars	Note no.	(Rs.)
I. EQUITY AND LIABILITIES		
Shareholder's funds:		
a. Share capital		10,00,000
b. Reserves & Surplus		10,00,000
Non-Current liabilities:		
Long term borrowings		10,00,000
Current liabilities		
Trade Payables		25,00,000
Total		55,00,000
II. ASSETS		
Non -Current assets:		
a. Fixed assets		20,00,000
b. Investment		1,00,000
Current Assets:		
a. Inventory		9,00,000
b. Trade Receivables		24,00,000
c. Cash and Cash Equivalents		1,00,000
Total		55,00,000

The existing liquid ratio stands at 1:1. A liability of Rs. 4,00,000 under dispute has to be paid immediately as per High Court order. Show the effect of this order on Liquid Ratio and Current Ratio as on 31st March 2012.

- Q2. Assuming that the Current Ratio is 2:1, state giving reasons, which of the following transactions would (i) improve, (ii) reduce, or (iii) not alter, the current ratio:
- Cash collected from trade receivable or cash received against B/R on its maturity.
 - B/R received from trade receivable or B/R drawn.
 - B/R endorsed to trade payables.
 - B/R dishonoured.
 - Sale of Inventories at par for cash.
 - Sale of Inventories at profit for cash.
 - Sale of Inventories at loss for cash.
 - Sale of Inventories at par for credit.

- i. Sale of Inventories at profit for credit.
 - j. Sale of Inventories at loss for credit.
 - k. Purchase of Inventories for cash.
 - l. Purchase of Inventories on credit.
 - m. Sale of a fixed asset on a credit of 2 months.
 - n. Sale of a fixed asset on a long-term deferred payment basis.
 - o. Sale of a fixed asset against cheque.
 - p. Purchase of a fixed asset for cash.
 - q. Purchase of a fixed asset on credit of 2 months.
 - r. Purchase of a fixed asset on long-term deferred payment basis.
 - s. Cash paid to Trade Payables or Cheque issued against B/P.
 - t. B/R given to trade payables.
 - u. Repayment of a non-current liability (e.g., Long term Loan etc.)
 - v. Conversion of a non-current liability into equity shares.
 - w. Issue of new Shares/Debentures for cash.
 - x. Issue of new Shares/Debentures against purchase of fixed asset.
 - y. Payment of final dividend already declared.
- Q3. Current ratio of X Ltd. is 2.5 : 1. State with reasons, which of the following transactions would (i) increase, (ii) decrease or (iii) not change the ratio:
- a. Included in trade payables was a bill payable which was met on maturity.
 - b. Trade receivables include debtors of Rs. 40,000 which was received.
 - c. Company purchased furniture of Rs. 45,000. The vendor was paid by issue of equity shares of Rs. 10 at par.
 - d. Redemption of Debentures.
 - e. Purchase of goods for Rs. 20,000 against cheque.
 - f. Purchase of Loose tools for Rs. 10,000 against cheque.
- Q4. A Quick Ratio of a company is 1.4 : 1. State giving reasons which of the following transactions would (i) Improve, (ii) Reduce, (iii) Not change the Quick Ratio:
- a. Cash collected from Trade Receivables.
 - b. Cash paid to Trade Payables.
 - c. Purchase of goods for Cash.
 - d. Purchase of goods on Credit of 2 months.
 - e. Sale of goods costing Rs. 20,000 for Rs. 15,000.
 - f. Sale of an Office furniture (book value of Rs. 25,000) for Rs. 5,000.
 - g. B/R drawn on trade receivables for 3 months.
 - h. B/R endorsed in favour of a Trade Payable.
 - i. B/R dishonoured at maturity.
 - j. B/R collected at maturity.
 - k. B/P accepted for 2 months.
 - l. B/P paid at maturity.
 - m. Payment of outstanding liabilities.

n. Share issue expenses written off.

Q5. From the following compute (a) Current Ratio (b) Quick Ratio

Particulars	Rs.	Particulars	Rs.
Current Investments	40,000	Short-Term Provisions	3,000
Inventories	5,000	Other Current Liabilities	5,000
Trade Receivables	2,000	Short-Term Loans and Advances	4,000
Short-Term Borrowings	20,000	Tangible Fixed Assets	1,00,000
Trade Payables	2,500	Cash and Cash Equivalents	10,000
Prepaid Expenses	2,000	Advance Tax	8,000

Q6. Compute Current Ratio and Quick Ratio of Alto Ltd., from the following Balance Sheet as at 31st March, 2013 and comment on short-term solvency position of the company.

Particulars	Note no.	(Rs.)
I. EQUITY AND LIABILITIES		
Shareholder's funds:		
a. Share capital		3,00,000
b. Reserves & Surplus		1,50,000
Non-Current liabilities:		
Long term borrowings 10% Debentures		2,00,000
Current liabilities		
a. Trade Payables		80,000
b. Other Current Liabilities	1	50,000
c. Short-term Provisions	2	30,000
Total		8,10,000
II. ASSETS		
Non -Current assets:		
a. Fixed assets - Tangible		3,70,000
b. Non-current Investments		1,00,000
Current Assets:		
a. Inventories		1,10,000
b. Trade Receivables	3	1,30,000
c. Cash and Cash Equivalents		60,000
d. Other Current Assets	4	40,000
Total		8,10,000

Notes to Accounts

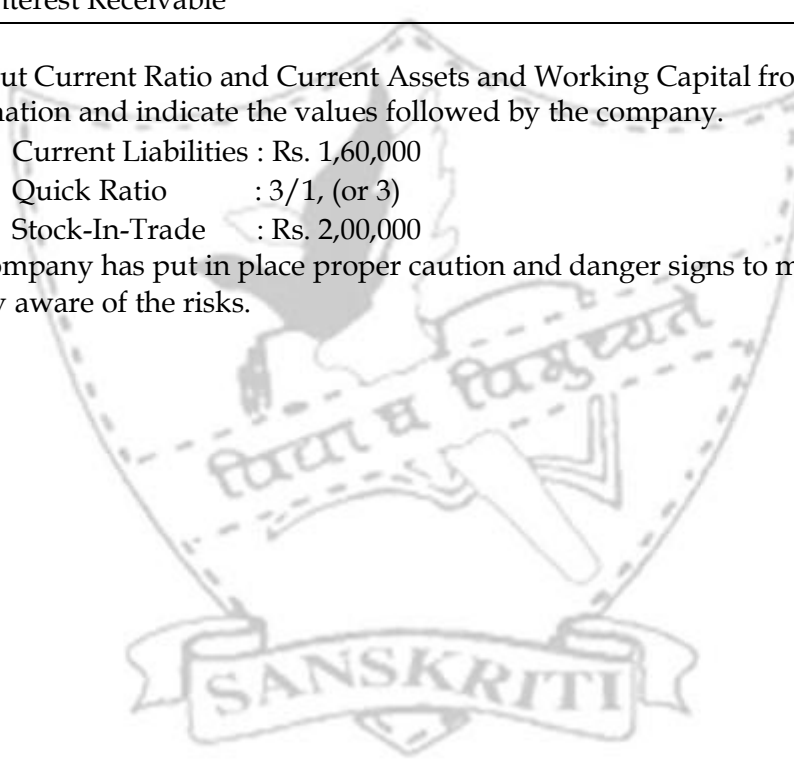
Particulars	(Rs.)
-------------	-------

1. Other Current Liabilities	
8% Debentures	50,000
2. Short Term Provisions	
Provision for repairs	20,000
Provision for doubtful debts	10,000
3. Inventories	
Cost of Material Consumed	80,000
Change in Inventories of finished goods and WIP	20,000
Loose Tools	10,000
4. Other Current Assets	
Prepaid Expenses	5,000
Advance Tax	20,000
Interest Receivable	15,000

Q7. Find out Current Ratio and Current Assets and Working Capital from the following information and indicate the values followed by the company.

- Current Liabilities : Rs. 1,60,000
- Quick Ratio : 3/1, (or 3)
- Stock-In-Trade : Rs. 2,00,000

The company has put in place proper caution and danger signs to make the workers in the factory aware of the risks.



SOLVENCY RATIOS

- Q1. Let the debt equity ratio be 2:1. State whether the ratio will decrease, increase or have no change in the following cases:
- | | |
|---|--|
| a) Issue of bonus shares 50,000 | g) Sale of fixed assets at a loss of 20,000 |
| b) Purchase of fixed assets 2,00,000 | h) Purchase of fixed assets on long term deferred payment basis 1,00,000 |
| c) Declaration of final dividend 10,000 | i) Redemption of debentures 50,000 |
| d) Issue of new shares 1,00,000 | j) Purchased goods on credit 53,000 |
| e) Conversion of debentures into equity shares 1,00,000 | k) Payment to creditors 41,000 |
| f) Sale of fixed assets at a profit of 10,000 | |

- Q2. Calculate total assets to debt ratio:
- | | |
|--|----------|
| 17% Debentures (to be redeemed after 5 years) | 2,00,000 |
| Plant & Machinery | 1,00,000 |
| Furniture | 50,000 |
| Cash and cash equivalents | 35,000 |
| Trade payables | 50,000 |
| Trade receivables | 40,000 |
| Inventories (including spare parts of Rs. 2,000) | 10,000 |

- Q3. Calculate total assets to debt ratio:
- | | |
|-------------------------------|----------|
| Capital employed | 7,40,000 |
| Reserves & Surplus | 80,000 |
| Trade investments | 35,000 |
| Land | 8,00,000 |
| Trade receivables | 2,75,000 |
| Cash & cash equivalents | 50,000 |
| Share Capital | 3,50,000 |
| Debentures | 1,00,000 |
| Capital reserve | 80,000 |
| Balance in Statement of P & L | (10,000) |

4. From the following Balance Sheet, calculate Total assets to debt ratio:

Balance Sheet

Particulars	Note no.	31 st March 2017
I. Equity & Liabilities		
1. Shareholders' Funds		
a) Share Capital		4,00,000
b) Reserves & Surplus		(80,000)
2. Non-Current Liabilities		
a) Long term borrowings		5,00,000
b) Long term provisions		40,000
3. Current liabilities		
a) Trade Payables		1,50,000
b) Short term provisions		20,000
Total		10,30,000
II. Assets		
1. Non current assets	1	
a) Tangible fixed assets		6,00,000
b) Non current investments	2	70,000
2. Current assets		
a) Inventories		2,00,000
b) Trade receivables		1,00,000
c) Cash & cash equivalents		60,000
Total		10,30,000

Notes to accounts

1. Non current investments	
Shares in Jamuna Ltd.	70,000
2. Inventories	
Stock	1,90,000
Loose tools	10,000

Q5. From the following Balance sheet of Garg Ltd., Calculate:

- Debt equity ratio
- Total assets to debt ratio
- Proprietary ratio
- Interest coverage ratio if net profit after interest & tax is 2,10,000 and rate of income tax is 40%.also comment about all.

Balance Sheet

Particulars	Note no.	31 st March 2012
I.Equity & Liabilities		
1.Shareholders' Funds		
a) Share Capital	1	8,40,000
b) Reserves & Surplus	2	1,61,000
2.Non-Current Liabilities		
a) Long term borrowings	3	2,52,000
3.Current liabilities		1,68,000
Total		14,21,000
II.Assets		
1.Non current assets		
c) Tangible fixed assets		9,10,000
d) Other non current assets	4	16,800
2.Current assets		4,90,000
Other current assets	5	4,200
Total		14,21,000

Notes to accounts

1.Share capital	
i. Equity share capital	7,00,000
ii. 8%Preference share capital	1,40,000
2.Reserves and surplus	
i. Reserves	70,000
ii. Profit and loss balance	91,000
3.Long term borrowings	
15% mortgage loan	2,52,000
4. Other non current assets	
Advertisement expenditure (to be w/o after 12 months)	16,800
5. Other current assets	
Advertisement expenditure (to be w/o within 12 months)	4,200

TURNOVER RATIOS

- Q1. Calculate Inventory Turnover Ratio from the following statement of Profit and Loss of X Ltd.:

Statement of Profit and Loss
for the year ending 31st March, 2013

Particulars	Note no.	(Rs.)
I. Revenue from Operations (Sales)		9,00,000
II. Other Income		50,000
III. Total Revenue (I + II)		9,50,000
IV. Expenses		
a. Purchase of Stock-In-Trade		5,00,000
b. Change in Inventories of Stock-In-Trade	1	30,000
c. Employees Benefit Expenses		1,20,000
d. Other Expenses		50,000
Total Expenses		7,00,000
V. Profit before Tax (III - IV)		2,50,000

Notes to Accounts

Particulars	(Rs.)
1. Change in Inventories of Stock-In-Trade	
Opening Inventory	1,00,000
Less: Closing Inventory	70,000
	30,000
2. Other Expenses	
Carriage Inwards	10,000
Carriage Outwards	5,000
Freight	15,000
General Expenses	20,000
	50,000

Note: Change in Inventory refers to (Opening Stock - Closing Stock)

- Q2. From the following Statement of Profit and Loss of Gopal Ghee Ltd., for the year ending 31st March, 2013, Compute Inventory Turnover Ratio and Average Holding Period:

Particulars	Note no.	(Rs.)
I. Revenue from Operations (Sales)		18,00,000
II. Other Income		60,000
III. Total Revenue (I + II)		18,60,000
IV. Expenses		
a. Cost of Material Consumed	1	8,80,000
b. Change in Inventories of Finished goods		

and WIP	2	(20,000)
c. Employees Benefit Expenses	3	2,60,000
d. Depreciation		80,000
e. Other Expenses	4	1,50,000
Total Expenses		13,50,000
V. Profit before Tax (III – IV)		5,10,000

Notes to Accounts

Particulars	(Rs.)
1. Cost of Material Consumed	
Opening Raw Material	2,10,000
Add: Purchases	8,00,000
	10,10,000
Less: Closing Inventory of Raw Material	1,30,000
	8,80,000
2. Change in Inventories of Finished goods and WIP	
Opening Inventory	1,00,000
Less: Closing Inventory	1,20,000
	(20,000)
3. Employees Benefit Expenses	
Wages	1,50,000
Salaries	70,000
P.F. Contribution of which Rs. 30,000 relate to Workers (Factory)	40,000
	2,60,000
4. Other Expenses	
Carriage	10,000
Fuel and Power	60,000
Freight	15,000
General Expenses	65,000
	1,50,000

- Q3. Calculate Inventory Turnover Ratio from the following information:
Sales Rs. 5,00,000; Gross Loss 20%; Opening Inventory Rs. 40,000; Purchases Rs. 6,10,000.
- Q4. From the following information, calculate the Inventory Turnover Ratio:
Revenue from Operations Rs. 2,00,000; G.P. 25% on Cost; Opening Inventory was 1/3 of the value of Closing Inventory; Closing Inventory was 30% of Revenue from Operations.
- Q5. Calculate Debtors or Trade Receivables Turnover Ratio from the following information:
Opening Debtors Rs. 25,000; Cash Received from Debtors Rs. 2,30,000; Sales Return Rs.

5,000; Closing Debtors Rs. 35,000; Provision for Doubtful debts at the end Rs. 1,000.

- Q6. If the Debtors Turnover Ratio is 9 times and Revenue from Operations (Sales) is Rs. 6,00,000. Cash Revenue from Operations is 10%. Calculate Opening and Closing Debtors in the following cases:

Case I : Opening Debtors are Rs. 10,000 more than the Closing Debtors

Case II : Closing Debtors are 1.5 times of Opening Debtors.

Case III: Closing Debtors are 1.5 times more than the Opening Debtors

Case IV: Opening Debtors = Rs. 50,000

- Q7. Calculate Creditors Turnover Ratio from the following information:

	(Rs.)
Opening Creditors	22,500
Cash paid to Creditors	2,10,000
Purchase Return	3,000
Closing Creditors	28,000
Discount Received	1,500

- Q8. Compute Debtors Turnover Ratio, Creditors Turnover Ratio, Average Collection Period and Average Payment Period in months from the following:

	(Rs.)
Revenue from Operations	5,20,000
Return of Revenue from Operations	20,000
Purchases	3,00,000
Bills Receivable	40,000
Debtors	60,000
Creditors	50,000
Bills Payable	25,000
Provision for Doubtful Debt	1,500

- Q9. Calculate Working Capital Turnover if Cost of Revenue from Operations is Rs. 8,40,000; Gross Profit Ratio is 20% and excess of Current Assets over Current Liabilities is Rs. 3,50,000.

- Q10. Compute Gross Profit Ratio from the following data:

Particulars	(Rs.)
Purchases : Cash	50,000
Credit	92,000
Carriage and Freight	10,000
Wages	30,000
Salaries	15,000
Returns Outwards	2,000
Credit Revenue from Operations	2,00,000

Cash Revenue from Operations is 20% of the Total Revenue from Operations.

Decrease in stock during the year Rs. 20,000.

- Q11. Following is the Statement of Profit and Loss of Star Ltd., for the year ended 31st March, 2013, calculate the Operating Ratio:

Statement of Profit and Loss

Particulars	Note no.	(Rs.)
I. Revenue from Operations (Sales)		5,00,000
II. Other Income		30,000
III. Total Revenue (I + II)		5,30,000
IV. Expenses		
a. Purchase of Stock-In-Trade		3,25,000
b. Changes in Inventories of Stock-In-Trade		(25,000)
c. Employee Benefit Expenses		30,000
d. Other Expenses	1	66,000
Total Expenses		3,96,000
V. Profit before Tax (III – IV)		1,34,000

Notes to Accounts

Particulars	(Rs.)
1. Other Expenses	
Administrative Expense	22,000
Selling and Distribution Expenses	24,000
Loss on Sale of Fixed Asset	20,000
	66,000

- Q12. Calculate the Gross Profit Ratio, Operating Ratio, Operating Profit Ratio and Net Profit Ratio from the following information:

Particulars	(Rs.)
Cost of Material Consumed	8,00,000
Change in Inventories of Finished goods and WIP	70,000
Employees Benefit Expenses:	
Wages	1,10,000
Salary	40,000
Other Expenses:	
Administrative Expenses	60,000
Selling and Distribution Expenses	80,000
Carriage	10,000
Loss on Sale of Assets	40,000
Bad Debts	10,000
Depreciation	50,000
Revenue from Operations (Sales)	15,00,000
Interest and Dividend Received	75,000
Income Tax	80,000

PROFITABILITY RATIOS

Q 1. Calculate the net profit and operating profit ratio from the following information:

Revenue from operations	7,00,000
Revenue from operations return	30,000
Gross profit	3,50,000
Selling and distribution expenses	25,000
Office and administrative expenses	15,000
Interest on debentures	10,000
Bank charges	10,000
Loss by fire	8,000
Profit on sale of machinery	18,000
Interest on investments	20,000
Discount allowed	3,000
Discount written off on debentures issued	5,000

Q 2. From the following information calculate:

Gross profit ratio	Operating ratio	Operating profit ratio	Net profit ratio
Revenue from operations			26,80,000
Return outwards			20,000
Opening inventory			4,00,000
Closing inventory			5,00,000
Purchases			16,20,000
Return inwards			30,000
Wages			3,00,000
Carriage inward			2,00,000
Rent received			50,000
Selling and distribution expenses			1,20,000
Income tax			80,000
Loss on sale of machinery			40,000
Profit on sale of furniture			60,000
Rent paid			10,000

Q 3. From the following calculate ROI:

Share capital	50,000
Reserves and surplus	25,000
Net fixed assets	2,25,000
Non current trade investments	25,000
Current assets	1,10,000
12% Long term borrowings	2,00,000
Current liabilities	85,000
Net profit before tax	60,000.

Q 4. From the following Balance sheet of sarthak Ltd., Calculate ROI:

Particulars	Note no.	31.3.2014 (Rs.)
I.EQUITY AND LIABILITIES		
1.Shareholder's funds		
Equity Share capital	1	2,99,000
Reserves and surplus	2	1,23,000
2.Non-Current liabilities		
Long term borrowings		
10% Debentures		1,30,000
3.Current liabilities		2,34,000
Total		7,86,000
II.ASSETS		
1.Non -Current assets		
Fixed assets		
Tangible assets		4,48,000
Other Non-Current assets		20,800
3.Current assets	3	
Inventories		3,12,000
Other current assets		5,200
Total	4	7,86,000

Notes to accounts:

1.Share capital	
Equity share capital	1,95,000
15% Preference share capital	1,04,000
2.Reserves and surplus	
General reserve	33,000
Profit for the year	90,000
3.Other non current assets	
Advertisement expenditure	8,000
(to be written off after 12 months)	12,800
4.Other current assets	
Advertisement expenditure	2,000
(to be written off within 12 months)	3,200

Q 5. From the following information calculate Return on Capital employed:

Gross profit	1,23,000
Establishment expenses	12,000
Finance expenses	31,100
Interest on fixed cost bearing securities	9,840
Income tax	14,760
Current assets	1,84,500
Current liabilities	1,53,750
Fixed assets	3,80,000

Q 6. The following is the Balance sheet of X Ltd., Find Quick ratio and ROI.

Particulars	Note no.	31.3.2014 (Rs.)
I.EQUITY AND LIABILITIES		
1.Shareholder's funds		
Equity Share capital		2,00,000
Reserves and surplus	1	1,50,000
2.Current liabilities		1,00,000
Total		4,50,000
II.ASSETS		
1.Non -Current assets		
Fixed assets		
Tangible assets		2,30,000
3.Current assets	2	
Inventory		1,40,000
Trade receivables		80,000
Cash and cash equivalents		----
Total	3	4,50,000

Notes to accounts:

1.Reserves and surplus	
General reserve	90,000
Profit for the year	60,000
2. Non current assets	
Land and building	1,50,000
Plant and machinery	80,000
3.Cash and cash equivalents	
Cash	30,000
Bank overdraft	(30,000)

Q 7. From the following Balance sheet calculate ROI:

Particulars	Note no.	31.3.2014 (Rs.)
I.EQUITY AND LIABILITIES		
1.Shareholder's funds		
Equity Share capital	1	9,20,000
Reserves and surplus	2	3,30,000
2.Non current liabilities		
Long term borrowings	3	4,00,000
2.Current liabilities		
Trade payables	4	3,30,000
Short term borrowings		2,64,000
Other current liabilities	5	88,400
Short term provisions	6	4,00,000
Total		27,32,400
II.ASSETS		
1.Non -Current assets		
Fixed assets		
Tangible assets		11,61,600
Non current investments	7	2,64,000
Other non current assets	8	52,800
	9	
3.Current assets		
Inventory		8,50,000
Trade receivables		3,50,000
Cash and cash equivalents		40,800
Other current assets	10	13,200
	11	
Total		27,32,400

Notes to accounts

1.Share capital:	
Equity share capital	6,60,000
Preference share capital	2,60,000
2.Reserves and surplus	
General reserve	3,30,000
3.Long term borrowings	
10% Debentures	4,00,000
4.Trade payables	
Sundry creditors	1,98,000

Bills payable	1,32,000
5. Other current liabilities	
Outstanding expenses	8,84,000
6. Short term provisions	
Provision for tax	4,00,000
7. Tangible assets	
Land and building	6,00,000
Plant and Machinery	5,00,000
Furniture	61,600
8. Non-current investments	
Shares in DCM Ltd.	2,64,000
9. Other non-current assets	
Advertisement expenditure (to be written off after 12 months)	52,800
10. Cash and cash equivalents	
Bank	40,800
11. Other current assets	
Advertisement expenditure (to be written off in 12 months)	13,200

Net profit for the year was Rs.3,96,000 after charging interest on Debentures but before tax.



- Q1. From the following particulars relating to Silver Point, prepare a Receipt and Payment account for the year ending March 31, 2017.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Opening cash balance	1,000	Sale of old sports materials	1,200
Opening bank balance	7,200	Donation received for pavilion	4,600
Subscriptions collected for:		Rent paid	3,000
2015-16 Rs. 500		Sports materials purchases	4,800
2016-17 Rs. 7,600		Purchase of refreshments	600
2017-18 Rs. 900	9,000	Expenses for maintenance of tennis court	2,000
Sale of refreshments	1,000	Salary paid	2,500
Entrance fees received	1,000	Tournament expenses	2,400
		Furniture purchased	1,500
		Office expenses	1,200
		Closing cash in hand	400

- Q2. From the following Receipt and Payment Account and additional information relating to Excellent Cricket Club, prepare Income and Expenditure Account for the year ended March 31, 2015 and Balance Sheet as on date

Dr.		Cr.	
Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d (Cash in Hand)	18,000	Balance b/d (bank overdraft)	16,000
Member's subscriptions	2,50,000	Upkeep of field and pavilion	1,15,000
Member's admission fee	15,000	Tournament expenses	40,000
Sale of old sports materials	2,500	Rates and Insurance	10,000
Hire of ground	28,000	Telephone	3,500
Subscription for tournament	60,000	Postage and Courier charges	4,000
Life membership fee	20,000	Printing and Stationery	26,000
Donations	6,00,000	Miscellaneous expenses	4,400
		Secretary's honorarium	30,000
		Grass seeds	2,600
		Investments	6,00,000
		Purchase of sports materials	68,000
		Balance c/d	74,000
	9,93,500		9,93,500

Assets at the beginning of the year were:

	Rs.
Play ground	5,00,000
Cash in hand	18,000
Stock of sports materials	85,000
Printing and Stationery	11,000
Subscriptions receivable	28,000

Donations and Surplus on account of tournament are to be kept in Reserve for a permanent pavilion. Subscriptions due on March 31, 2015 were Rs. 42,000. Write-off fifty per cent of sports materials and thirty per cent of printing and stationery.

- Q3. From the following extract of Receipt and Payment Account and the additional information, compute the amount of income from subscriptions and show as how they would appear in the Income and Expenditure Account for the year ending March 31, 2015 and the Balance Sheet.

Receipt and Payment Account for the year ending March 31, 2015

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Subscriptions:			
2013-14	7,000		
2014-15	30,000		
2015-16	5,000		
	42,000		

Additional Information:

	Rs.
1. Subscriptions outstanding March 31, 2014	8,500
2. Total Subscriptions outstanding March 31, 2015	18,500
3. Subscriptions received in advance as on March 31, 2014	4,000

- Q4. Show how you would deal with the following items in the financial statements of a Club:

Details	Debit Amount (Rs.)	Credit Amount (Rs.)
Prize Fund		80,000
Prize Fund Investments	80,000	
Income from Prize Fund Investments		8,000
Prizes awarded	6,000	

- Q5. Show the following information in financial statements of a 'Not-for-Profit' Organisation:

Details	Amount (Rs.)
---------	-----------------

Match Expenses	16,000
Match Fund	8,000
Donation for Match Fund	5,000
Sale of Match tickets	7,000

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

Q6.

Extract of a Receipt and Payment Account for the year ended on March 31, 2015:

Payments:

Stationery Rs. 23,000 Additional

Information:

Details	April 1, 2014	March 31, 2015
Stock of stationery	4,000	3,000
Creditors for stationery	9,000	2,500

Q7.

Following is the Receipt and Payment Account of an Entertainment Club for the period April 1, 2016 to March 31, 2017.

Receipt and Payment Account for the year ending March 31, 2017

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d		Salaries	24,000
Cash 27,500		Electric bill	21,000
Bank <u>60,000</u>	87,500	Food stuff for restaurant	60,000
Member's subscriptions:		Telephone bill	35,000
2015-2016 12,500		Subscription for periodicals	14,500
2016-2017 1,00,000		Printing and stationery	13,000
2017-2018 <u>10,000</u>	1,22,500	Sports expenses	50,000
Sale of furniture		Secretary's honorarium	30,000
(book value: Rs. 8,000)	10,000	8% Investments (31.3.2017)	1,00,000
Sale of food stuffs	1,00,000	Balance c/d:	
Sale of old periodicals	3,200	Cash 21,500	
and newspapers		Bank <u>45,000</u>	66,500
Hire of ground used	48,750		
for marriage			
Donation for sports fund	25,000		
Locker Rent	17,050		
	4,14,000		4,14,000

Additional Information

- The club had 225 members, each paying an annual subscription of Rs. 500. Subscription

outstanding as on 31 March 2016 Rs. 15,000.

2. Telephone bill outstanding for the year 2016-2017 is Rs. 2,000.
3. Locker Rent Rs. 3,050 outstanding for the year 2015-16 and Rs. 1,500 for 2016-17.
4. Salary outstanding for the year 2016-17 Rs. 4,000.
5. Opening Stock of Printing and stationery Rs. 2,000 and closing stock of printing and stationery is Rs. 3,000 for the year 2016-17.
6. On 1st April 2016 other balances were as under:

	Rs.
Furniture	1,00,000
Building	6,50,000
Sports fund	15,000

7. Depreciation Furniture and Building @ 12.5% and 5% respectively assuming that it is on reducing balance for the year ending March 31, 2017

Prepare Income and Expenditure account and Balance Sheet as on that date.

Q8.

From the trial balance and other information given below for a school, prepare Income and Expenditure Account for the year ended on 31.3.2017 and a Balance Sheet as on that date:

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

Additional Information:

- (i) Tuition fee yet to be received for the year are Rs. 25,000.
- (ii) Salaries yet to be paid amount to Rs.30,000.
- (iii) Furniture costing Rs. 40000 was purchased on October 1, 2016.
- (iv) The book value of the furniture sold was Rs. 50,000 on April 1, 2016
- (v) Depreciation is to be charged @ 10% p.a. on furniture, 15% p.a. on Library books, and 5% p.a. on building.

Q9.

Prepare Income and Expenditure Account of Entertainment Club for the year ending March 31, 2017 and Balance Sheet as on that date from the following information:

Receipt and Payment Account
For the year ending on March 31, 2017

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d	24,000	Rent and Rates	48,750
Subscriptions		Furniture purchased	40,000
2015-16 23,250		Creditors for sports materials	61,000
2016-17 3,36,000		Purchases for sports materials	10,000
2017-18 13,000	3,72,250	Cost of prizes awarded	20,750
Sale of sports materials	26,000	Match expenses	35,150
Entrance fees	40,000	Miscellaneous expenses	1,50,000
General donation	20,250	Balance c/d	1,34,050
Donation for prize fund	14,000		
Interest on prize fund			
Investments	1,500		
Miscellaneous receipts	1,700		
	4,99,700		4,99,700

Additional Information:

Details	Apr. 01, 2016	Mar. 31, 2017
Sports materials	20,000	25,000
Furniture	2,00,000	?
5% Prize fund investments	60,000	?
Creditors for sports materials	7,000	14,750
Subscription in arrears	23,750	?
Prize fund	60,000	?
Rent paid in advance	----	3,750
Outstanding rent	3,750	
Outstanding miscellaneous expenses	11,400	20,100
Miscellaneous expenses paid in advance	3,750	4,250
Book value of sports materials sold was Rs. 20000		
Depreciation on furniture is to be provided @ 10%.		
Half of the entrance fee is to be capitalised.		
There are 1440 members, each paying an annual subscription @ Rs. 250.		
Subscription received in advance on 1.4.2016 were Rs. 7,000.		

Q10.

Shiv-e-Narain Education Trust provides the information in regard to Receipt and Payment Account and Income and Expenditure Account for the year ended March 31st 2017:

Receipt and Payment Account for the year ending March 31, 2017

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Cash in hand as on April 1, 2016	3,000	Printing and Stationery	6,000
Cash at bank as on April 1, 2016	15,000	Lighting & Water	2,600
Subscription:		Rent	21,000
2015-16 12,000		Advertisement	2,820
2016-17 46,000		Miscellaneous Expenses	4,400
2017-18 <u>15,600</u>	73,600	Staff Salaries	85,000
Entrance fees	25,200	Furniture purchased	28,000
Tuition fees:		Honorarium	15,000
2016-17 80,000		Books	5,000
2017-18 <u>10,000</u>	90,000	Cash in hand as on March 31, 2017	9,180
Interest on investment:		Cash at bank as on March 31, 2017	45,000
2015-16 4,000			
2016-17 <u>6,000</u>	10,000		
Miscellaneous receipts	7,200		
	2,24,000		2,24,000

On March 31, 2016 the following balances appeared:

Investments Rs.1, 60,000; Furniture Rs.40, 000; and Books Rs.20, 000.

Income and Expenditure Account for the year ending on March 31, 2017

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Printing and Stationery	7,800	Subscription	46,000
Lighting & Water	2,600	Interest on investment	6,800
Rent	24,000	Miscellaneous incomes	7,200
Staff salaries	84,000	Tuition fees	90,000
Advertisement	3,200		
Honorarium	15,000		
Misc. expenses	4,400		
Depreciation on furniture	4,000		
Surplus(Excess of income over expenditure)	5,000		
	1,50,000		1,50,000

Prepare opening and closing balance sheet

ASSIGNMENT II

Chapter: Fundamentals

- Q1. Sameer and Yasmin are partners with capitals of Rs.15,00,000 and Rs. 10,00,000 respectively. They agree to share profits in the ratio of 3:2. Show how the following transactions will be recorded in the capital accounts of the partners in case:
(i) the capitals are fixed, and (ii) the capitals are fluctuating. The books are closed on March 31, every year.

Particulars	Sameer (Rs.)	Yasmin (Rs.)
Additional capital contributed on July 1, 2014	3,00,000	2,00,000
Interest on capital	5 %	5 %
Drawings (during 2014-15)	30,000	20,000
Interest on drawings	1,800	1,200
Salary	20,000	
Commission	10,000	7,000
Share in loss for the year 2014-15	60,000	40,000

- Q2. Saloni and Srishti are partners in a firm. Their capital accounts as on April 01, 2016 showed a balance of Rs. 2,00,000 and Rs. 3,00,000 respectively. On July 01, 2016, Saloni introduced additional capital of Rs. 50,000 and Srishti, Rs. 60,000. On October 01 Saloni withdrew Rs. 30,000, and on January 01, 2016 Srishti withdraw, Rs. 15,000 from their capitals. Interest is allowed @ 8% p.a. Calculate interest payable on capital to both the partners during the financial year 2016-2017.
- Q3. Josh and Krish are partners sharing profits and losses in the ratio of 3:1. Their capitals at the end of the financial year 2015-2016 were Rs. 1,50,000 and Rs. 75,000. During the year 2015-2016, Josh's drawings were Rs. 20,000 and the drawings of Krish were Rs. 5,000, which had been duly debited to partner's capital accounts. Profit before charging interest on capital for the year was Rs. 16,000. The same had also been debited in their profit sharing ratio. Krish had brought additional capital of Rs. 16,000 on October 1, 2015. Calculate interest on capital @ 12% p.a. for the year 2015-2016.

- Q4. Manu, Harry and Ali are partners in a firm sharing profits and losses equally. Harry and Ali withdrew the following amounts from the firm, for their personal use, during 2015.

Date	Harry (Rs.)	Ali (Rs.)
2015		
January, 01	5,000	7,000
April, 01	8,000	4,000
September, 01	5,000	5,000
December, 01	4,000	9,000

Calculate interest on drawings if the rate of interest to be charged is 10 per cent, and the books are closed on December 31 every year.

- Q5. Mohit and Rohan share profits and losses in the ratio of 2:1. They admit Rahul as partner with $\frac{1}{4}$ share in profits with a guarantee that his share of profit shall be at least Rs. 50,000. The net profit of the firm for the year ending March 31, 2015 was Rs. 1,60,000. Prepare Profit and Loss Appropriation Account.
- Q6. Nusrat, Sonu and Himesh are partners sharing profits and losses in the ratio of 5 : 3 : 2. The partnership deed provides for charging interest on drawing's @ 10% p.a. The drawings of Nusrat, Sonu and Himesh during the year ending December 2015 amounted to Rs. 20,000, Rs. 15,000 and Rs. 10,000 respectively. After the final accounts have been prepared, it was discovered that interest on drawings has not been taken into consideration. Give necessary adjusting journal entry.
- Q7. Simmi and Sonu are partners in a firm, sharing profits and losses in the ratio of 3:1. The profit and loss account of the firm for the year ending March 31, 2017 shows a net profit of Rs. 1,50,000. Prepare the Profit and Loss Appropriation Account by taking into consideration the following information:
- Partners capital on April 1, 2016; Simmi, Rs. 30,000; Sonu, Rs. 60,000;
 - Current accounts balances on April 1, 2016; Simmi, Rs. 30,000 (cr.); Sonu, Rs. 15,000 (cr.);
 - Partners drawings during the year amounted to Simmi, Rs. 20,000; Sonu, Rs. 15,000;
 - Interest on capital was allowed @ 5% p.a.;
 - Interest on drawing was to be charged @ 6% p.a. at an average of six months;

6. Partners' salaries : Simmi Rs. 12,000 and Sonu Rs. 9,000. Also show the partners' current accounts.

Q8.

Following is the extract of the Balance Sheet of, Neelkant and Mahdev as on March 31, 2017:

Balance Sheet as at March 31, 2017

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
Neelkant's Capital	10,00,000	Sundry Assets	30,00,000
Mahadev's Capital	10,00,000		
Neelkant's Current Account	1,00,000		
Mahadev's Current Account	1,00,000		
Profit and Loss Appropriation (March 2017)	8,00,000		
	30,00,000		30,00,000

During the year Mahadev's drawings were Rs. 30,000. Profits during 2016-17 is Rs. 10,00,000. Calculate interest on capital @ 5% p.a for the year ending March 31, 2017.

ASSIGNMENT III**Chapter: Goodwill, Change in Profit Sharing Ratio and Admission of a Partner**

- Q1. Akshay and Bharati are partners sharing profits in the ratio of 3:2. They admit Dinesh as a new partner for $\frac{1}{5}$ th share in the future profits of the firm which he gets equally from Akshay and Bharati. Calculate new profit sharing ratio of Akshay, Bharati and Dinesh.
- Q2. Ram and Shyam are partners in a firm sharing profits in the ratio of 3:2. They admit Ghanshyam as a new partner. Ram surrenders $\frac{1}{4}$ of his share and Shyam $\frac{1}{3}$ of his share in favour of Ghanshyam. Calculate new profit sharing ratio of Ram, Shyam and Ghanshyam.
- Q3. Das and Sinha are partners in a firm sharing profits in 4:1 ratio. They admitted Pal as a new partner for $\frac{1}{4}$ share in the profits, which he acquired wholly from Das. Determine the new profit sharing ratio of the partners.
- Q4. Rohit and Mohit are partners in a firm sharing profits in the ratio of 5:3. They admit Bijoy as a new partner for $\frac{1}{7}$ share in the profit. The new profit sharing ratio will be 4:2:1. Calculate the sacrificing ratio of Rohit and Mohit.
- Q5. Amar and Bahadur are partners in a firm sharing profits in the ratio of 3:2. They admitted Mary as a new partner for $\frac{1}{4}$ share. The new profit sharing ratio between Amar and Bahadur will be 2:1. Calculate their sacrificing ratio.
- Q6. Ramesh and Suresh are partners in a firm sharing profits in the ratio of 4:3. They admitted Mohan as a new partner. The profit sharing ratio of Ramesh, Suresh and Mohan will be 2:3:1. Calculate the gain or sacrifice of old partner.
- Q7. Calculate goodwill of a firm on the basis of three year' purchase of the weighted average profits of the last four years. The profit of the last four years were: 2012 Rs. 20,200; 2013 Rs. 24,800; 2014 Rs. 20,000 and 2015 Rs. 30,000. The weights assigned to each year are : 2012 – 1; 2013 – 2; 2014 – 3 and 2015 – 4. You are supplied the following information:
1. On September 1, 2014 a major plant repair was undertaken for Rs. 6,000, which was charged to revenue. The said sum is to be capitalised for goodwill calculation subject to adjustment of

- depreciation of 10% p.a. on reducing balance method.
- The Closing Stock for the year 2013 was overvalued by Rs. 2,400.
 - To cover management cost an annual charge of Rs. 4,800 should be made for purpose of goodwill valuation.
 - The goodwill of a firm is to be worked out at three years' purchase of the average profits of the last five years which are as follows:

Years	Profits (Loss) (Rs.)
2012	10,000
2013	15,000
2014	4,000
2015	(5,000)
2016	6,000

- The capital employed of the firm is Rs. 1,00,000 and normal rate of return is 8%, the average profits for last 5 years are Rs. 12,000 and goodwill is to be worked out at 3 years' purchase of super profits,
- Rama Brothers earn an average profit of Rs. 30,000 with a capital of Rs. 2,00,000. The normal rate of return in the business is 10%. Using capitalisation of super profits method work out the value the goodwill of the firm.

Q8. Vijay and Sanjay are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to admit Ajay into partnership with $\frac{1}{4}$ share in profits. Ajay brings in Rs. 30,000 for capital and the requisite amount of premium in cash. The goodwill of the firm is valued at Rs. 20,000. The new profit sharing ratio is 2:1:1. Vijay and Sanjay withdraw their share of goodwill. Give necessary journal entries.

Q9. A and B are partners sharing profits and losses equally. They admit C into partnership and the new ratio is fixed as 4:3:2. C is unable to bring anything for goodwill but brings Rs 25,000 as capital. Goodwill of the firm is valued at Rs 18,000. Give the necessary journal entries assuming that the partners do not want goodwill to appear in the Balance Sheet

- Q10. Following in Balance Sheet of A and B who share profits in the ratio of 3:2.

Balance Sheet of A and B as on April 1, 2015			
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	20,000	Cash in hand	3,000
Capitals		Debtors	12,000
A 30,000		Stock	15,000
B <u>20,000</u>	50,000	Furniture	10,000
		Plant and Machinery	30,000
	70,000		70,000

On that date C is admitted into the partnership on the following terms:

1. C is to bring in Rs. 15,000 as capital and Rs. 5,000 as premium for goodwill for $\frac{1}{6}$ share.
2. The value of stock is reduced by 10% while plant and machinery is appreciated by 10%.
3. Furniture is revalued at Rs. 9,000.
4. A provision for doubtful debts is to be created on sundry debtors at 5% and Rs. 200 is to be provided for an electricity bill.
5. Investment worth Rs. 1,000 (not mentioned in the balance sheet) is to be taken into account.
6. A creditor of Rs. 100 is not likely to claim his money and is to be written off.

Record journal entries and prepare revaluation account and capital account of partners.

- Q11. A and B are partners sharing profits in the ratio of 2:1. C is admitted into the firm for $\frac{1}{4}$ share of profits. C brings in Rs. 20,000 in respect of his capital. The capitals of old partners A and B, after all adjustments relating to goodwill, revaluation of assets and liabilities, etc., are Rs. 45,000 and Rs. 15,000 respectively. It is agreed that partners' capitals should be according to the new profit sharing ratio. Determine the new capitals of A and B and record the necessary journal entries assuming that the partner whose capital falls short, brings in the amount of deficiency and the partner who has an excess, withdraws the excess amount.

- Q12. A, B and C are partners in a firm sharing profits the ratio of 3:2:1. D is admitted into the firm for $\frac{1}{4}$ share in profits, which he gets as $\frac{1}{8}$ from A and $\frac{1}{8}$ from B. The total capital of the firm is agreed upon as Rs. 1,20,000 and D is to bring in cash equivalent to $\frac{1}{4}$ of this amount as his capital. The capitals of other partners are also to be adjusted in the ratio of their respective shares in profits. The capitals of A, B and C after all adjustments are Rs. 40,000, Rs. 35,000 and Rs. 30,000 respectively.

Calculate the new capitals of A,B and C, and record the necessary journal entries.

- Q13. The Balance Sheet of W and R who shared profits in the ratio of 3 : 2 was as follows on January. 01, 2015.

Balance Sheet of W and R as on Jan. 01, 2015

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	20,000	Cash in hand	5,000
Partner's Capital		Sundry Debtors	20,000
W	40,000	Less: Provision for	700
R	<u>30,000</u>	doubtful debts	
	70,000	Stock	25,000
		Plant and Machinery	35,000
		Patents	5,700
	90,000		90,000

On this date B was admitted as a partner on the following conditions:

1. He was to get 4/15 share of profit.
2. He had to bring in Rs 30,000 as his capital.
3. He would pay cash for goodwill which would be based on 2 ½ years purchase of the profits of the past four years.
4. W and R would withdraw half the amount of goodwill premium brought by B.
5. The assets would be revalued as: Sundry Debtors at book value less a provision of 5%; Stock at Rs 20,000; Plant and Machinery at Rs 40,000; and Patents at Rs 12,000.
6. Liabilities were valued at Rs. 23,000, one bill for goods purchased having been omitted from books.
7. Profit for the past four years were :

2011	15,000	2013	14,000
2012	20,000	2014	17,000

Give necessary journal entries and ledger accounts to record the above, and prepare the Balance Sheet after B's admission.

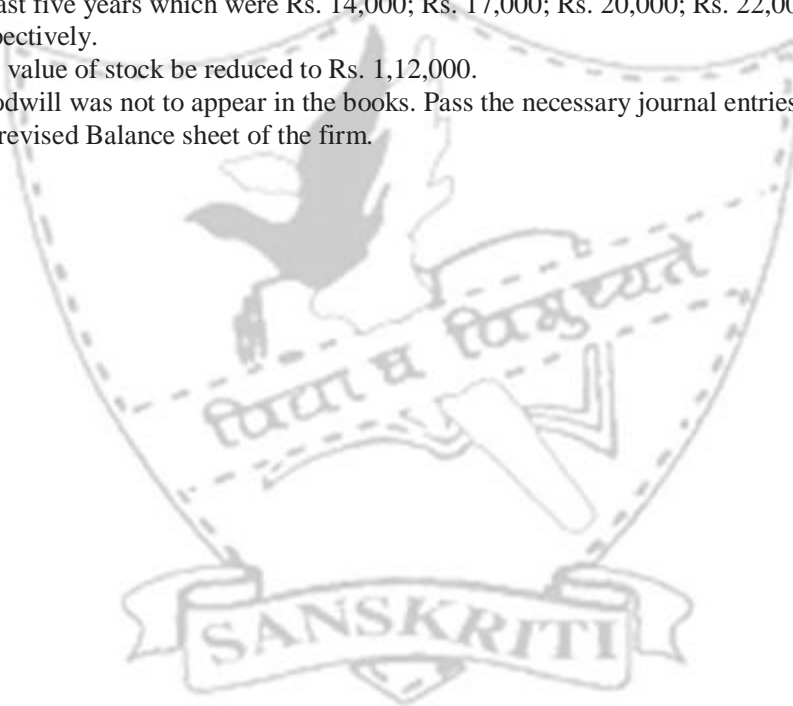
- Q14. Dinesh, Ramesh and Suresh are partners in a firm sharing profits and losses in the ratio of 3:3:2. They decided to share the profits equally w.e.f. April 1, 2015. Their Balance Sheet as on March 31, 2016 was as follows :

Liabilities	Amount Rs.	Assets	Amounts Rs.
Sundry Creditors	1,50,000	Cash at Bank	40,000
General Reserve	80,000	Bills Receivable	50,000
Partner's Loan :		Sundry Debtors	60,000

Dinesh	40,000		Stock	1,20,000
Ramesh	<u>30,000</u>	70,000	Fixed Assets	2,80,000
Partners Capital :				
Dinesh	1,00,000			
Ramesh	80,000			
Suresh	<u>70,000</u>	2,50,000		
		5,50,000		5,50,000

It was also decide that :

1. The fixed assets should be valued at Rs. 3,31,000.
2. A provisions of 5% on sundry debtors be made doubtful debts.
3. The goodwill of the firm at this date be valued at 4.5 years purchase of the average net profits of last five years which were Rs. 14,000; Rs. 17,000; Rs. 20,000; Rs. 22,000 and Rs. 27,000 respectively.
4. The value of stock be reduced to Rs. 1,12,000.
5. Goodwill was not to appear in the books. Pass the necessary journal entries and prepare the revised Balance sheet of the firm.



ASSIGNMENT IV

Chapter: Retirement and Death of a Partner

- Q1. Deepa, Neeru and Shilpa were partners in a firm sharing profits in the ratio of 5:3:2. Neeru retired and the new profit sharing ratio between Deepa and Shilpa was 2:3. On Neeru's retirement, the goodwill of the firm was valued at Rs. 1,20,000. Record necessary journal entry for the treatment of goodwill on Neeru's retirement.
- Q2. Amrinder, Mahinder and Joginder are partners in a firm. Mahinder retires from the firm. On his date of retirement, Rs. 60,000 becomes due to him. Amrinder and Joginder promise to pay him in instalments every year at the end of the year. Prepare Mahinder's Loan Account in the following cases:
- When payment is made four yearly instalments plus interest @ 12% p.a. on the unpaid balance.
 - When they agree to pay three yearly instalments of Rs. 20,000 including interest @ 12% p.a. on the outstanding balance during the first three years and the balance including interest in the fourth year.
 - When payment is made in 4 equal yearly instalments including interest @ 12% p.a. on the unpaid balance.
- Q3. The Balance Sheet of Ashish, Suresh and Lokesh who were sharing profits in the ratio of 5:3:2, is given below as on March 31, 2017.

**Balance Sheet of Ashish, Suresh and Lokesh As on
March 31, 2017**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Capitals:		Land	4,00,000
Shyam	7,20,000	Building	3,80,000
Gagan	4,15,000	Plant & Machinery	4,65,000
Ram	<u>3,45,000</u>	Furniture & Fittings	77,000
Reserve Fund	1,80,000	Stock	1,85,000
Sundry Creditors	1,24,000	Sundry Debtors	1,72,000
Outstanding Expresses	16,000	Cash in hand	1,21,000
	18,00,000		18,00,000

Suresh retires on the above date and the following adjustments are agreed upon his retirement.

- Stock was valued at Rs. 1,72,000.
- Furniture and fittings were valued at Rs. 80,000.
- An amount of Rs. 10,000 due from Mr. Deepak, a debtor, was doubtful and a provision for the same was required.

4. Goodwill of the firm was valued at Rs. 2,00,000 but it was decided not to show goodwill in the books of accounts.
5. Suresh was paid Rs. 40,000 immediately on retirement and the balance was transferred to his loan account.
6. Ashish and Lokesh were to share future profits in the ratio of 3:2.
Prepare Revaluation Account, Capital Account and Balance Sheet of the reconstituted firm.

Q4.

Shyam, Gagan and Ram are partners sharing profit in the ratio of 2 : 2 : 1. Their Balance Sheet as on March 31, 2017 are as under:

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Sundry Creditors	49,000	Cash	8,000
Reserves	14,500	Debtors	19,000
Capital:		Stock	42,000
Shyam	80,000	Machinery	85,000
Gagan	62,500	Building	1,22,000
Ram	<u>75,000</u>	Patents	9,000
Employees' Provident Fund	4,000		
	2,85,000		2,85,000

As Gagan got a very good break at an MNC, so he decided to retire on that date and it was decided that Shyam and Ram would share the future profits in the ratio of 5 : 3. Goodwill was valued at Rs. 70,000; Machinery at Rs. 78,000; Buildings at Rs. 1,52,000; stock at Rs. 30,000; and bad debts amounting to Rs. 1,550 were to be written off. Record journal entries in the books of the firm and prepare the Balance Sheet of the new firm.

Q5.

Asha, Deepa and Lata are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Deepa retires. After making all adjustments relating to revaluation, goodwill and accumulated profit etc., the capital accounts of Asha and Lata showed a credit balance of Rs. 1,60,000 and Rs. 80,000 respectively. It was decided to adjust the capitals of Asha and Lata in their new profit sharing ratio. You are required to calculate the new capitals of the partners and record necessary journal entries for bringing in or withdrawal of the necessary amounts involved.

Q6.

Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 4 : 3 : 3. After all adjustments, on Lalit's retirement with respect to general reserve, goodwill and

revaluation etc., the balances in their capital accounts stood at Rs. 70,000, Rs. 60,000 and Rs. 50,000 respectively. It was decided that the amount payable to Lalit will be brought by Pankaj and Rahul in such a way as to make their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought by Pankaj and Rahul and record necessary journal entries for the same. Also record necessary entry for payment to Lalit.

After Lalit's retirement, the new profit sharing ratio between Pankaj and Rahul is 3 : 3, i.e. 1 : 1.

Q7.

The Balance Sheet of Mohit, Neeraj and Sohan who are partners in a firm sharing profits according to their capitals as on March 31, 2017 was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	21,000	Buildings	1,00,000
Mohit's Capital	80,000	Machinery	50,000
Neeraj's Capital	40,000	Stock	18,000
Sohan's Capital	40,000	Debtors	20,000
General Reserve	20,000	Less: Provision for Bad Debt	<u>1,000</u> 19,000
		Cash at bank	14,000
	2,01,000		2,01,000

On that date, Neeraj decided to retire from the firm and was paid for his share in the firm subject to the following:

1. Buildings to be appreciated by 20%.
2. Provision for Bad debts to be increased to 15% on Debtors.
3. Machinery to be depreciated by 20%.
4. Goodwill of the firm is valued at Rs. 72,000 and the retiring partner's share is adjusted through the capital accounts of remaining partners.
5. The capital of the new firm be fixed at Rs. 1,20,000.

Prepare Revaluation Account, Capital Accounts of the partners, and the Balance Sheet after retirement of B.

Q8.

Anil, Bhanu and Chandu were partners in a firm sharing profits in the ratio of 5:3:2. On March 31, 2017, their Balance Sheet was as under:

Books of Anil, Bhanu and Chandu
Balance Sheet as on March 31, 2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	11,000	Buildings	20,000
Reserve Fund	6,000	Machinery	30,000
Anil's Capital 30,000		Stock	10,000
Bhanu's Capital 25,000		Patents	11,000
Chandu's Capital <u>15,000</u>	70,000	Debtors	8,000
		Cash	8,000
	87,000		87,000

Anil died on October 1, 2017. It was agreed between his executors and the remaining partners that :

- (a) Goodwill to be valued at 212 year's purchase of the average profits of the previous four years which were :

Year 2013-14 – Rs.13,000, Year 2014-15 – Rs.
12,000, Year 2015-16 – Rs.20,000, Year 2016-17 –
Rs.15,000

- (b) Patents be valued at Rs.8,000; Machinery at Rs.28,000; and Building at Rs.25,000.
(c) Profit for the year 2017-18 be taken as having accrued at the same rate as that of the previous year.
(d) Interest on capital be provided at 10% p.a.
(e) Half of the amount due to Anil be paid immediately.

Prepare Anil's Capital Account and Anil's Executor's Account as on October 1, 2017.

Q9.

You are given the Balance Sheet of Mohit, Sohan and Rahul who are partners sharing profits in the ratio of 2 : 2 : 1, as on March 31, 2017.

Books of Mohit, Sohan and Rahul
Balance Sheet as on March 31, 2017.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	40,000	Goodwill	30,000
Reserve Fund	25,000	Fixed assets	60,000
Capitals:		Stock	10,000
Mohit 30,000		Sundry Debtors	20,000
Sohan 25,000		Cash at bank	15,000
Rahul <u>15,000</u>	70,000		
	1,35,000		1,35,000

Sohan died on June 15, 2017. According to the Deed, his legal representatives are

entitled to:

- (a) Balance in Capital Account;
- (b) Share of goodwill valued on the basis of thrice the average of the past 4 years' profits.
- (c) Share in profits up to the date of death on the basis of average profits for the past 4 years.
- (d) Interest on capital account @ 12% p.a.

Profits for the years ending on March 31 of 2014, 2015, 2016, 2017 respectively were Rs. 15,000, Rs. 17,000, Rs. 19,000 and Rs. 13,000. The firm had taken a Joint Life Policy of Rs. 1,25,000, the annual premium being charged to profit & loss account every year. Sohan's legal representatives were to be paid the amount due. Mohit and Rahul continued as partner by taking over Sohan's share equally. Work out the amount payable to Sohan's legal representatives.



ASSIGNMENT V

Chapter: Dissolution of a firm

- Q1. Nayana and Arushi were partners sharing profits equally Their Balance Sheet as on March 31, 2017 was as follows:

Balance Sheet of Nayana and Arushi as on March 31, 2017

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Capitals:		Bank	30,000
Nayana 1,00,000		Debtors	25,000
Arushi <u>50,000</u>	1,50,000	Stock	35,000
Creditors	20,000	Furniture	40,000
Arushi's current account	10,000	Machinery	60,000
Workmen Compensation Fund	15,000	Nayana's current account	10,000
Bank overdraft	5,000		
	2,00,000		2,00,000

The firm was dissolved on the above date:

1. Nayana took over 50% of the stock at 10% less on its book value, and the remaining stock was sold at a gain of 15%. Furniture and Machinery realised for Rs.30,000 and Rs.50,000 respectively;
2. There was an unrecorded investment which was sold for Rs. 25,000;
3. Debtors realised 90% only and Rs.1,200 were recovered for bad debts written-off last year;
4. There was an outstanding bill for repairs which had to be paid for Rs.2,000.

Record necessary journal entries and prepare ledger accounts to close the books of the firm.

- Q2. Sonia, Rohit and Udit are partners sharing profits in the ratio of 5:3:2. Their Balance Sheet as on March 31, 2017 was as follows:

Balance Sheet of Sonia, Rohit and Udit as on March 31, 2017

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Creditors	30,000	Buildings	2,00,000
Bills payable	30,000	Machinery	40,000
Bank loan	1,20,000	Stock	1,60,000
Sonia's husband's loan	1,30,000	Bills receivable	1,20,000
General reserve	80,000	Furniture	80,000
Capitals:		Cash at bank	60,000
Sonia 70,000			
Rohit 90,000			
Udit <u>1,10,000</u>	2,70,000		
	6,60,000		6,60,000

The firm was dissolved on that date. Close the books of the firm with following information:

1. Buildings realised for Rs.1,90,000, Bills receivable realised for Rs.1,10,000; Stock realised Rs.1,50,000; and Machinery sold for Rs.48,000 and furniture for Rs. 75,000,
 2. Bank loan was settled for Rs.1,30,000. Creditors and Bills payable were settled at 10% discount,
 3. Rohit paid the realisation expenses of Rs.10,000 and he was to get a remuneration of Rs.12,000 for completing the dissolution process.
- Prepare necessary ledgeraccounts.

- Q3. Romesh and Bhawan were in partnership sharing profit and losses as 3:2. Their Balance Sheet as on March 31, 2017, was as follows:

Balance Sheet of Romesh and Bhawan as on March 31, 2014

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Bank loan	60,000	Cash at bank	30,000
Creditors	80,000	Debtors	70,000
Bills payables	40,000	Stock	2,00,000
Bhawan loan	20,000	Investments	1,40,000
Capitals:		Buildings	60,000
Romesh	1,00,000		
Bhawan	<u>2,00,000</u>		
	3,00,000		
	5,00,000		5,00,000

They decided to dissolve the firm. The following information is available:

1. Debtors were recovered 5% less. Stock was realised at books value and building was sold for Rs.51,000,
2. It is found that investment not recorded in the books amounted to Rs.10,000. The same were accepted by one creditor for this amount and other Creditors were paid at a discount of 10%. Bills payable were paid full,
3. Romesh took over some of the Investments at Rs.8,100 (book value less 10%). The remaining investment were taken over by Bhawan at 90% of the book value less Rs.900 discount,
4. Bhawan paid bank loan along with one year interest at 6% p.a,
5. An unrecorded liability of Rs.5,000paid.

Close the books of the firm and prepare necessary ledger accounts.

- Q4. Anju, Manju and Sanju sharing profit in the ratio of 3:1:1 decided to dissolve their firm. On March 31, 2014 their position was as follows:

Balance Sheet Anju, Manju and Sanju as on March 31, 2017

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
--------------------	-------------------------	---------------	-------------------------

Creditors	60,000	Cash at bank	35,000
Loan	15,000	Stock	83,000
Capitals:		Furniture	12,000
Anju	2,75,000	Debtors	2,42,000
Manju	1,10,000	Less: Provision for	
Sanju	<u>1,00,000</u>	doubtful debts	<u>12,000</u>
	4,85,000	Buildings	2,00,000
	5,60,000		5,60,000

It is agreed that:

1. Anju takes over the Furniture at Rs.10,000 and Debtors amounting to Rs.2,00,000 at Rs.1,85,000. Anju also agrees to pay the creditors,
2. Manju is to take over Stock at book value and Buildings at book value less 10%,
3. Sanju is to take over remaining Debtors at 80% of book value and responsibility for the discharge of the loan,
4. The expenses of dissolution amounted to Rs.2,200.

Prepare Realisation Account, Bank Account and Capital Accounts of the partners.

Q5.

Meena and Tina are partners in a firm and sharing profit as 3:2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was as follows:

Balance Sheet Meena and Tina as on March 31, 2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital :		Machinery	70,000
Meena	90,000	Investments	50,000
Tina	<u>80,000</u>	Stock	22,000
Sundry creditors	60,000	Sundry Debtors	1,03,000
Bills payable	20,000	Cash at bank	5,000
	2,50,000		2,50,000

The assets and liabilities were disposed off as follows :

- (a) Machinery were given to creditors in full settlement of their account and Stock were given to bills payable in full settlement.
- (b) Investment were taken over by Tina at book value. Sundry debtors of book value Rs. 50,000 taken over by Meena at 10% less and remaining debtors realised Rs. 51,000.
- (c) Realisation expenses amount to Rs. 2,000.

Prepare necessary ledger accounts to close the book of the firm.

ASSIGNMENT VI

Chapter: Accounting for Share Capital

- Q1. Unique Pictures Limited was registered with an authorised capital of Rs. 5,00,000 divided into 20,000, 5% preference shares of Rs. 10 each and 30,000 equity shares of Rs. 10 each. The company issued 10,000 preference and 15,000 equity shares for public subscription. Calls on shares were made as under

	<i>Equity Shares</i>	<i>Preference Shares (Rs.)</i>
		(Rs.)
Application	2	2
Allotment	3	3
First Call	2.50	2.50
Second and Final Call	2.50	2.50

All these shares were fully subscribed. All the dues were received except the second and final call on 100 equity shares and on 200 preference shares. Record these transactions in the journal. You are also required to prepare the cash book and balancesheet.

- Q2. Janta Papers Limited invited applications for 1,00,000 equity shares of Rs. 25 each payable as under:

On Application	Rs. 5.00 per share
On Allotment	Rs. 7.50 per share
On First Call (due two months after allotment)	Rs. 7.50 per share
On Second and Final Call (due two months after First Call)	Rs. 5.00 per share

Applications were received for 4,00,000 shares on January 01, 2017 and allotment was made on February 01, 2017.

Record journal entries in the books of the company to record these share capital transactions under each of the following circumstances:

- The directors decide to allot 1,00,000 shares in full to selected applicants and the applications for the remaining 3,00,000 shares were rejected outright.
- The directors decide to make a pro-rata allotment of 25 per cent of the shares applied for to every applicant; to apply the balance of application money towards amount due on allotment; and to refund the amount remaining thereafter.
- The directors totally reject applications for 2,00,000 shares, accept full applications for 80,000 shares and make a pro-rata allotment of the 20,000 shares to remaining applicants and

the excess application money is to be adjusted towards allotment and calls to be made.

- Q3. X Ltd. issued for public subscription 40,000 equity shares of Rs. 10 each at premium of Rs. 2 per share payable as under :

On application	Rs. 4 pershare
On Allotment	Rs. 5 per share (including premium)
On Call	Rs. 3 pershare

Applications were received for 60,000 shares. Allotment was made pro-rata to the applicants for 48,000 shares, the remaining applications being rejected. Money overpaid on application was applied towards sums due on allotment.

Shri Chitnis, to whom 1,600 shares were allotted, failed to pay the allotment money and Shri Jagdale, to whom 2,000 shares were allotted, failed to pay the call money. These shares were subsequently forfeited.

Record journal entries in the books of the company to record the above transactions.

- Q4. On January 1, 2015, the Director of X Ltd. issued for public subscription 50,000 equity shares of Rs. 10 each at Rs. 12 per share payable as to Rs. 5 on application (including premium), Rs. 4 on allotment and the balance on call on May 01, 2015.

The lists were closed on February 10, 2015 by which date applications for 70,000 shares were received. Of the cash received Rs. 40,000 was returned and Rs.60,000 was applied to the amount due on allotment, the balance of which was paid on February 16, 2015.

All the shareholders paid the call due on May 01, 2015 with the exception of an allottee of 500 shares. These shares were forfeited on September 29, 2015 and reissued as fully paid at Rs. 8 per share on November 01, 2015.

The company, as a matter of policy, does not maintain a calls-in-arrears account.

Give journal entries to record these share capital transactions in the books of X. Ltd.

- Q5. O Limited issued a prospectus offering 2,00,000 equity shares of Rs. 10 each, at a premium of Rs. 2 per share, payable as follows:

On Application	Rs. 2.50 pershare
On Allotment	Rs. 4.50 pershare (including premium)
On First Call (three months from allotment)	Rs. 2.50 per share On
Second Call (three months after first call)	Rs. 2.50 pershare

Subscriptions were received for 3,17,000 shares on April 23, 2017 and the allotment

made on April 30, was as under:

(i) Allotment in full (two applicants paid in full on allotment in respect of 4,000 shares each)	38,000
(ii) Allotment of two shares for every three shares applied for	1,60,000
(iii) Allotment of one share for every four shares applied for	2,000

Cash amounting to Rs. 77,500 (being application money received with applications on 31,000 shares upon which no allotments were made) was returned to applicants on May 6, 2017.

The amounts called from the allottees were received on the due dates with the exception of the final call on 100 shares. These shares were forfeited on November 15, 2017 and reissued to Aman on November 16 for payment of Rs. 9 per share.

Record journal entries other than those relating to cash, in the books of O Limited, and also show how the transaction would appear in the balance sheet assuming that the company paid interest due from it on October 31, 2017.

- Q6. Garima Limited issued a prospectus inviting applications for 3,000 shares of Rs. 100 each at a premium of Rs.20 payable as follows:

On Application	Rs.20 per share
On Allotment	Rs.50 per share (Including premium)
On First call	Rs.20 per share
On Second call	Rs.30 per share

Applications were received for 4,000 shares and allotments made on pro-rata basis to the applicants of 3,600 shares, the remaining applications being rejected, money received on application was adjusted on account of sums due on allotment.

Renuka to whom 360 shares were allotted, failed to pay allotment money and calls money, and her shares were forfeited.

Kanika, the applicant of 200 shares failed to pay the two calls, her shares were also forfeited. All these shares were sold to Naman as fully paid for Rs.80 per share. Show the journal entries in the books of the company.

ASSIGNMENT VI
Chapter: Issue and Redemption of Debentures

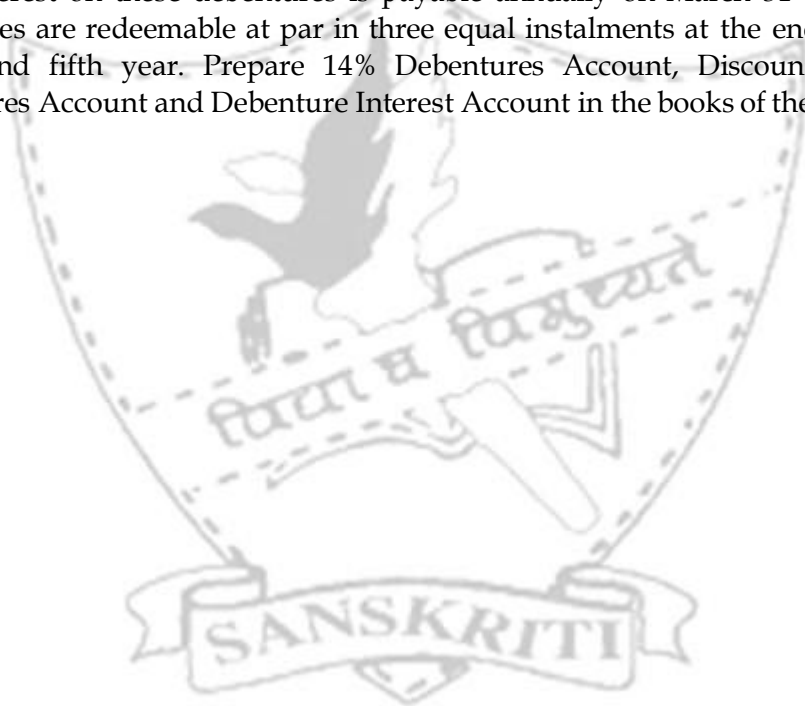
- Q1. TV Components Ltd., issued 10,000, 12% debentures of Rs 100 each at a discount of 5% payable as follows:
- | | |
|----------------|-------|
| On application | Rs 40 |
| On allotment | Rs 55 |
- Show the journal entries including those for cash, assuming that all the instalments were duly collected. Also show the relevant portion of the balance sheet.
- Q2. XYZ Industries Ltd., issued 2,000, 10% debentures of Rs 100 each, at a premium of Rs 10 per debenture payable as follows:
- | | |
|----------------|-------|
| On application | Rs 50 |
| On allotment | Rs 60 |
- The debentures were fully subscribed and all money was duly received. Record the journal entries in the books of a company. Show how the amounts will appear in the balance sheet
- Q3. A Limited issued 5,000, 10% debentures of Rs 100 each, at a premium of Rs 10 per debenture payable as follows:
- | | |
|-------------------------|---------------------------|
| On application | Rs 25 |
| On allotment | Rs 45 (including premium) |
| On first and final call | Rs 40 |
- The debentures were fully subscribed and all money was duly received. Record the necessary entries in the books of the company. Show how the amounts will appear in the balance sheet.
- Q4. Blue Prints Ltd., purchased building worth Rs.1,50,000, machinery worth Rs.1,40,000 and furniture worth Rs.10,000 from XYZ Co., and took over its liabilities of Rs. 20,000 for a purchase consideration of Rs. 3,15,000. Blue Prints Ltd., paid the purchase consideration by issuing 12% debentures of Rs.100 each at a premium of 5%. Record necessary journal entries.
- Q5. A Limited took over the assets of Rs. 3,00,000 and liabilities of Rs.10,000 from B & Co. Ltd., for an agreed purchase consideration of Rs. 2,70,000 to be satisfied by issue of 15%

debentures of Rs. 100 at 20% premium. Show the journal entries in the journal of A Limited.

- Q6. A company took a loan of Rs. 10,00,000 from Punjab National Bank and issued 10% debentures of Rs. 12,00,000 of Rs. 100 each as a collateral security. Explain how you will deal with the issue of debentures in the books of the company.
- Q7. You are required to pass the journal entries relating to the issue of the debentures in the books of X Ltd., and show how they would appear in its balance sheet under the following cases:
- 120, 8% debentures of Rs 1,000 each are issued at 5% discount and repayable at par.
 - 150, 7% debentures of Rs 1,000 each are issued at 5% discount and repayable at premium of 10%.
 - 80, 9% debentures of Rs 1,000 each are issued at 5% premium.
 - Another 400, 8% debentures of Rs 100 each are issued as collateral security against a loan of Rs 40,000.
- Q8. A Ltd., issued 2,000, 10% debentures of Rs 100 each on April 01, 2016 at a discount of 10% redeemable at a premium of 10%.
Give journal entries relating to the issue of debentures and debenture interest for the period ending March 31, 2017 assuming that interest was paid half yearly on September 30 and March 31 and tax deducted at source is 10%.
- Q9. A Ltd. Company has issued Rs 1,00,000, 9% debentures at a discount of 6%. These debentures are to be redeemed equally, spread over 5 annual installments. Show Discount on issue of debentures account for five years.
- Q10. Give the necessary journal entries at the time of redemption of debentures in each of the following cases.
1. X Ltd. issued 5,000, 9% debentures of Rs 100 each at par and redeemable at par at the end of 5 years out of capital.
 2. X Ltd. issued 1,000, 12% debentures of Rs 100 each at par. These debentures are redeemable at 10% premium at the end of 4 years
 3. X Ltd. issued 12% debentures of the total face value of Rs 1,00,000 at premium of 5% to be redeemed at par at the end of 4 years
 4. X Ltd. issued Rs 1,00,000, 12% debentures at a discount of 5% but redeemable at a premium

of 5% at the end of 5 years

- Q11. XYZ Ltd. issued 200, 15% debentures of Rs 100 each on April 01, 2013 at discount of 10% redeemable at premium of 10% out of profits. Give journal entries at the time of issue and redemption of debentures if debentures are to be redeemed in lump sum at the end of 4th year. The directors decided to transfer the minimum amount to Debenture Redemption Reserve on March 31, 2016.
- Q12. ABC Ltd. issued 3,000, 14% Debentures of Rs 100 each at a discount of 5% on April 1, 2012. Interest on these debentures is payable annually on March 31 each year. The debentures are redeemable at par in three equal instalments at the end of the third, fourth and fifth year. Prepare 14% Debentures Account, Discount on Issue of Debentures Account and Debenture Interest Account in the books of the company.



ASSIGNMENT VII

Chapter: Financial Statements of a Company

Q1. Dinkar Ltd. has an authorised capital of Rs. 50,00,000 divided into equity shares of Rs. 100 each. The company invited applications for 40,000 shares, applications for 36,000 shares were received. All calls were made and duly received except for 500 shares on which the final call of Rs. 20 was not received. The company forfeited 200 shares on which final call was not received. Show how share capital will appear in the balance sheet of the company. Also prepare 'Notes to Accounts' for the same.

Q2. Show the following items in the balance sheet of Amba Ltd. as on March 31, 2017:

	Rs.
8% Debentures	10,00,000
Equity share capital	50,00,000
Securities premium	20,000
Preliminary expenses	40,000
Statement of Profit & Loss (cr.)	1,50,000
Discount on issue of 8% debentures (Amount to be written in next 4 years approx.)	40,000
Loose tools	20,000
Bank balance	60,000
Cash in hand	38,000

Q3. Show the following items in the balance sheet of Sunfill Ltd. as at March 31, 2017:

Particulars	Amount (Rs.)
General Reserve (since 31 March 2012)	5,00,000
Statement of profit & loss (debit balance) for 2016-17	(3,00,000)

Q4. Show the following items in the balance sheet of Avalon Ltd., as at March 31, 2017:

	Rs. in Lakh
General Reserve (since 31 March 2016)	5
Statement of Profit & Loss (Debit Balance) for 2016-17	(8)

Q5. Arushi Ltd. issued 5,000, 10% debentures of Rs. 100 each at par but redeemable at a premium of 5% after 5 years. Give journal entries and also prepare the balance sheet of the company.

Q6. From the given particulars of Shine and Bright Co. Ltd., as at March 31, 2017, prepare balance sheet in accordance to the Schedule III:

Particulars	Amount Rs.	Particulars	Amount Rs.
Preliminary expenses	2,40,000	Goodwill	30,000
Discount on Issue of shares	20,000	Loose Tools	12,000
10% Debentures	2,00,000	Motor vehicles	4,75,000
Stock in trade	1,40,000	Provision for tax	16,000
Cash at bank	1,35,000		
Bills receivables	1,20,000		

- Q7. From the following particulars, prepare Statement of profit and loss for the year ending March 2017:

Balances	Rs.	Rs.
Plant and Machinery	1,60,000	
Land	6,74,000	
Depreciation on Plant and Machinery	16,000	
Purchases (Adjusted)	4,00,000	
Closing stock	1,50,000	
Wages	1,20,000	
Sales (Net)		10,00,000
Salaries	80,000	
Bank overdraft		2,00,000
10% debentures (issued on 1st April, 2016)		1,00,000
Equity share capital – shares of Rs. 100 each (fully paid)		2,00,000
Preference share capital – 1,000; 6% shares of Rs. 100 each (fully paid)		1,00,000

- Q8. Brinda Ltd., has furnished the following information:

- 25,000, 10% debentures of Rs.100 each;
- Bank Loan of Rs.10,00,000 repayable after 5 years;
- Interest on debentures is yet to be paid.

Show the above items in the balance sheet of the company as at March 31, 2017.

ASSIGNMENT VIII

Chapter: Analysis of Financial Statements

- Q1. From the following statement of profit and loss of Madhu Co. Ltd., prepare comparative statement of profit and loss for the year ended March 31, 2016 and 2017:

Particulars	Note No.	2015-16 Rs.	2016-17 Rs.
Revenue from operations		16,00,000	20,00,000
Employee benefit expenses		8,00,000	10,00,000
Other expenses		2,00,000	1,00,000
Tax rate 40 %			

- Q2. From the following Balance Sheets of Amrit Limited as at March 31, 2016 and 2017, prepare a comparative balance sheet:

Particulars	Note No.	March 31, 2017 (Rs.)	March 31, 2016 (Rs.)
I. Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital		20,00,000	15,00,000
b) Reserve and surplus		13,00,000	14,00,000
2. Non-current Liabilities			
Long-term borrowings		19,00,000	16,00,000
3. Current liabilities			
Trade payables		3,00,000	2,00,000
Total		55,00,000	47,00,000
II. Assets			
1. Non-current assets			
a) Fixed assets			
- Tangible assets		20,00,000	15,00,000
- Intangible assets		19,00,000	16,00,000
2. Current assets			
- Inventories		13,00,000	14,00,000
- Cash and Cash Equivalents		3,00,000	2,00,000
Total		55,00,000	47,00,000

- Q3. From the following information, prepare a Common size Income Statement for the year ended March 31, 2016 and March 31, 2017:

Particulars	2016-17 Rs.	2015-16 Rs.
Net sales	18,00,000	25,00,000
Cost of good sold	10,00,000	12,00,000
Operating expenses	80,000	1,20,000
Non-operating expenses	12,000	15,000
Depreciation	20,000	40,000
Wages	10,000	20,000

Q4.

Prepare common size Balance Sheet of XRI Ltd. from the following information:

Particulars	Note No.	March 31, 2016	March 31, 2017
I. Equity and Liabilities			
1. Shareholders' Fund			
a) Share capital		15,00,000	12,00,000
b) Reserves and surplus		5,00,000	5,00,000
2. Non-current liabilities			
Long-term borrowings		6,00,000	5,00,000
3. Current liabilities			
Trade Payable		15,50,000	10,50,000
Total		41,50,000	32,50,000
II. Assets			
1. Non-current assets			
a) Fixed assets			
- Tangible asset			
Plant & machinery		14,00,000	8,00,000
- Intangible assets			
Goodwill		16,00,000	12,00,000
b) Non-current investments		10,00,000	10,00,000
2. Current assets			
Inventories		1,50,000	2,50,000
Total		41,50,000	32,50,000

ASSIGNMENT IX

Chapter: Accounting Ratios

- Q1. Calculate 'Liquidity Ratio' from the following information:
- | | | |
|---------------------|---|------------|
| Current liabilities | = | Rs. 50,000 |
| Current assets | = | Rs. 80,000 |
| Inventories | = | Rs. 20,000 |
| Advance tax | = | Rs. 5,000 |
| Prepaid expenses | = | Rs. 5,000 |
- Q2. Calculate the current ratio from the following information:
- | | | |
|----------------------------|---|--------------|
| Total assets | = | Rs. 3,00,000 |
| Non-current liabilities | = | Rs. 80,000 |
| Shareholders' Funds | = | Rs. 2,00,000 |
| <i>Non-Current Assets:</i> | | |
| Fixed assets | = | Rs. 1,60,000 |
| Non-current Investments | = | Rs. 1,00,000 |
- Q3. The current ratio is 2 : 1. State giving reasons which of the following transactions would improve, reduce and not change the current ratio:
- Payment of current liability;
 - Purchased goods on credit;
 - Sale of a Computer (Book value: Rs. 4,000) for Rs. 3,000 only;
 - Sale of merchandise (goods) costing Rs. 10,000 for Rs. 11,000;
 - Payment of dividend.
- Q4. From the following balance sheet of ABC Co. Ltd. as on March 31, 2015. Calculate debt equity ratio:

ABC Co. Ltd. Balance Sheet as at 31 March, 2017

Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholders' funds		
a) Share capital		12,00,000
b) Reserves and surplus		2,00,000
c) Money received against share warrants		1,00,000
2. Non-current Liabilities		
a) Long-term borrowings		4,00,000
b) Other long-term liabilities		40,000
c) Long-term provisions		60,000
3. Current Liabilities		
a) Short-term borrowings		2,00,000
b) Trade payables		1,00,000
c) Other current liabilities		50,000
d) Short-term provisions		1,50,000

II. Assets 1. Non-Current Assets a) Fixed assets b) Non-current investments c) Long-term loans and advances 2. Current Assets a) Current investments b) Inventories c) Trade receivables d) Cash and cash equivalents e) Short-term loans and advances		
		25,00,000
		15,00,000
		2,00,000
		1,00,000
		1,50,000
		1,50,000
		1,00,000
		2,50,000
		50,000
		25,00,000

Q5.

From the following balance sheet of a company, calculate Debt-Equity Ratio:

Balance Sheet

Particulars	Note No.	Rs.
I. Equity and Liabilities		
1. Shareholders' funds		
a) Share capital		10,00,000
b) Reserves and surplus	1	1,00,000
2. Non-Current Liabilities		
Long-term borrowings		1,50,000
3. Current Liabilities		1,50,000
II. Assets		
1. Non-Current Assets		
a) Fixed assets		
- Tangible assets		
2. Current Assets		
a) Inventories		
b) Trade receivables		

c) Cash and cash equivalents		
		14,00,000
	2	11,00,000
		1,00,000
		90,000
		1,10,000
		14,00,000

Notes to Accounts

	Rs.
1. Share Capital	
Equity Share Capital	8,00,000
Preference Share Capital	2,00,000
	10,00,000

Q6.

From the following information, calculate Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio, and Debt to Capital Employed Ratio:

Balance Sheet as at March 31, 2017

Particulars	Note No.	Rs.
I. Equity and Liabilities:		
1. Shareholders' funds		
a) Share capital		4,00,000
b) Reserves and surplus		1,00,000
2. Non-current Liabilities		
Long-term borrowings		1,50,000
3. Current Liabilities		50,000
II. Assets		
1. Non-current Assets		
a) Fixed assets		
b) Non-current investments		
2. Current Assets		
		7,00,000
		4,00,000
		1,00,000
		2,00,000
		7,00,000

- Q7. The debt equity ratio of X Ltd. is 0.5 : 1. Which of the following would increase/decrease or not change the debt equity ratio?
- Further issue of equity shares
 - Cash received from debtors
 - Sale of goods on cash basis
 - Redemption of debentures
 - Purchase of goods on credit.
- Q8. From the following details, calculate interest coverage ratio:
Net Profit after tax Rs. 60,000; 15% Long-term debt 10,00,000; and Tax rate 40%.
- Q9. From the following information, calculate inventory turnover ratio :
- | | |
|----------------------------|--------|
| Inventory in the beginning | 18,000 |
| Inventory at the end | 22,000 |
| Net purchases | 46,000 |
| Wages | 14,000 |
| Revenue from operations | 80,000 |
| Carriage inwards | 4,000 |
- Q10. A trader carries an average inventory of Rs. 40,000. His inventory turnover ratio is 8 times. If he sells goods at a profit of 20% on Revenue from operations, find out the gross profit
- Q11. Calculate the Trade receivables turnover ratio from the following information:
- | | |
|-----------------------------------|--------------------------------------|
| | Rs. |
| Total Revenue from operations | 4,00,000 |
| Cash Revenue from operations | 20% of Total Revenue from operations |
| Trade receivables as at 1.4.2016 | 40,000 |
| Trade receivables as at 31.3.2017 | 1,20,000 |
- Q12. From the following information, calculate –
- Trade receivables turnover ratio
 - Average collection period
 - Trade payable turnover ratio
 - Average payment period

	(Rs.)
Revenue from Operations	8,75,000
Creditors	90,000
Bills receivable	48,000
Bills payable	52,000
Purchases	4,20,000
Trade debtors	59,000

	Rs.
Revenue from Operations: Cash	25,000
: Credit	75,000
Purchases : Cash	15,000
: Credit	60,000
Carriage Inwards	2,000
Salaries	25,000
Decrease in Inventory	10,000
Return Outwards	2,000
Wages	5,000

Calculate Gross profit ratio and Operating ratio.

Q16. The current ratio is 2.5 : 1. Current assets are Rs. 50,000 and current liabilities are Rs. 20,000. How much must be the decline in the current assets to bring the ratio to 2 : 1

Particulars	Rs.
Inventory	1,00,000
Total Current Assets	1,60,000
Shareholders' funds	4,00,000

13% Debentures	3,00,000
Current liabilities	1,00,000
Net Profit Before Tax	3,51,000
Cost of revenue from operations	5,00,000

Calculate:

- i) Current Ratio
- ii) Liquid Ratio
- iii) Debt Equity Ratio
- iv) Interest Coverage Ratio
- v) Inventory Turnover Ratio

ASSIGNMENT X

Chapter: Cash Flow Statement

- Q1. From the following information, calculate cash flow from operating activities using indirect method.

Statement of Profit and Loss for the year ended on March 31, 2017

Particulars	Note	Figures for Current reporting period
i) Revenue from operations		2,20,000
ii) Other Income		
iii) Total revenue (i+ii)		2,20,000
iv) Expenses		
Cost of materials consumed		1,20,000
Employees benefits expenses		30,000
Depreciation		20,000
Other expenses		
Insurance Premium		8,000
Total expenses		1,78,000

v) Profit before tax (iii-iv)		42,000
Less Income tax		(10,000)
vi) Profit after tax		32,000

Q2. Calculate cash flows from operating activities from the following information.

Statement of Profit and Loss for the year ended March 31, 2017

Particulars	Note No.	Amount Rs
i) Revenue from Operations		50,000
ii) Other Income	1	5,000
iii) Total Revenue (i+ii)		55,000
iv) Expenses		
Cost of Materials Consumed		15,000
Employees Benefits Expenses		10,000
Depreciation and Amortisation Expenses	2	7,000
Other Expenses	3	
		53,000
v) Profit before Tax (iii-iv)		2,000

Working Notes:

1. Other Income = Profit on Sale of Machinery (Rs 2,000) + Income Tax Refund (Rs 3,000)
= Rs 5,000
2. Depreciation and Amortisation = Depreciation (Rs 5,000) + Goodwill Expenses Amortised (Rs 2,000)
= Rs 7,000
3. Other Expenses = Rent (Rs 10,000) + Loss on Sale of Equipment (Rs 3,000) + Provision for Taxation (Rs 8,000)
= Rs 21,000

Additional Information:

	April 01, 2016 Rs	March 31, 2017 Rs
Provision for Taxation	10,000	13,000
Rent Payable	2,000	2,500
Trade Payables	21,000	25,000
Trade Receivables	15,000	21,000
Inventories	25,000	22,000

Q3. Charles Ltd., made a profit of Rs 1,00,000 after charging depreciation of Rs 20,000 on assets and a transfer to general reserve of Rs 30,000. The goodwill amortised was Rs

7,000 and gain on sale of machinery was Rs 3,000. Other information available to you (changes in the value of current assets and current liabilities) are trade receivables showed an increase of Rs 3,000; trade payables an increase of Rs 6,000; prepaid expenses an increase of Rs 200; and outstanding expenses a decrease of Rs 2,000. Ascertain cash flow from operating activities.

- Q4. Welprint Ltd. has given you the following information:

	(Rs)
Machinery as on April 01, 2016	50,000
Machinery as on March 31, 2017	60,000
Accumulated Depreciation on April 01, 2016	25,000
Accumulated Depreciation on March 31, 2017	15,000
During the year, a Machine costing Rs 25,000 with Accumulated Depreciation of Rs 15,000 was sold for Rs 13,000.	

Calculate cash flow from Investing Activities on the basis of the above information.

- Q5. From the following information, calculate cash flows from financing activities:

	April 1, 2016 (Rs)	March 31, 2017 (Rs)
--	--------------------------	---------------------------

Long-term Loans 2,00,000 2,50,000

During the year, the company repaid a loan of Rs 1,00,000.

- Q6. From the following Balance Sheets of Xerox Ltd., prepare cash flow statement.

Particulars	Note No.	31st March 2017 (Rs)	31st March 2016 (Rs)
I. Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital		15,00,000	10,00,000
b) Reserve and surplus (Balance in Statement of Profit and Loss)		7,50,000	6,00,000
2. Non-current Liabilities			
Long-term borrowings	1	1,00,000	2,00,000
3. Current Liabilities			
a) Trade payables		1,00,000	1,10,000
b) Short-term provisions (Provision for taxation)		95,000	80,000
Total		25,45,000	19,90,000
II. Assets			
1. Non-current assets			
a) Fixed assets	2	10,10,000	12,00,000

(i) Tangible assets		1,80,000	2,00,000
(ii) Intangible assets (Goodwill)		6,00,000	-
b) Non-current investment			
2. Current assets		1,80,000	1,00,000
a) Inventories		2,00,000	1,50,000
b) Trade Receivables	3	3,75,000	3,40,000
c) Cash and cash equivalents		25,45,000	19,90,000
Total			

Notes to Accounts:

Particulars	31st March 2017 (Rs)	31st March 2016 (Rs)
1. Long-term borrowings:		
i) Debentures		2,00,000
ii) Bank loan	1,00,000	
	1,00,000	2,00,000
2. Tangible Assets		
i) Land and building	6,50,000	8,00,000
ii) Plant and machinery	3,60,000	4,00,000
	10,10,000	12,00,000
3. Cash and cash equivalents		
i) Cash in hand	70,000	50,000
ii) Bank balance		
	3,75,000	3,40,000

Additional information:

- Dividend proposed and paid during the year Rs 1,50,000.
- Income tax paid during the year includes Rs 15,000 on account of dividend tax.
- Land and building book value Rs 1,50,000 was sold at a profit of 10%.
- The rate of depreciation on plant and machinery is 10%.

Q7.

From the following information of Oswal Mills Ltd., prepare cash flow statement:

Balance Sheet of Oswal Mills
as on 31st March, 2016 and 2017

(Rupees in Lakhs)

Particulars	Note No.	31st March 2017 (Rs)	31st March 2016 (Rs)
I. Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital	1	1,300	1,400
b) Reserve and surplus (Surplus)		4,700	4,000
2. Current Liabilities			
a) Short-term borrowings		200	600
b) Trade payables		500	400
		6,700	6,400
Total			
II. Assets			
1. Non-current assets			

a) Fixed assets	2	2,400	2,400
b) Non-current investments		300	200
2. Current assets			
a) Inventories		1,200	1,300
b) Trade receivables		800	900
c) Cash and cash equivalents		1,200	800
d) Short-term loans and advances		800	800
Total		6,700	6,400

Notes to Accounts:

(Rs in Lakhs)

Particulars	31st March 2017 (Rs)	31st March 2016 (Rs)
1. Share capital		
Equity share capital	1,000	1,000
10% preference share capital	300	400
	1,300	1,400
2. Fixed assets		
Tangible assets	3,600	3,400
Less: Accumulated depreciation	(1,200)	(1,000)
	2,400	2,400

**Statement of Profit and Loss
for the year ended 31st March, 2017**

(Rupees in Lakhs)

Particulars	Note No.	31st March 2017 (Rs)	-
I. Revenue from operation		2,800	-
II. Other income (dividend income)		1,000	-
III. Total Revenue		3,800	-
IV. Expenses			-
Cost of material consumed		400	-
Employees benefit expenses		200	-
Finance cost (interest paid)		200	-
Depreciation		200	-
Loss due to earthquake		1,100	-
		2,100	
V. Profit before tax		1,700	-
VI. Tax paid		1,000	-
Profit after tax		700	-

Additional information:

- No dividend paid by the company during the current financial year.
- Out of fixed assets, land worth Rs 1,000 Lakhs having no accumulated depreciation was sold at no profit or no loss