SAMPLE Question Paper 4

(Questions-Answers)

ACCOUNTANCY

A Highly Simulated Practice Question Paper for CBSE Class XII Examination

me : 3 hrs M.M. : 80

eneral Instructions*

1. This question paper contains two parts A and B.
2. Part A is compulsory for all.
3. Part B has two options–Analysis of Financial Statements and Computerised Accounting*.
   Attempt only one option of Part B.
4. All parts of a question should be attempted at one place.

*Computerised Accounting has not been covered.

SECTION A

(Accounting for Not-for-Profit Organisations, Partnership Firms and Companies)

Objective Type Questions (1 Mark)

Iultiple choice questions (Q. no. 1 to 10)

ere are four options for each question, out of these, only one is correct. You have to identify the correct option.

1. A partner drew ₹ 8,000 at the end of every month. Interest on drawings is 15% per annum. Calculate interest on drawings for the year ending 31st March, 2019.

(a) ₹ 7,800 (b) ₹ 1,200 (c) ₹ 6,600 (d) ₹ 7,200

2. Which of the following will be recorded in credit side of receipts and payments account?

(a) ₹ 300 received from entrance fees (b) Cash purchases of books ₹ 700
(c) Donation received ₹ 800 (d) Outstanding ₹ 300 for repair

3. Pinky and Chinky are partners in a firm. They share their profits in 2 : 3 ratio. The accountant of the firm, finalised the profit and loss and capital account and presented the accounts to them. Pinky disagreed with accounts because Pinky's capital account showed negative balance. Pinky is in doubt, this cannot be happen. Give your opinion.

(a) Pinky is wrong (b) Pinky is correct
(c) Accountant is defaulter (d) None of these

ou are advised to attempt this sample paper without referring the answers given here. However, cross check your answers h the answers given at the end after you complete the paper.

4. How many days notice period is given to a defaulter in forfeiture?

(a) 7 days (b) 14 days (c) 21 days (d) 28 days

5. Nikki and Tikki were partners sharing profits and losses in the ratio of 3 : 2. On 31st December, 2019, the extract of their Balance Sheet is as follows

Liabilities	Amt (₹)	Assets	Amt (₹)
		Land and Building	1,00,000

At the time of admission of new partner Chikki, if the value of land and building is to be appreciated by 10%, then what will be the amount of land and building which is to be shown in new balance sheet?

(a) ₹ 90,000 (b) ₹ 1,00,000 (c) ₹ 10,000 (d) ₹ 1,10,000

6. What will be the journal entry for issue of 2,000, 12% debentures of ₹ 100 each at a premium of 10%.

(a) Bank A/c Dr 2,20,000
 To Debentures Application and Allotment A/c 2,20,000

(b) Debentures Application and Allotment A/c Dr 2,20,000
 To Bank A/c 2,20,000

(c) Debentures Application and Allotment A/c Dr 2,20,000
 To 12% Debentures A/c 2,00,000
 To Security Premium Reserve A/c 20,000

(d) Both (a) and (c)

7. Company can utilise premium received on issue of debentures for which purpose?

(a) Writing-off discount allowed on issue (b) For writing-off preliminary expenses
(c) Both (a) and (b) (d) None of these

8. Profit or loss on sale of any fixed asset is treated as .... in concern of NPOs.

(a) Capital Income or Loss (b) Revenue Income or Loss
(c) Not considered while preparing account (d) None of these

9. Pass the journal entry for Royal Dance Club, whose deficit is calculated ₹ 91,000 during 2019-20.

(a) Income and Expenditure A/c Dr 91,000
 To Deficit A/c 91,000

(b) Deficit A/c Dr 91,000
 To Income and Expenditure A/c 91,000

(c) Cash A/c Dr 91,000
 To Income and Expenditure A/c 91,000

(d) None of the above

10. Diggi Ltd invited applications for 8,000 shares of ₹ 10 each at the issue price of ₹ 10. Applications were received for 7,600 shares. What will be the amount received on application?

(a) ₹ 76,000 (b) ₹ 72,000 (c) ₹ 84,000 (d) ₹ 80,000

Fill in the blanks (Q. no. 11 to 12)

Here, each sentence is incomplete due to one missing word. You are required to fill that missing word correctly.

11. Receipts and payments account has a .... nature and shows all cash receipts and cash payments.

12. In an unlimited liability company, the liability of shareholders is ......

13. X and Y are partners sharing the profits and losses in the ratio of 3 : 2 with capitals of ₹ 24,000 and ₹ 12,000. On 1st July, 2019, X and Y granted loans of ₹ 48,000 and ₹ 18,000, respectively to the firm. Show the distribution of profits/losses for the year 2019, if the profits before any interest for the year amounted to ₹ 1,800.

Short Answer Type I Question (3 Marks)

14. On 1st April, 2020, Khushi Ltd issued 50,00,000, 10% debentures of ₹ 100 each at a discount of 10%. These debentures were redeemable at a premium of 5% after four years. Pass necessary journal entries for issue of debentures.

Or Arihant and Company Ltd issued 6,000, 12% debentures of ₹ 100 each to its vendor Suraj and Sons. These debentures are issued @ 15% premium for the consideration of plant purchased. A cheque of ₹ 3,50,000 also issued to that vendor. Pass the necessary journal entries of the above given information.

Short Answer Type II Questions (4 Marks)

15. A, B and C are partners sharing profits in the ratio of 1 : 2 : 3. C retires and her capital, after making adjustments for reserves and profits on revaluation stands at ₹ 2,20,000. A and B agreed to pay her ₹ 2,50,000 in full settlement of her claim.
Record necessary journal entry for the treatment of goodwill, if the new profit sharing ratio is decided at 1 : 3. Also, calculate gaining ratio of A and B and hidden goodwill of the firm.

16. On 1st April, 2019, Greenland Ltd was formed with an authorised capital of ₹ 5,00,000 divided into 50,000 equity shares of ₹ 10 each. The company issued prospectus inviting applications for 45,000 equity shares. The company received applications for 42,500 equity shares.
During the first year, ₹ 8 per share were called. X holding 500 shares and Y holding 1,000 shares did not pay the first call of ₹ 2 per share. Y's shares were forfeited after the first call and later on 750 of the forfeited shares were re-issued at ₹ 6 per share, ₹ 8 called-up.
Show the following
(i) Share capital in the balance sheet of the company as per Schedule III, Part I of the Companies Act, 2013.
(ii) Also prepare notes to accounts for the same.

17. Following is the balance sheet of Hari, Ram and Shyam as at 31st December, 2019.

Balance Sheet
as at 31st December, 2019

Liabilities		Amt (₹)	Assets	Amt (₹)
Sundry Creditors		3,000	Tools	1,000
Reserve Fund		3,200	Furniture	8,000
Capital A/cs			Stock	6,000
Hari	10,000		Debtors	6,000
Ram	5,000		Cash at Bank	5,000
Shyam	5,000	20,000	Cash in Hand	200
		26,200		26,200

Ram retires on 31st March, 2020. Under the partnership agreement, he was entitled to the following amounts
(i) Amount standing to the credit of his capital account.
(ii) Interest on capital, which amounted to ₹ 62.50.
(iii) His share of goodwill ₹ 3,500.
Draw up Ram's account

Or

Nitin, Megha, Priyanka and Ankit are partners. Their capital accounts on 1st April, 2019 were ₹ 60,000, ₹ 1,00,000, ₹ 1,60,000 and ₹ 2,00,000 respectively. After the accounts for the year ended 31st March, 2020 have been prepared, it is discovered that interest @ 5% as provided in the partnership agreement has not been credited to partners' capital accounts before distributing profits. So, it is decided to make adjusting entry at the beginning of the next year. Give the necessary journal entry along with working notes.

18. What journal entries would be passed for the following transactions on the dissolution of a firm of partners Raju and Priya, after various assets and third party liabilities have been transferred to realisation account?

(i) Workmen compensation reserve stood at ₹ 6,000 and liability in respect of it was ascertained at ₹ 6,000.

(ii) There was no workmen compensation reserve and firm had to pay ₹ 1,500 as compensation to the workers.

(iii) Building (Book value ₹ 50,000) sold for ₹ 80,000 through a broker who charged 2% commission.

(iv) Investments (Book value ₹ 4,000) realised 150%.

Long Answer Type I Questions *(6 Marks)*

19. Following is the receipts and payments account of Star Club for the year ending 31st March, 2020.

Receipts and Payments Account

for the year ending 31st March, 2020

Dr | Cr

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	984	By Salaries	4,992
To Subscriptions (including ₹ 160 for 2018-19 and ₹ 240 for 2020-21)	7,280	By Stationery	456
		By Meeting Expenses	720
		By Books	1,600
To Interest on Investments	3,240	By Investments	1,600
To Sale of Machinery (Book value ₹ 400)	480	By Balance c/d	2,616
	11,984		11,984

Additional Information

(i) On 1st April, 2019 the club had investments ₹ 64,000, machinery ₹ 4,800, books ₹ 8,000.

(ii) Salary outstanding 31st March, 2019 ₹ 416 and 31st March, 2020 ₹ 528.

Prepare income and expenditure account for the year ending 31st March, 2020 and a balance sheet as on that date.

20. Kanika, Sakshi and Aroha are partners sharing profits and losses as 25%, 35% and 40%. Kanika decided to retire with the consent of other partners and sold her share to Sakshi. Goodwill was valued at two and a half years' purchase of the average profits of three years. Profits of these three years were ₹ 1,50,000, ₹ 1,70,000 and ₹ 1,60,000. Reserve fund stood in the balance sheet at ₹ 1,30,000 at the time of retirement.

You are required to record necessary journal entries regarding above adjustment on Kanika's retirement. Also prepare her capital account to find out the amount due to her, when her capital balance in the balance sheet was ₹ 1,25,000 before any of the above adjustment.

Long Answer Type II Questions (8 Marks)

21. The Orient Company offered for public subscription 20,000 equity shares of ₹ 10 each at a premium of 10% payable as ₹ 2 on application, ₹ 4 on allotment (including premium), ₹ 3 on first call and ₹ 2 on second and final call.

Applications for 26,000 shares were received. Applications for 4,000 shares were rejected. Pro-rata allotment was made to the remaining applicants. Both the calls were made and all the money was received except the final call on 500 shares which were forfeited. 300 of the forfeited shares were later on re-issued as fully paid up at ₹ 9 per share. Give journal entries.

Or

Arora Ltd issued a prospectus inviting applications for 20,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows

On application ₹ 2, on allotment ₹ 5 (including premium), on first call ₹ 3, on second and final call ₹ 2. Applications were received for 30,000 shares and pro-rata allotment was made on the applications for 24,000 shares. Money overpaid on application was employed on account of sum due on allotment.

Sanchit, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Parth, the holder of 600 shares, failed to pay the two calls and his shares were forfeited after the second call. Of the shares forfeited, 800 shares were sold to Siddharth credited as fully paid for ₹ 9 per share, the whole of Sanchit's shares being included. Show the journal entries.

22. Sohan and Mohan are two partners sharing profits and losses in the ratio of 3 : 2. Their balance sheet as at 31st March, 2020 is as follows

Balance Sheet
as at 31st March, 2020

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital A/cs			Land and Building	3,00,000
Sohan	3,00,000		Furniture	1,60,000
Mohan	2,00,000	5,00,000	Bills Receivable	40,000
General Reserve		2,00,000	Sundry Debtors	55,000
Sundry Creditors		60,000	Cash at Bank	85,000
Bills Payable		40,000	Stock	2,00,000
Workmen Compensation Fund		40,000		
		8,40,000		8,40,000

Rohan is to be admitted as a partner with effect from 1st April, 2020 on the following terms

(i) Rohan will bring in ₹ 2,00,000 as capital and ₹ 1,20,000 as premium for goodwill for 1/5th share of profit.

(ii) Half premium withdrawn by old partners.

(iii) The assets will be revalued as, land and building ₹ 4,50,000; furniture ₹ 1,20,000; stock ₹ 1,50,000.

(iv) The claim of a creditor for ₹ 40,000 is settled at ₹ 35,000.

(v) Bills payable paid-off by raising bank loan.

You are required to show the revaluation account, partners' capital accounts and the balance sheet of the new firm.

Or

V, W and X were carrying out a business as partners and sharing profits in the ratio of 2 : 1 : 1. Their balance sheet as at 31st December, 2019 is as follows

Balance Sheet
as at 31st December, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Bills Payable		10,600	Buildings		70,000
Sundry Creditors		11,000	Plant and Machinery		78,000
Capital A/cs			Stock		16,000
V	75,000		Debtors	22,000	
W	50,000		(–) Provision for Doubtful Debts	(400)	21,600
X	55,000	1,80,000	Bank		7,500
Profit and Loss A/c		1,400	Cash		9,900
		2,03,000			2,03,000

V decided to retire on that date because of health problems. In this regard, following adjustments were agreed upon

(i) The value of buildings to be increased to ₹ 96,000.

(ii) The provision for bad and doubtful debts on debtors to be maintained at 3%.

(iii) Plant and machinery should be valued at 20% less.

(iv) Goodwill of the firm is valued at ₹ 36,000 and V's share is to be adjusted in the remaining partners' accounts.

You are required to prepare revaluation account, partners' capital accounts and balance sheet.

SECTION B

(Financial Statement Analysis)

Objective Type Questions (1 Mark)

Multiple choice questions (Q. no. 23 to 27)

There are four options for each question, out of these, only one is correct. You have to identify the correct option.

23. Calculate the amount of tax paid, from the following information, for the purpose of preparation of cash flow statement.

Balance Sheet (Extract)

Particulars	31st March, 2019 (₹)	31st March, 2020 (₹)
Provision for Income Tax	3,00,000	4,20,000

Additional Information

Provision for Income tax made during the year 2019-20 was ₹ 4,27,000.

(a) ₹ 3,00,000 (b) ₹ 3,50,000 (c) ₹ 4,20,000 (d) ₹ 4,70,000

24. Holyname Ltd made an operating profit of ₹ 2,00,000 after charging depreciation of ₹ 22,000. During that year, trade payables increased by ₹ 27,200 and inventory increased by ₹ 75,000. There was no change in trade receivables. Assuming that no other factors affected it, what would be the cash generated from operations?

(a) ₹ 1,74,200 (b) ₹ 1,47,000 (c) ₹ 2,49,200 (d) ₹ 2,22,000

25. Format and Contents of a company's balance sheet must be in accordance with ...., Part 1 of Companies Act, 2013.

(a) Schedule I (b) Schedule II (c) Schedule III (d) Schedule IV

26. If the value of current assets is twice the current liabilities and working capital is ₹ 80,000, what will be the value of current liabilities?

(a) ₹ 20,000 (b) ₹ 1,60,000 (c) ₹ 60,000 (d) ₹ 80,000

27. According to you, purchase of inventory on credit will cause the quick ratio to

(a) decrease (b) reman unchanged (c) increase (d) vitiate results

28. In balance sheet, short-term provisions is the sub-head under which major-head?

29. .... reserve can be freely used for any purpose.

Short Answer Type I Question *(3 Marks)*

30. Under which head and sub-head will the following items appear in the balance sheet of a company

(i) Computer software under development.
(ii) Unclaimed dividends
(iii) Provision for tax

Or

From the following balance sheet, calculate the given ratios.

(i) Debt-equity ratio
(ii) Proprietary ratio
(iii) Total assets to debt ratio

Balance Sheet
as at 31st March, 2020

Particulars	31st March, 2020 Amt (₹)
I. **EQUITY AND LIABILITIES**	
1. **Shareholders' Funds**	
(a) Equity Share Capital	45,00,000
(b) Reserves and Surplus	9,00,000
2. **Non-current Liabilities**	
Long-term Borrowings	27,00,000
3. **Current Liabilities**	
(a) Short-term Borrowings	6,00,000
(b) Trade Payables	33,00,000
Total	1,20,00,000
II. **ASSETS**	
1. **Non-current Assets**	
(a) Fixed Assets: Tangible Assets	49,50,000
(b) Long-term Investments	4,80,000
2. **Current Assets**	
(a) Inventories	27,30,000
(b) Trade Receivables	37,20,000
(c) Cash and Cash Equivalents	1,20,000
Total	1,20,00,000

Short Answer Type II Question (4 Marks)

31. Following is the comparative balance sheet of Shri Ram Fabrics Ltd who are engaged in the production and supply of green energy in the rural areas of India.

Comparative Balance Sheet
as at 31st March, 2019 and 2020

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2020 (₹)	Absolute Change (Increase or Decrease) (₹)	Percentage Change (Increase or Decrease)
		A	B	C = B − A	$D = \frac{C}{A} \times 100\ \%$
I. EQUITY AND LIABILITIES					
1. Shareholder's Funds					
(a) Share Capital		12,00,000	12,00,000	...	...
(b) Reserve and Surplus		3,00,000	...	(30,000)	(...)
2. Non-current Liabilities					
Long-term Borrowings		5,00,000	...	(...)	(40)
3. Current Liabilities					
(a) Short-term Borrowings		...	20,00,000	12,00,000	...
(b) Trade Payables		...	...	...	...
Total		30,00,000	40,00,000	...	...
II. ASSETS					
1. Non-current Assets		15,00,000	...	5,00,000	...
2. Current Assets					
(a) Inventory		5,00,000	...	...	100
(b) Trade Receivables		...	8,40,000	40,000	...
(c) Cash and Cash Equivalents		...	...	(...)	(...)
Total		...	...	...	...

You are required to fill up the missing figures in the comparative balance sheet.

Or (i) Inventory turnover ratio is 3 times. Sales are ₹ 18,000, opening inventory is ₹ 200 more than the closing inventory. Calculate opening and closing inventory when goods are sold at 20% profit on cost.

(ii) A company had a liquid ratio of 1.5 and current ratio of 2 and inventory turnover ratio 6 times. It has total current assets of ₹ 80,000 in the year 2020. Find out revenue form operations (Net Sales), if goods are sold at 25% profit on cost.

Long Answer Type I Question (6 Marks)

32. The summarised balance sheet of RK Ltd as at 31st March, 2019 and 2020 were as under

Balance Sheet
as at 31st March, 2019 and 2020

Particulars	Note No.	31st March, 2019 Amt (₹)	31st March, 2020 Amt (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		2,25,000	2,25,000
(b) Reserves and Surplus	1	1,78,000	1,89,000
2. Non-current Liabilities			
Mortgage Loan		—	1,35,000

Particulars	Note No.	31st March, 2019 Amt (₹)	31st March, 2020 Amt (₹)
3. **Current Liabilities**			
(a) Trade Payables		84,000	67,000
(b) Short-term Provisions : Provision for Taxation		37,500	5,000
Total		5,24,500	6,21,000
II. **ASSETS**			
1. **Non-current Assets**			
(a) Fixed Assets		2,00,000	1,60,000
(b) Non-current Investments		25,000	30,000
2. **Current Assets**			
(a) Inventories		1,20,000	1,05,000
(b) Trade Receivables		1,05,000	2,27,500
(c) Cash and Cash Equivalents		74,500	98,500
Total		5,24,500	6,21,000

Notes to Accounts

Particulars	2019 Amt (₹)	2020 Amt (₹)
1. **Reserves and Surplus**		
General Reserve	1,50,000	1,55,000
Statement of Profit and Loss	28,000	34,000
	1,78,000	1,89,000
2. **Short-term Provisions**		
Provision for Taxation	37,500	5,000

Additional Information

(i) Investments costing ₹ 4,000 were sold during the year 2019-20 for ₹ 4,250.

(ii) Provision for taxation made during the year was ₹ 4,500.

(iii) During the year, part of the fixed assets costing ₹ 5,000 was sold for ₹ 6,000 and the profit was included in the statement of profit and loss.

(iv) Dividend paid during the year amounted to ₹ 20,000.

You are required to prepare the cash flow statement.

ANSWERS

1. (c) ₹ 6,600

Hint Interest on Drawings = Amount of Withdrawal × No. of Months × $\frac{\text{Rate}}{100}$ × $\frac{\text{Average Months}}{12}$

$$= 8{,}000 \times 12 \times \frac{15}{100} \times \frac{5.5}{12}$$

$$= ₹\ 6{,}600$$

2. (b) Cash purchases of books ₹ 700

3. (a) Pinky is wrong. Because, if debit side of the partners' capital account is more than its credit side, then it shows negative balance.

4. (b) 14 days

5. (d) ₹ 1,10,000

Hint New value of land and buildings = 1,00,000 + 10% of 1,00,000 = ₹ 1,10,000

6. (d) Both (a) and (c)

7. (c) Both (a) and (b)

8. (b) Revenue income or loss

9. (b)

Deficit A/c	Dr	91,000	
To Income and Expenditure A/c			91,000

10. (a) ₹ 76,000

Hint Amount is received for 7,600 shares, i.e. 7,600 × 10 = ₹ 76,000

11. Real

12. unlimited

13.

Profit and Loss Account
for the year ending on 31st December, 2019

Dr | Cr

Particulars		Amt (₹)	Particulars		Amt (₹)
To Interest on Loan			By Profit before any Interest		1,800
X	1,440		By Net Loss (Transferred to capital account)		
Y	540	1,980	X	108	
			Y	72	180
		1,980			1,980

Working Notes

1. Interest on A's loan = ₹48,000 × $\frac{6}{100}$ × $\frac{6}{12}$ (July to December) = ₹1,440

2. Interest on B's loan = ₹18,000 × $\frac{6}{100}$ × $\frac{6}{12}$ (July to December) = ₹540

14.

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2020 Apr 1	Bank A/c	Dr		45,00,000	
	To Debentures Application & Allotment A/c				45,00,000
	(Being application money received)				
Apr 1	Debentures Application & Allotment A/c	Dr		45,00,000	
	Loss on Issue of Debentures A/c	Dr		7,50,000	
	To 10% Debentures A/c				50,00,000
	To Premium on Redemption of Debentures A/c				2,50,000
	(Being application money transferred)				

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2021 Mar 31	Statement of Profit & Loss To Loss on Issue of Debentures A/c (Loss on issue of debentures written-off)	Dr		7,50,000	7,50,000

Or

In the Books of Arihant and Co

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
(i)	Plant A/c To Suraj and Sons (Being plant is purchased from Suraj and Sons for ₹ 10,40,000)	Dr		10,40,000	10,40,000
(ii)	Suraj and Sons To 12% Debentures A/c To Securities Premium Reserve A/c To Bank A/c (Being 6,000, 12% debentures are issued @ 15% premium with ₹ 3,50,000 by bank to the Suraj and Sons for the consideration of plant purchased)	Dr		10,40,000	 6,00,000 90,000 3,50,000

Working Note

12% Debentures account = 6,000 × 100 = ₹6,00,000

Securities premium reserve account = 6,000 × 15 = ₹ 90,000

Payable to Suraj and Sons = 6,00,000 + 90,000 + 3,50,000 = ₹ 10,40,000

15. **JOURNAL**

Date	Particulars		LF	Amt Dr	Amt (Cr)
	A's Capital A/c (30,000 × 1/6)	Dr		5,000	
	B's Capital A/c (30,000 × 5/6)	Dr		25,000	
	To C's Capital A/c (Being C's share of goodwill adjusted to the capital accounts of A and B in their gaining ratio of 1 : 5)				30,000

1. **Calculation of Gaining Ratio**

Gaining ratio = New share – Old share

$$A = \frac{1}{4} - \frac{1}{6} = \frac{3-2}{12} = \frac{1}{12}$$

$$B = \frac{3}{4} - \frac{2}{6} = \frac{9-4}{12} = \frac{5}{12}$$

$$\text{Gaining ratio} = \frac{1}{12} : \frac{5}{12} \quad \text{or} \quad 1:5$$

2. **Calculation of Hidden Goodwill**

	Amt (₹)
Amount agreed to be paid in full settlement	2,50,000
(–) C's capital after all adjustments	(2,20,000)
Hidden goodwill	30,000

16. (i)

Balance Sheet (Extract)
as at 1st April, 2019

Particulars	Note No.	Amt (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	1	3,38,500
(b) Reserves and Surplus	2	3,000

(ii) ***Notes to Accounts***

Particulars		Amt (₹)
1. **Share Capital**		
Authorised Share Capital		
50,000 Equity Shares of ₹ 10 each		5,00,000
Issued Share Capital		
45,000 Equity Shares of ₹ 10 each		4,50,000
Subscribed Capital		
Subscribed but not Fully Paid-up		
42,250 Equity Shares of ₹ 8 each	3,38,000	
(–) Calls-in-arrears (500 × 2)	(1,000)	
	3,37,000	
(+) Forfeited Shares (250 × 6)	1,500	3,38,500
2. **Reserves and Surplus**		
Capital Reserve [4,500 (750 × 6) – 1,500 (750 × 2)]		3,000

17. Dr **Ram's Capital Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Ram's Loan A/c	9,629.17	By Balance b/d	5,000.00
		By Interest on Capital A/c	62.50
		By Reserve Fund A/c	1,066.67
		By Hari's Capital A/c	1,750.00
		By Shyam's Capital A/c	1,750.00
	9,629.17		9,629.17

Working Notes

1. Ram's share of goodwill, i.e. ₹ 3,500 to be distributed between Hari and Shyam in 1 : 1 ratio, i.e.

$\text{Hari} = 3{,}500 \times \frac{1}{2} = ₹\,1{,}750;$ $\quad \text{Shyam} = 3{,}500 \times \frac{1}{2} = ₹\,1{,}750$

2. $\text{Reserve fund} = 3{,}200 \times \frac{1}{3} = ₹\,1{,}066.67$

Or

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2020 Apr 1	Nitin's Capital A/c	Dr		3,500	
	Megha's Capital A/c	Dr		1,500	
	To Priyanka's Capital A/c				1,500
	To Ankit's Capital A/c				3,500
	(Being the adjustment of interest on capital omitted in previous year)				

Working Notes

Statement Showing Adjustment

1.

Particulars	Nitin (₹)	Megha (₹)	Priyanka (₹)	Ankit (₹)	Total (₹)
Amount to be Credited					
Interest on Capital @ 5%	3,000	5,000	8,000	10,000	26,000
Amount to be Debited					
Share of profit (26,000 in 1 : 1 : 1 : 1)	6,500	6,500	6,500	6,500	26,000
	3,500 (Dr)	1,500 (Dr)	1,500 (Cr)	3,500 (Cr)	—

2. **Calculation of Interest on Capital**

Nitin $= 60{,}000 \times \frac{5}{100} =$ ₹ 3,000 ; Megha $= 1{,}00{,}000 \times \frac{5}{100} =$ ₹ 5,000

Priyanka $= 1{,}60{,}000 \times \frac{5}{100} =$ ₹ 8,000 ; Ankit $= 2{,}00{,}000 \times \frac{5}{100} =$ ₹ 10,000

18.

JOURNAL

Date		Particulars		LF	Amt (Dr)	Amt (Cr)
(i)	(a)	Workmen Compensation Reserve A/c	Dr		6,000	
		To Realisation A/c				6,000
		(Being the balance of workmen compensation reserve transferred to realisation account)				
	(b)	Realisation A/c	Dr		6,000	
		To Bank A/c				6,000
		(Being the liability on account of workmen compensation paid)				
(ii)		Realisation A/c	Dr		1,500	
		To Bank A/c				1,500
		(Being the unrecorded liability on account of workmen compensation paid)				
(iii)	(a)	Bank A/c	Dr		80,000	
		To Realisation A/c				80,000
		(Being the building realised)				
	(b)	Realisation A/c	Dr		1,600	
		To Bank A/c				1,600
		(Being the commission paid to broker @ 2% of ₹ 80,000)				
(iv)		Bank A/c ₹ $\left(4{,}000 \times \frac{150}{100}\right)$	Dr		6,000	
		To Realisation A/c				6,000
		(Being the investments realised)				

19.

Income and Expenditure Account
for the year ending 31st March, 2020

Dr | Cr

Expenditure		Amt (₹)	Income		Amt (₹)
To Salaries	4,992		By Subscription	7,280	
(+) Outstanding for Current Year	528		(–) Subscription Outstanding for Previous Year	(160)	
	5,520			7,120	
(–) Outstanding for Previous Year	(416)	5,104	(–) Advance Subscription for Next Year	(240)	6,880
To Stationery		456	By Interest on Investment		3,240
To Meeting Expenses		720	By Profit on Sale of Machinery		80
To Surplus, i.e. Excess of Income over Expenditure		3,920			
		10,200			10,200

Balance Sheet
as at 31st March, 2020

Liabilities		Amt (₹)	Assets		Amt (₹)
Advance Subscription		240	Cash		2,616
Outstanding Salary		528	Books	8,000	
Capital Fund	77,528		(+) Purchase	1,600	9,600
(+) Surplus	3,920	81,448	Investments	64,000	
			(+) Purchase	1,600	65,600
			Machinery	4,800	
			(–) Sold	(400)	4,400
		82,216			82,216

Balance Sheet
as at 31st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Outstanding Salary	416	Cash	984
Capital Fund (Balancing figure)	77,528	Outstanding Subscription	160
		Investments	64,000
		Machinery	4,800
		Books	8,000
	77,944		77,944

20. **JOURNAL**

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Sakshi's Capital A/c Dr		1,00,000	
	To Kanika's Capital A/c			1,00,000
	(Being Kanika's share of goodwill adjusted in Sakshi's capital account)			
	Reserve Fund A/c Dr		1,30,000	
	To Kanika's Capital A/c (1,30,000×25/100)			32,500
	To Sakshi's Capital A/c (1,30,000×35/100)			45,500
	To Aroha's Capital A/c (1,30,000×40/100)			52,000
	(Being transfer of reserve fund to partners' capital accounts in their old ratio i.e. 25:35:40)			

Dr **Kanika's Capital Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Kanika's Loan A/c	2,57,500	By Balance b/d	1,25,000
		By Sakshi's Capital A/c (Share of goodwill)	1,00,000
		By Reserve Fund A/c	32,500
	2,57,500		2,57,500

Working Notes

1. **Calculation of Value of Goodwill and Kanika's Share of Goodwill**

$$\text{Average profit} = \frac{\text{Total profits}}{\text{Number of years}}$$

$$= \frac{1,50,000 + 1,70,000 + 1,60,000}{3} = \frac{4,80,000}{3} = ₹\,1,60,000$$

$$\text{Goodwill} = \text{Average profit} \times \text{Number of years' purchase} = 1,60,000 \times 2.5 = ₹4,00,000$$

$$\text{Thus, Kanika's share of goodwill} = 4,00,000 \times \frac{25}{100} = ₹\,1,00,000$$

21.

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Bank A/c (26,000 × 2) To Equity Share Application A/c (Being share application money received for 26,000 shares @ ₹ 2 per share)	Dr		52,000	52,000
	Equity Share Application A/c To Equity Share Capital A/c (20,000 × 2) To Equity Share Allotment A/c (2,000 × 2) To Bank A/c (4,000 × 2) (Being application money @ ₹ 2 per share on 20,000 shares transferred to share capital account and money of 4,000 shares returned, remaining transferred to share allotment)	Dr		52,000	40,000 4,000 8,000
	Equity Share Allotment A/c To Equity Share Capital A/c (20,000 × 3) To Securities Premium Reserve A/c (20,000 × 1) (Being share allotment money due on 20,000 shares @ ₹ 4 per share including ₹ 1 securities premium reserve)	Dr		80,000	60,000 20,000
	Bank A/c (80,000 – 4,000) To Equity Share Allotment A/c (Being share allotment money received for all the shares after adjustment of money transferred from share application)	Dr		76,000	76,000
	Equity Share First Call A/c To Equity Share Capital A/c (20,000 × 3) (Being share first call money due on 20,000 shares @ ₹ 3 per share)	Dr		60,000	60,000
	Bank A/c (20,000 × 3) To Equity Share First Call A/c (Being share first call received for 20,000 shares @ ₹ 3 per share)	Dr		60,000	60,000
	Equity Share Second and Final Call A/c To Equity Share Capital A/c (20,000 × 2) (Being share second and final call money due on 20,000 shares @ ₹ 2 per share)	Dr		40,000	40,000
	Bank A/c (19,500 × 2) To Equity Share Second and Final Call A/c (Being share second and final call money received for 19,500 shares @ ₹ 2 per share)	Dr		39,000	39,000
	Equity Share Capital A/c (500 × 10) To Equity Share Second and Final Call A/c (500 × 2) To Equity Share Forfeiture A/c (500 × 8) (Being 500 shares @ ₹ 10 per share fully called-up forfeited for non-payment of second and final call @ ₹ 2 per share)	Dr		5,000	1,000 4,000
	Bank A/c (300 × 9) Equity Share Forfeiture A/c (300 × 1) To Equity Share Capital A/c (300 × 10) (Being 300 shares @ ₹ 10 each re-issued for ₹ 9 per share fully paid-up)	Dr Dr		2,700 300	3,000
	Equity Share Forfeiture A/c (WN) To Capital Reserve A/c (Being balance of 300 shares in share forfeiture account transferred to capital reserve account, after adjustment)	Dr		2,100	2,100

Working Note

Calculation of Capital Reserve

	Amt (₹)
Money transferred to share forfeiture account against forfeiture of 300 shares (300×8)	2,400
(−) Money adjusted on re-issue of 300 shares from forfeiture account (300×1)	(300)
Amount transferred to capital reserve account	2,100

Or

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Bank A/c (30,000 × 2)	Dr		60,000	
	To Share Application A/c				60,000
	(Being the application money received on 30,000 shares @ ₹ 2 per share)				
	Share Application A/c (30,000 × 2)	Dr		60,000	
	To Share Capital A/c (20,000 × 2)				40,000
	To Share Allotment A/c (4,000 × 2)				8,000
	To Bank A/c (6,000 × 2)				12,000
	(Being the application money adjusted and surplus refunded)				
	Share Allotment A/c (20,000 × 5)	Dr		1,00,000	
	To Share Capital A/c (20,000 × 3)				60,000
	To Securities Premium Reserve A/c (20,000 × 2)				40,000
	(Being the allotment due @ ₹ 5 on 20,000 shares)				
	Bank A/c (WN 2)	Dr		90,160	
	To Share Allotment A/c				90,160
	(Being the receipt of allotment money less Sanchit shares)				
	Share First Call A/c (20,000 × 3)	Dr		60,000	
	To Share Capital A/c				60,000
	(Being the first call due @ ₹ 3 on 20,000 shares)				
	Bank A/c (19,000 × 3)	Dr		57,000	
	To Share First Call A/c				57,000
	(Being the receipt of first call money on 20,000 shares less shares of Sanchit and Parth)				
	Share Capital A/c (400 × 8)	Dr		3,200	
	Securities Premium Reserve A/c (400 × 2)	Dr		800	
	To Share Allotment A/c (WN 1)				1,840
	To Share First Call A/c				1,200
	To Forfeited Shares A/c				960
	(Being the forfeiture of 400 shares held by Sanchit for non-payment of allotment money and the first call)				
	Share Final Call A/c	Dr		39,200	
	To Share Capital A/c (19,600 × 2)				39,200
	[Being the amount due on final call @ ₹ 2 per share on 19,600 (20,000 − 400) shares]				
	Bank A/c (19,000 × 2)	Dr		38,000	
	To Share Final Call A/c				38,000
	(Being the receipt of final call money on 19,600 shares less Parth's shares)				
	Share Capital A/c (600 × 10)	Dr		6,000	
	To Share First Call A/c (600 × 3)				1,800
	To Share Final Call A/c (600 × 2)				1,200
	To Forfeited Shares A/c				3,000
	(Being the forfeiture of Parth's 600 shares, for non-payment of both calls)				

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Bank A/c (800 × 9)	Dr		7,200	
	Forfeited Shares A/c (800 × 1)	Dr		800	
	To Share Capital A/c				8,000
	(Being the re-issue of 800 shares, discount allowed being ₹ 800)				
	Forfeited Shares A/c	Dr		2,160	
	To Capital Reserve A/c (WN 4)				2,160
	(Being the profit on re-issue of 800 shares transferred to capital reserve)				

Working Notes

1. **Calculation of Amount not Paid by Sanchit on Allotment**

	Amt (₹)
Number of shares applied by Sanchit	
20,000 shares allotted to applications for 24,000	
400 shares allotted to applications for 24,000/20,000 × 400 = 480 shares	
Sanchit paid only application money @ 2 on 480 shares (480 × 2)	960
(−) Application money due on shares allotted (400 × 2)	(800)
Excess application money adjusted on allotment	160
Allotment money due on 400 shares @ 5 (400 × 5)	2,000
(−) Excess money transferred from share application account	(160)
Amount not paid by Sanchit on allotment/calls-in-arrears	1,840

2. Allotment money received = 1,00,000 − 8,000 − 1,840 = ₹ 90,160
3. Since, the question is silent as to utilisation of ₹ 160 (excess received on application from Sanchit) between share capital and securities premium reserve, it has been assumed that the entire excess of ₹ 160 is exclusively for share and hence, credited to forfeited share account.
4. The amount of 2,160 transferred from forfeited shares account to capital reserve has been calculated as under

Amount relating to shares of Sanchit (480 × 2)	960	
(−) Discount allowed on re-issue	(400)	560
Amount relating to shares of Parth (400 × 5)	2,000	
(−) Discount allowed on re-issue of 400 shares	(400)	1,600
		₹ 2,160

Note Since, 200 shares of Parth have not yet been re-issued, the forfeited amount in respect of these shares remain in the forfeited shares account.

22. Dr **Revaluation Account** Cr

Particulars		Amt (₹)	Particulars	Amt (₹)
To Furniture A/c		40,000	By Building A/c	1,50,000
To Stock A/c		50,000	By Creditors A/c	5,000
To Revaluation (Profit) Transferred to				
Sohan's Capital A/c	39,000			
Mohan's Capital A/c	26,000	65,000		
		1,55,000		1,55,000

Dr **Partners' Capital Account** Cr

Particulars	Sohan (₹)	Mohan (₹)	Rohan (₹)	Particulars	Sohan (₹)	Mohan (₹)	Rohan (₹)
To Cash A/c (Premium)	36,000	24,000	—	By Balance b/d	3,00,000	2,00,000	—
				By General Reserve A/c	1,20,000	80,000	—
To Balance c/d	5,19,000	3,46,000	2,00,000	By Cash A/c	—	—	2,00,000
				By Premium for Goodwill A/c (3 : 2)	72,000	48,000	—
				By Workmen Compensation Fund A/c	24,000	16,000	—
				By Revaluation A/c (Profit)	39,000	26,000	—
	5,55,000	3,70,000	2,00,000		5,55,000	3,70,000	2,00,000

Dr **Cash Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	85,000	By Sohan's Capital A/c (Premium)	36,000
To Rohan's Capital A/c	2,00,000	By Mohan's Capital A/c (Premium)	24,000
To Premium for Goodwill A/c	1,20,000	By Creditors A/c	35,000
To Bank Loan A/c	40,000	By Bills Payable A/c	40,000
		By Balance c/d	3,10,000
	4,45,000		4,45,000

Balance Sheet
as at 1st April, 2020

Liabilities		Amt (₹)	Assets	Amt (₹)
Sundry Creditors (60,000 – 40,000)		20,000	Land and Building (3,00,000 + 1,50,000)	4,50,000
Bank Loan		40,000	Furniture (1,60,000 – 40,000)	1,20,000
Capital A/cs			Bills Receivable	40,000
Sohan	5,19,000		Debtors	55,000
Mohan	3,46,000		Stock (2,00,000 – 50,000)	1,50,000
Rohan	2,00,000	10,65,000	Bank	3,10,000
		11,25,000		11,25,000

Working Notes

1. General reserve $= 2{,}00{,}000\ (3:2)$

$$\text{Sohan} = \frac{3}{5} \times 2{,}00{,}000 = ₹\ 1{,}20{,}000$$

$$\text{Mohan} = \frac{2}{5} \times 2{,}00{,}000 = ₹\ 80{,}000$$

2. **Calculation of New Profit Sharing Ratio**

$$\text{Rohan's share} = \frac{1}{5}$$

$$\text{Remaining share} = 1 - \frac{1}{5} = \frac{5-1}{5} = \frac{4}{5}$$

$$\text{Sohan's share} = \frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$$

$$\text{Mohan's share} = \frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$$

$$\text{Rohan's share} = \frac{1}{5} \times \frac{5}{5} = \frac{5}{25}$$

New profit sharing ratio = 12 : 8 : 5

Or

Revaluation Account

Dr Particulars		Amt (₹)	Particulars	Cr Amt (₹)
To Provision for Doubtful Debts A/c		260	By Buildings A/c	26,000
To Plant and Machinery A/c		15,600		
To Profit Transferred to				
V's Capital A/c	5,070			
W's Capital A/c	2,535			
X's Capital A/c	2,535	10,140		
		26,000		26,000

Partners' Capital Account

Dr Particulars	V (₹)	W (₹)	X (₹)	Particulars	V (₹)	W (₹)	Cr X (₹)
To V's Capital A/c	—	9,000	9,000	By Balance b/d	75,000	50,000	55,000
To V's Loan A/c	98,770	—	—	By Profit and Loss A/c	700	350	350
To Balance c/d	—	43,885	48,885	By Revaluation A/c (Profit)	5,070	2,535	2,535
				By W's Capital A/c	9,000	—	—
				By X's Capital A/c	9,000	—	—
	98,770	52,885	57,885		98,770	52,885	57,885

Balance Sheet
as at 31st December, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Bills Payable		10,600	Buildings		96,000
Sundry Creditors		11,000	Plant and Machinery		62,400
V's Loan		98,770	Stock		16,000
Capital A/cs			Debtors	22,000	
W	43,885		(–) Provision for Doubtful Debts	(660)	21,340
X	48,885	92,770	Bank		7,500
			Cash		9,900
		2,13,140			2,13,140

Working Notes

1. **Calculation of Gaining Ratio**

Gaining ratio = New share – Old share

$$\text{W's Gain} = \frac{1}{2} - \frac{1}{4} = \frac{2-1}{4} = \frac{1}{4}; \quad \text{X's Gain} = \frac{1}{2} - \frac{1}{4} = \frac{2-1}{4} = \frac{1}{4}$$

Gaining ratio of W and X = 1 : 1

2. **Treatment of Goodwill**

$$\text{V's share of goodwill} = 36,000 \times \frac{2}{4} = ₹18,000$$

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	W's Capital A/c	Dr		9,000	
	X's Capital A/c	Dr		9,000	
	To V's Capital A/c				18,000
	(Being V's share of goodwill adjusted among W and X in their gaining ratio)				

23. (b) ₹ 3,50,000

Hint Dr **Provision for Income Tax Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Bank A/c (Bal. Fig. being tax paid)	3,50,000	By Balance b/d	3,00,000
To Balance c/d	4,20,000	By Statement of Profit and Loss (Provision made during the year)	4,70,000
	7,70,000		7,70,000

24. (a) ₹ 1,74,200

Hint

Cash Generated from Operations	**Amt (₹)**
Operating Profit	2,00,000
(+) Depreciation	22,000
	2,22,000
(–) Increase in Inventory	(75,000)
	1,47,000
(+) Increase in Trade Payables	27,200
	1,74,200

25. (c) Schedule III

26. (d) ₹ 80,000

Hint Let the value of current liabilities be x.

Working Capital = Current Assets – Current Liabilities

$80,000 = 2x - x$

$\therefore$ Current Liabilities $(x) =$ ₹ 80,000

27. (a) decrease

28. In balance sheet, short-term provisions is the sub-head under current liabilities.

29. General

30.

S. No.	Items	Major Heads	Sub-heads
(i)	Computer Software under Development	Non-current Assets	Fixed Assets (Intangible Asset under development)
(ii)	Unclaimed Dividends	Current Liabilities	Other Current Liabilities
(iii)	Provision for Tax	Current Liabilities	Short-term Provisions

Or

(i)
$$\text{Debt-equity Ratio} = \frac{\text{Long-term Debts*}}{\text{Shareholders' Funds**}}$$

$$= \frac{27,00,000}{54,00,000} = 0.5 : 1$$

*Long-term Debts = Long-term Borrowings = ₹ 27,00,000

**Sharehold... $= 45,00,000 + 9,00,0...$

$= ₹\ 54,00,000$

(ii) Proprietary Ratio $= \dfrac{\text{Shareholders' Funds}}{\text{Total Assets}} = \dfrac{54,00,000}{1,20,00,000} = 0.45 : 1$

(iii) Total Assets to Debt Ratio $= \dfrac{\text{Total Assets}}{\text{Long-term Debts}}$

$= \dfrac{1,20,00,000}{27,00,000} = 4.4 : 1$

31.

Comparative Balance Sheet
as at 31st March, 2019 and 2020

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2020 (₹)	Absolute Change (Increase or Decrease)	Percentage Change (Increase or Decrease)
		A	B	C = B − A	$D = \frac{C}{A} \times 100$ %
I. **EQUITY AND LIABILITIES**					
1. **Shareholders' Funds**					
(a) Share Capital		12,00,000	12,00,000	—	—
(b) Reserve and Surplus		3,00,000	2,70,000	(30,000)	(10)
2. **Non-current Liabilities**					
Long-term Borrowings		5,00,000	3,00,000	(2,00,000)	(40)
3. **Current Liabilities**					
(a) Short-term Borrowings		8,00,000	20,00,000	12,00,000	150
(b) Trade Payables		2,00,000	2,30,000	30,000	15
Total		30,00,000	40,00,000	10,00,000	33.33
II. **ASSETS**					
1. **Non-current Assets**		15,00,000	20,00,000	5,00,000	33.33
2. **Current Assets**					
(a) Inventory		5,00,000	10,00,000	5,00,000	100
(b) Trade Receivables		8,00,000	8,40,000	40,000	5
(c) Cash and Cash Equivalents		2,00,000	1,60,000	(40,000)	(20)
Total		30,00,000	40,00,000	10,00,000	33.33

Or

(i) Inventory Turnover Ratio

$$= \frac{\text{Cost of Revenue from Operations (Cost of Goods Sold) (WN)}}{\text{Average Inventory}}$$

$$3 = \frac{₹\ 15,000}{\frac{x + x - 200}{2}}$$

[let opening inventory be x
Closing Inventory = x − ₹ 200
Average Inventory $= \dfrac{(x + x - ₹\ 200)}{2}$]

$$3x + 3x - ₹\ 600 = ₹\ 30,000$$

$$6x = ₹\ 30,600$$

$\therefore$ $x = ₹\ 5,100$ (Opening Inventory); Closing Inventory $= ₹\ 5,100 - ₹\ 200 = ₹\ 4,900$.

$$\text{Cost of Revenue from Operations} = \frac{₹\ 18,000 \times 100}{120} = ₹\ 15,000$$

(ii) $\text{Current Liabilities} = ₹\ \frac{80,000}{2} = ₹\ 40,000$

Quick Assets = ₹ 40,000 × 1.5 = ₹ 60,000

Inventory = Current Assets – Quick Assets = ₹ 20,000*

*It is presumed as average inventory because there is no information of opening and closing inventories.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations, i.e., Cost of Goods Sold}}{\text{Average Inventory (₹ 20,000)}} = 6 \text{ (Given)}$$

Cost of Revenue from Operations, i.e. Cost of Goods Sold = ₹ 1,20,000

Profit = 25% of ₹ 1,20,000 = ₹ 30,000

Revenue from Operations, i.e., Net Sales = Cost of Revenue from Operations, i.e., Cost of Goods Sold + Profit

= ₹ 1,20,000 + ₹ 30,000

= ₹ 1,50,000

32.

Cash Flow Statement

for the year ended 31st March, 2020

Particulars		Amt (₹)
I. **Cash Flow from Operating Activities**		
Net Profit before Taxation and Extraordinary Items (WN 1)		35,500
Adjustments for		
(+) Depreciation	35,000	
(–) Profit on Sale of Investments	(250)	
Profit on Sale of Fixed Assets	(1,000)	33,750
Operating Profit before Working Capital Changes		69,250
(+) *Decrease in Current Assets and Increase in Current Liabilities*		
Inventories	15,000	
(–) *Increase in Current Assets and Decrease in Current Liabilities*		
Trade Receivables	(1,22,500)	
Trade Payables	(17,000)	(1,24,500)
Cash used in Operating Activities		(55,250)
(–) Income Tax Paid		(37,000)
Net Cash used in Operating Activities		(92,250)
II. **Cash Flow from Investing Activities**		
Purchase of Investments	(9,000)	
Sale of Fixed Assets	6,000	
Sale of Investments	4,250	
Net Cash Inflow from Investing Activities		1,250
III. **Cash Flow from Financing Activities**		
Mortgage Loan	1,35,000	
Dividend Paid	(20,000)	
Net Cash Inflow from Financing Activities		1,15,000
Net Increase in Cash and Cash Equivalent (I + II + III)		24,000
Cash and Cash Equivalent in the Beginning of the Year		74,500
Cash and Cash Equivalent at the End of the Year		98,500

Working Notes

1. **Net Profit before Tax and Extraordinary Items**

Particulars	Amt (₹)
Closing Balance of Statement of Profit and Loss (31st March, 2020)	34,000
(–) Opening Balance of Statement of Profit and Loss (31st March, 2019)	(28,000)
(+) Interim Dividend	20,000
(+) Provision for Taxation	4,500
(+) Transfer to Reserve	5,000
	35,500

2. Dr **Fixed Assets Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	2,00,000	By Bank A/c	6,000
To Statement of Profit and Loss (Profit on sale)	1,000	By Depreciation A/c (Balancing figure)	35,000
		By Balance c/d	1,60,000
	2,01,000		2,01,000

3. Dr **Investment Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	25,000	By Bank A/c	4,250
To Statement of Profit and Loss (Profit)	250	By Balance c/d	30,000
To Bank A/c (Balancing figure)	9,000		
	34,250		34,250

4. Dr **Provision for Taxation Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Bank A/c (Balancing figure)	37,000	By Balance b/d	37,500
To Balance c/d	5,000	By Statement of Profit and Loss (Provision made)	4,500
	42,000		42,000