

CLASS-XII (2022-23)

SAMPLE QUESTION PAPER - 1

## **TIME 3 HOURS**

## SUBJECT ACCOUNTANCY 055

**MAX. MARKS 80**

## **GENERAL INSTRUCTIONS:**

1. This question paper contains 34 questions. All questions are compulsory.
  2. This question paper is divided into two parts, Part A and B.
  3. Part - A is **compulsory for all candidates**.
  4. Part - B has two options i.e. **(i) Analysis of Financial Statements and (ii) Computerised Accounting**. Students must attempt **only one** of the given options.
  5. Question 1 to 16 and 27 to 30 carries 1 mark each.
  6. Questions 17 to 20, 31and 32 carries 3 marks each.
  7. Questions from 21 ,22 and 33 carries 4 marks each
  8. Questions from 23 to 26 and 34 carries 6 marks each
  9. There is no overall choice. However, an internal choice has been provided in 7 questions of **one mark**, 2 questions of **three marks**, 1 question of **four marks** and 2 questions of **six marks**.

## **Part A:- Accounting for Partnership Firms and Companies**

1. Cash flow arises when the net effect of a transaction \_\_\_\_\_ the amount of cash [1] or cash equivalents.

- a) Only Increase
  - b) None of these
  - c) Either increase or decrease
  - d) Only decrease

OR

Purchase of marketable securities will result in

- a) Decrease in cash and cash equivalents
  - b) No effect on cash and cash equivalents
  - c) Increase in cash and cash equivalents
  - d) Increase in Investing activities.

2. A firm earned net profits during the last three years as:

2008-09	Rs.36,000
2009-10	Rs.40,000
2010-11	Rs.44,000

The capital investment of the firm is Rs.1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three year's purchase of the super profit for the last three years.

c) Rs.65000

d) Rs. 84000

OR

Buyer's advantage lies in the excess of the normal return on capital employed. The excess of actual/average profit over normal profit is known as

a) Normal return

b) Capital employed

c) Super profit

d) Average Method profit

3. What journal entry will take place at the time of receipt of calls in arrears? [1]

a) Bank A/c ... Dr.

To Share Application A/c

b) Calls in arrears A/c ... Dr.

To Bank A/c

c) Bank A/c ... Dr.

To Calls in Arrears A/c

d) Bank A/c ... Dr.

To Calls in Advance A/c

OR

Swarna Limited invited applications for subscription of 10,000 Equity shares @ Rs.100 each. Applications were received for 25,000 shares. This situation is called as \_\_\_\_\_.

a) Oversubscription of shares

b) Prorata allotment

c) Full Allotment of shares

d) Under subscription of shares

4. Following are the examples of the said errors and omissions except: [1]

A. Interest on capital and interest on drawings considered but at a higher percentage

B. Interest on capital is provided at a given rate

C. The omission of paying partners salary/commission

D. Partner's salary and commission provided at higher or less amount.

a) (C)

b) (D)

c) (B)

d) (A)

5. Debenture is a: [1]

a) none of these

b) cash certificate

c) credit certificate

d) loan certificate

6. Bank Loan ₹29,000 was paid at the time of dissolution. What journal entry will be recorded for the same? [1]

a)	Partner's Capital A/c	Dr.	29,000	
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b)	Realisation A/c	Dr.	29,000	
	To Bank A/c			29,000

To Bank A/c			29,000
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c)	Bank A/c	Dr.	29,000	
	To Realisation A/c			29,000

d)	Bank Loan A/c	Dr.	29,000	
	To Bank A/c			29,000

OR

Pooja (one partner) agreed to pay off her husband's loan Rs.14,000. What journal entry should take place for the same?

a)	Realisation A/c	Dr.	14,000	
	To Bank A/c			14,000

b)	Realisation A/c	Dr.	14,000	
	To Loan A/c			14,000

c)	Pooja's Capital A/c	Dr.	14,000	
	To Realisation A/c			14,000

d)	Realisation A/c	Dr.	14,000	
	To Pooja's Capital A/c			14,000

7. When an instrument is issued without interest rate and the issue price is thereby discounted, the issue of such an instrument is called

- a) Zero coupon Bond
  - b) Deep zero bond
  - c) Fixed coupon Bond
  - d) Light Discount bond

OR

When debentures are issued at a discount the discount is written off

- a) In the year of the issue of debentures
  - b) In the year of redemption of debentures
  - c) During the life of the debentures
  - d) Within 5 years of the issue of debentures

8. Specify the rate of interest to be used on calls in arrear as per the TABLE - F.

**Question No. 9 to 10 are based on the given text. Read the text carefully and answer the questions:**

2.0

Pooja and Monika were partners sharing Profit and Losses in 5:2 with effect from 1st April 2021, they decided to share future profits equally. There was an unrecorded liability and an unrecorded asset. Expenses were incurred by the firm to give effect to the change in profit sharing ratio. The partner Pooja had to be paid remuneration for the services rendered by her relating to reconstitution of the firm.

9. When remuneration is paid by the firm to Pooja and expenses are borne by the firm, which of the following journal is correct.

- a) Cash a/c Dr.; Pooja's capital a/c Cr.  
b) None of these  
c) Pooja's capital a/c Dr.; Revaluation a/c Cr.  
d) Revaluation a/c Dr. ; Pooja's capital a/c Cr.

10. When expenses were to be borne by Pooja but are paid by the firm, which of the following journal is correct.

- a) Pooja's capital a/c Dr.; Cash/Bank a/c Cr.  
b) Cash/Bank a/c Dr.; Pooja's capital a/c Cr  
c) None of these  
d) Revaluation a/c Dr.; Pooja's capital a/c Cr.

11. A and B sharing profits and losses in the ratio of 2/3rd and 1/3rd, admit C as a partner giving him 1/4th share. The new profit-sharing ratio will be [1]

A	A 1/2	B 1/4	C 1/4
B	A 1/3	B 1/3	C 1/4
C	A 3/8	B 3/8	C 2/8

- a) C  
b) B  
c) A  
d) None of these

12. Tamy Limited issued 5,000 debentures @ 1,000 each at a discount of 10%. Rs.300 is payable on application and balance payable on the allotment. Find the amount received on an allotment? [1]

- a) 45,00,000.  
b) 40,00,000  
c) 30,00,000  
d) 35,00,000

13. R, S and T are partners in a firm. They decided to share profits up to Rs. 10,000 in the ratio 30%, 50% and 20% respectively. Above this amount, profits are shared equally. If the profits of the firm for the year was Rs. 25,600. Distribute the profit. [1]

- a) R= ₹8,200, S= ₹10,200 and T= ₹7,200  
b) R= ₹9,200, S= ₹7,200 and T= ₹8,200

- c) R= ₹10,200, S= ₹9,200 and T= ₹7,200      d) R= ₹12,200, S= ₹8,200 and T= ₹7,200

14. Which account is used to pay the amount due to retiring partner with interest? [1]

- a) Partner's Loan Account      b) Executor's account  
c) Balance Sheet      d) Partner's executor account

OR

Retiring partner is not entitled to receive \_\_\_\_\_.

- a) His share of profit or loss on Revaluation      b) His share of profit for the period  
c) Complete goodwill of the firm      d) His Capital account balance

15. Which of the following statement is correct? [1]

- a) Goodwill is a current asset      b) Goodwill is an intangible asset  
c) Goodwill is a wasting asset      d) Goodwill is a fictitious asset

16. Incoming partner may acquire his share from the old partners [1]

- A. In their old profit sharing ratio  
B. In a particular ratio  
C. In particular fraction from some of the partners  
  
a) Only A      b) A and B  
c) All of these      d) A and C

17. Calculate the value of goodwill at 2 year's purchase of the average profits of the last 3 years. The profit for the first year was ₹ 50,000, for second year twice the profit of first year and for the third year one and half times the profit of the second year. [3]

18. Sara, Sita and Meena were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Sara dies on 30th June, 2017, whereas the firm closes its books on 31st March every year. According to their Partnership Deed Sara's representatives would be entitled to get share in the interim profits of the firm calculated on sales basis. Sales and profit for the year 2016-17 were ₹ 6,00,000 and ₹ 1,80,000 respectively and sales in the year 2017-18, till the date of her death amounted to ₹ 1,20,000. You are required to:  
i. Calculate Sara's share of interim profit.  
ii. Pass the necessary journal entry for giving Sara her share of interim profit. [3]

19. Lemon Tree Ltd. purchased a piece of land from JSS Ltd. and paid the consideration as follows: [3]
- Issued a cheque for ₹ 10,00,000;
  - Issued a Bill of Exchange for 3 months for ₹ 5,00,000;
  - Issued 5,000; 9% Debentures of ₹ 100 each at par redeemable at 10% premium after 5 years.
- Pass the Journal entries.
20. Give two circumstances in which sacrificing ratio may be applied. [3]
21. Pass necessary Journal entries for the following transactions, at the time of dissolution of the firm: [4]
- Realisation Expenses ₹ 3,000 paid.
  - Realisation Expenses paid by the firm ₹ 2,000; Mr. X one of the partners has to bear these expenses.
  - Y, one of the partners, took over a machine for ₹ 20,000
  - Z, one of the partners agreed to take over the creditor of ₹ 30,000 for ₹ 20,000.
  - A, one of the partners has given loan to the firm of ₹ 10,000. It was paid back to him at the time of dissolution.
  - Profit & Loss Account balance of ₹ 50,000 appeared on the assets side of the Balance Sheet.
22. AD Deli Ltd. invited applications for 20,000 Equity Shares of ₹ 10 each at the issue price of ₹ 10. The amount payable along with application is ₹ 10. This issue was fully subscribed. Pass Journal entries for the above transactions and also prepare Balance Sheet of the Company. [4]

23. Amar, Tarim and Akhil are partners sharing profits and losses in the ratio of 5 : 3 : [6]  
 2. Their Balance Sheet as at 31st March, 2019 was as follows:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Sundry Creditors	1,60,000	Cash in Hand	25,000
Salaries Payable	30,000	Bank Balance	1,25,000
Reserves	80,000	Bills Receivable	10,000
Profit and Loss A/c	30,000	Sundry Debtors	1,00,000
Capital A/cs:		Less: Provision for Doubtful Debts	10,000 90,000
Amar	3,00,000	Stock	2,00,000
Tarun	1,80,000	Furniture	50,000
Akhil	1,20,000	Computers	3,00,000
		Air-Conditioners	1,00,000
	9,00,000		9,00,000

Profit-sharing ratio among the partners was agreed to be 2 : 2 : 1 w.e.f 1st April, 2019 They agreed to the following:

- i. Stock to be increased to ₹2,20,000.
- ii. Provision for Doubtful Debts to be reduced by ₹2,000.
- iii. Furniture to be reduced by 20%.
- iv. Computers to be reduced to ₹2,70,000.
- v. Goodwill of the firm is valued at ₹1,00,000.

The partners decided to carry the assets and liabilities at their existing values. They also decided that Reserves and Profit and Loss Account balance be carried at the same values.

Pass an Adjustment entry giving effect to the above arrangement and prepare Balance Sheet after adjustments.

24. Denspar Ltd. invited applications for issuing 2,00,000 equity shares of Rs.10 each [6] at a premium of Rs.20 per share. The amount was payable as follows:

On Application - Rs.2 per share

On Allotment - Rs.13 per share (including Rs.10 premium)

On First Call - Rs.7 per share (including < 5 premium)

On Final Call - Rs.8 per share (including Rs.5 premium)

Applications for 1,80,000 shares were received. Shares were allotted to all the applicants. Yogesh, a shareholder holding 5,000 shares paid his entire share money along with the allotment money. Vishesh, a holder of 7,000 shares, failed to pay the allotment money. Afterwards the first call was made. Vishesh paid the allotment money along with the first call money. Samyesh, holding 2,000 shares did not pay the final call. Samyesh's shares were forfeited immediately after the final call. Out of the forfeited shares, 1,500 shares were reissued at Rs.8 per share fully paid up.

Pass the necessary journal entries for the above transactions in the books of Denspar Ltd.

25. i. Vayee Ltd. purchased the following assets of E.X. Ltd.: Land and Building of ₹ 60,00,000 at ₹ 84,00,000; Plant and Machinery of ₹ 40,00,000 at ₹ 36,00,000. [6]

The purchase consideration was ₹ 1,10,00,000 . The payment was made by accepting a Bill of Exchange in favour of E.X. Ltd. of ₹ 20,00,000 and remaining by the issue of 8 % debentures of ₹ 100 each at a premium of 20 % Record the necessary journal entries for the above transactions in the books of Vayee Ltd.

- ii. Zed Ltd. issued 2,00,000, 8 % debentures of ₹ 100 each at a discount of 6 % redeemable at a premium of 10 % after 5 years. The amount was payable as follows:

On application	₹ 50 per debenture
On allotment	balance

Record the necessary journal entries for the issue of debentures in the books of Zed Ltd.

26. Following is the Balance Sheet of A, B and C as at 31st March, 2014:

[6]

Liabilities	₹	Assets	₹
Sundry Creditors	18,000	Tools	6,000
Workmen Compensation Reserve	19,200	Furniture	48,000
Capital Accounts:		Stock	36,000
A	60,000	Debtors	36,000
B	30,000	Cash at Bank	30,000
C	30,000	Cash in hand	1,200
	<b>1,57,200</b>		<b>1,57,200</b>

B died on 30th June 2014. Under the partnership agreement, the executor of B was entitled to:

- i. Amount standing to the credit of his Capital Account.
- ii. Interest on Capital which amounted to ₹ 375
- iii. His share of goodwill ₹ 21,000.
- iv. His share of profit from the closing of the last financial year to the date of death which amounted to ₹ 2,625.

B's executor was paid ₹ 20,400 on 1st July 2014 and the balance in four equal yearly instalments starting from 30th June, 2015 with interest @ 6% p.a.

Pass the necessary Journal entries and draw up B's Account to be rendered to his executor and B's Executor's Account till it is finally paid.

### Part B :- Analysis of Financial Statements

27. Assertion (A): it is right of the new partner on the firm's Assets and Liabilities. [1]  
**Reason (R):** Old partners of the firm sacrifice some profit according to the new profit sharing ratio in favour of incoming partner.
- a) Both A and R are true and R is the correct explanation of A.
  - b) Both A and R are true but R is not the correct explanation of A.
  - c) A is true but R is false.
  - d) A is false but R is true.
28. Main objective of analysis of financial statements is: [1]
- a) All of these
  - b) To know the efficiency of management
  - c) To know the financial strength
  - d) To make a comparative study with other firms
29. For purpose of preparing a cash flow statement, which of the following is not considered as a cash equivalent? [1]
- a) An investment in Bonds
  - b) Marketable securities
  - c) Commercial paper
  - d) Treasury Bills

OR

The decrease in the value of Trade Receivable will be \_\_\_\_\_.

- a) Added in operating activities
- b) Added in Investing Activities
- c) Deducted in Investing activities
- d) Deducted in operating activities

30. The financial statements of a business enterprise include:

[1]

- a) All of these
- b) Profit & Loss Account
- c) Cash Flow Statement
- d) Balance Sheet

31. Calculate the amount of opening trade receivables and closing trade receivables from the following information: [3]

Trade receivables turnover ratio : 8 times

Cost of revenue from operations : 4,80,000

The amount of credit revenue from operations is ₹ 2,00,000 more than cash revenue from operations. The gross profit ratio is 20%. Opening trade receivables are  $\frac{1}{4}$ th of Closing trade receivables.

32. Royal Ltd. has the following balances on 1st April, 2017:

[3]

	₹
General Reserve	2,00,000
Securities Premium	1,00,000
Statement of Profit & Loss	(7,00,000)

During the year ended 31st March, 2018, it incurred a loss of ₹ 4,50,000. Show how these items will appear in the Balance Sheet and notes to accounts.

33. Calculate Inventory Turnover Ratio from the following information:

[4]

Opening Inventory ₹ 40,000; Purchases ₹ 3,20,000; and Closing Inventory ₹ 1,20,000.

State, giving reason, which of the following transactions would (i) increase, (ii) decrease, (iii) neither increase nor decrease the Inventory Turnover Ratio:

- a. Sale of goods for ₹ 40,000 (Cost ₹ 32,000).
- b. increase in the value of Closing Inventory by ₹ 40,000.
- c. Goods purchased for ₹ 80,000.
- d. Purchases Return ₹ 20,000.
- e. goods costing ₹ 10,000 withdrawn for personal use.
- f. Goods costing ₹ 20,000 distributed as free samples.

**OR**

Calculate any three of the following ratios with the help of the information given below:

- i. Operating Ratio
- ii. Gross Profit Ratio
- iii. Quick Ratio
- iv. Working Capital Turnover Ratio
- v. Proprietary Ratio.

Information: Equity share capital ₹ 1,00,000; 8% Preference share capital ₹ 80,000; 9% Debentures ₹ 60,000;

General Reserve ₹ 10,000; Revenue from operation ₹ 2,00,000; Opening Inventory ₹ 12,000 Purchases ₹ 1,20,000; Wages ₹ 8,000; Closing Inventory ₹ 18,000; Selling and Distribution Expenses ₹ 2000;

Other current assets ₹ 50,000; Fixed assets ₹ 2,12,000 and Current Liabilities ₹ 30,000.

34. From the following Balance Sheet of Samta Ltd., as at 31st March, 2019, prepare [6] Cash Flow Statement:

<b>Particulars</b>	<b>Note No.</b>	<b>31st March, 2019</b>	<b>31st March, 2018</b>
		₹	₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
(a) Share Capital	1	7,50,000	7,50,000
(b) Reserves and Surplus	2	3,10,000	(20,000)
<b>2. Non-Current Liabilities</b>			
Long-term Borrowings: 10% Debentures		2,60,000	1,50,000
<b>3. Current Liabilities</b>			
(a) Short-term Borrowings (8% Bank Loan)		40,000	50,000
(b) Trade Payables		1,20,000	1,10,000
(c) Short-term Provisions	3	50,000	40,000
<b>Total</b>		<b>15,30,000</b>	<b>10,80,000</b>
<b>II. ASSETS</b>			
<b>1. Non-Current Assets</b>			
(a) Fixed Assets:			
(i) Tangible Assets (Net)		8,60,000	6,20,000
(ii) Intangible Assets (Goodwill)		15,000	40,000
(b) Non-current Investments		1,25,000	80,000
<b>2. Current Assets</b>			
(a) Current Investments		5,000	15,000
(b) Inventories		1,95,000	1,00,000
(c) Trade Receivables		2,00,000	2,00,000
(d) Cash and Cash Equivalents		1,30,000	25,000
<b>Total</b>		<b>15,30,000</b>	<b>10,80,000</b>

**Note to Accounts**

<b>Particulars</b>	<b>31st March, 2019</b>	<b>31st March, 2018</b>
	₹	₹
<b>1. Share Capital</b>		
Equity share Capital	5,50,000	4,50,000
10% Preference Share Capital	2,00,000	3,00,000
	<b>7,50,000</b>	<b>7,50,000</b>
<b>2. Reserves and Surplus</b>		
Securities Premium Reserve	10,000	-
General Reserve	1,50,000	1,20,000
Surplus, i.e., Balance in Statement of Profit and Loss	1,50,000	(1,40,000)
	<b>3,10,000</b>	(20,000)
<b>3. Short-term Provisions</b>		
Provision for Tax	50,000	40,000

**Additional Information:**

- i. During the year a piece of machinery costing ₹ 60,000 on which depreciation charged was ₹ 20,000 was sold at 50% of its book value.
- ii. Depreciation provided on tangible Assets ₹ 60,000;
- iii. Income tax ₹ 45,000 was provided;
- iv. Additional Debentures were issued at par on 1 st October, 2018 and Bank Loan was repaid on the same date;
- v. At the end of the year, Preference Shares were redeemed at a premium of 5%.

## SOLUTION

### Part A:- Accounting for Partnership Firms and Companies

1. (c) Either increase or decrease

**Explanation:** Cash flow arises when the net effect of a transaction will increase or decrease the amount of cash or cash equivalents.

OR

(b) No effect on cash and cash equivalents

**Explanation:** Purchase of marketable securities will make no effect on cash and cash equivalents.

Reason: Cash going and marketable securities coming, both are part of cash and cash equivalents. At the same time, there is an increase and decrease in cash and cash equivalent. hence no effect on cash and cash equivalent.

2. (d) Rs. 84000

**Explanation:** Calculation of Goodwill by Super Profit Method:

$$1. \text{Average profit} = 36,000 + 40,000 + 44,000 = 1,20,000/3 = 40,000$$

$$2. \text{Normal Profit} = 1,20,000 \times 10/100 = 12,000$$

$$3. \text{Super Profit} = 40,000 - 12,000 = 28,000$$

$$4. \text{Goodwill} = 28,000 \times 3 = 84,000$$

OR

(c) Super profit

**Explanation:** Super profit

3. (c) Bank A/c ... Dr.

To Calls in Arrears A/c

**Explanation:** On receipt of calls in arrears, the following entry will take place:

Bank A/c ... Dr.

To Calls in Arrears

This entry is passed if calls in arrears have been debited at the time they were due and not received.

OR

(a) Oversubscription of shares

**Explanation:** When a company receives excess applications i.e. more applications than the shares offered for subscription, it is called oversubscription of shares. Under such either excess applicants are rejected or pro-rata basis allotment is done or both.

4. (c) (B)

**Explanation:** The concept of errors and omissions begins with:

- When partnership deed provides for interest on capital, drawings, salary and commission etc. but not provided for.
- When Appropriations are provided at a higher rate than the given rate.
- When Appropriations are provided at a lower rate than the given rate.

But in case of B it is not an errors or omission.

5. (d) loan certificate

**Explanation:** Debenture is a loan certificate because debenture is a source of fund where the company takes loan from public

6. (b)

Realisation A/c	Dr.	29,000	
To Bank A/c			29,000

**Explanation:** Repayment of bank loan will take place in the debit side of realization account. This transaction will affect only two accounts i.e. Realisation Account and Bank Account.

Entry will be:

Realisation A/c	Dr.	29,000	
To Bank A/c			29,000

OR

(d)

Realisation A/c	Dr.	14,000	
To Pooja's Capital A/c			14,000

**Explanation:** When liability is paid off it is debited in the realisation account and since the partner is paying it partner is credited.

Journal Entry will be:

Realisation A/c	Dr.	14,000	
To Pooja's Capital A/c			14,000

7. (a) Zero coupon Bond

**Explanation:** Sometimes a company issue an instrument on which rate of interest is not pre-determined. The Difference between face' value and the issue price is interest related to the duration of debentures.

OR

(c) During the life of the debentures

**Explanation:** During the life of the debentures

8. (c) 10% p.a.

**Explanation:** As per the Companies Act, 2013, when Table F is followed by the company, the rate of interest on calls in arrear should not exceed 10% p.a. When any shareholder fails to pay the amount due on the allotment or on any of the calls, such amount is known as 'Calls-in-Arrears'/'Unpaid Calls'. Interest at a rate 10% shall have to be paid on Calls-in-arrears for the period from the day fixed for payment and the time of actual payment thereon. Table F applies when an article of association is silent.

9. (d) Revaluation a/c Dr. ; Pooja's capital a/c Cr.

**Explanation:** Revaluation a/c Dr. ; Pooja's capital a/c Cr.

10. (a) Pooja's capital a/c Dr.; Cash/Bank a/c Cr.

**Explanation:** Pooja's capital a/c Dr.; Cash/Bank a/c Cr.

11. (c) A

**Explanation:** Calculation of new profit sharing ratio after the admission of C

A and B share= 2:1

A's old share =  $\frac{2}{3}$

B's old share =  $\frac{1}{3}$

C's share =  $\frac{1}{4}$

Hence, remaining share =  $1 - \frac{1}{4} = \frac{3}{4}$

Therefore, new profit sharing ratio:

A's new share =  $\frac{2}{3} \times \frac{3}{4} = \frac{1}{2}$

B's new share =  $\frac{1}{3} \times \frac{3}{4} = \frac{1}{4}$

C's share =  $\frac{1}{4}$

12. (c) 30,00,000

**Explanation:** Total face value = 1000

Discount =  $1000 \times 10\% = 100$

Value remain for allotment =  $1000 - 300 - 100 = 600$

Amount Received on Allotment Rs.30,00,000 i.e.  $5,000 \times 600 = 30,00,000$

13. (a) R= ₹8,200, S= ₹10,200 and T= ₹7,200

**Explanation:**

Calculation of Distribution of Profits During the year:

First Rs. 10,000 of profit will be distributed in 30%, 50% and 20% i.e. 3,000; 5,000 and 2,000

Next 15,600 (25,600 - 10,000) in equal ratio i.e. 5,200 each ( $15,600 \times 1/3$ ).

R's Share of Profit =  $3,000 + 5,200 =$ Rs. 8,200

S's Share of Profit =  $5,000 + 5,200 =$ Rs. 10,200

T's Share of Profit =  $2,000 + 5,200 =$ Rs. 7,200

14. (a) Partner's Loan Account

**Explanation:** Sometimes amount due to the retiring partner is paid in instalment with interest. For this purpose, his loan account should be prepared separately and the amount due to him should be transferred to that account for the settlement and interest and instalments paid through this account on a time basis.

OR

(c) Complete goodwill of the firm

**Explanation:** An outgoing partner cannot take complete goodwill of the firm. An outgoing partner can take only his share of goodwill. Outgoing partner is entitled to the followings:

- i. His capital account balance
- ii. His share in profit, reserves & gains etc.
- iii. His share in revaluation profit or loss
- iv. His share of goodwill

15. (b) Goodwill is an intangible asset

**Explanation:** Goodwill is an intangible asset

16. (c) All of these

**Explanation:** A newly admitted partner may acquire his share of profit from one partner or two partners or from all partners in an agreed ratio. He may acquire his share in the old ratio of the existing partners or in an agreed sacrificing ratio.

17.	₹
Profit for Ist Year	50,000
Profit for IIrd Year = ₹ 50,000 × 2	1,00,000
Profit for IIIrd Year = ₹ 1,00,000 × 1.5	1,50,000
<b>Total Profits</b>	<b>3,00,000</b>

$$\text{Average Profit} = \frac{3,00,000}{3} = ₹ 1,00,000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{Year of Purchase} = ₹ 1,00,000 \times 2 = ₹ 2,00,000$$

18. i. Ratio of Profit to Sales =  $\frac{\text{Profit (Last Year)}}{\text{Sales (Last Year)}} \times 100$   
 $= \frac{1,80,000}{6,00,000} \times 100 = 30\%$

ii. Profit upto the date of death =  $1,20,000 \times \frac{30}{100} = ₹ 36,000$

iii. Sara's share of profit =  $36,000 \times \frac{2}{5} = ₹ 14,400$

#### JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 June 30	Profit & Loss Suspense A/c	Dr.	14,400	
	To Sara's Capital A/c			14,400
	(Sara's share of profit up to the date of death transfer to profit and loss suspense account)			

19.

**JOURNAL OF LEMON TREE LTD.**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Dr.(₹)</b>	<b>Cr.(₹)</b>
	Land A/c	Dr.	20,00,000	
	Loss on Issue of Debentures A/c	Dr.	50,000	
	To Bank A/c			10,00,000
	To Bills Payable A/c			5,00,000
	To 9% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(Being the land purchased and consideration paid)			
	Statement of Profit and Loss (Finance Cost)	Dr.	50,000	
	To Loss on Issue of Debentures A/c			50,000
	(Being the loss on issue of debentures written off)			

20. Two Circumstances are:

- i. When the existing partners of a partnership firm mutually agree to change the profit-sharing ratio among themselves.
- ii. When a new partner is admitted and the goodwill brought in by him is distributed among the old partners in their sacrificing ratio.

21.

**JOURNAL**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Dr. (₹)</b>	<b>Cr. (₹)</b>
(i)	Realisation A/c	Dr.	3,000	
	To Bank A/c			3,000

	(Payment of realisation expenses)			
(ii)	X's Capital A/c	Dr.	2,000	
	To Bank A/c (Payment of realisation expenses by the firm on behalf of the partner)			2,000
(iii)	Y's Capital A/c	Dr.	20,000	
	To Realisation A/c (Machine taken over by Y)			20,000
(iv)	Realisation A/c	Dr.	20,000	
	To Z's Capital A/c (Creditors of ₹ 30,000 taken over by Z for ₹ 20,000)			20,000
(v)	A's Loan A/c	Dr.	10,000	
	To Bank A/c (A's loan repaid to him)			10,000
(vi)	Partner's Capital A/cs	Dr.	50,000	
	To Profit & Loss A/c (Transfer of accumulated loss to partner's capital accounts)			50,000

22.

**In the Books of AD Deli Ltd.  
JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Date of Receipt	Bank A/c		2,00,000	
	To Equity Shares Application and Allotment A/c (Note)			2,00,000
	(Being the application money received on 20,000 Equity Shares of ₹ 10 each)			
Date of Allotment	Equity Shares Application and Allotment A/c		2,00,000	
	To Equity Share Capital A/c			2,00,000
	(Being the shares application money transferred to Equity Share Capital Account)			

**Note:** As the issue price is payable in lump sum, i.e., in one instalment, the entry is passed through 'Equity Shares Application and Allotment Account'.

**BALANCE SHEET as at**

<b>Particulars</b>	<b>Note No.</b>	<b>₹</b>
<b>I. EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	2,00,000
<b>II. ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	2	2,00,000

**Notes to Accounts**

	<b>₹</b>
<b>1. Share Capital</b>	
<b>Authorised Capital</b>	
.....Equity Shares of ₹ 10 each	---
<b>Issued Capital</b>	
20,000 Equity Shares of ₹ 10 each	2,00,000
<b>Subscribed Capital</b>	
<b>Subscribed and fully paid-up</b>	
20,000 Equity Shares of ₹ 10 each	2,00,000
<b>2. Cash and Cash Equivalents</b>	<b>In the books of Firm</b>
Cash at Bank	<b>JOURNAL</b>
	2,00,000

23

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Dr. (₹)</b>	<b>Cr. (₹)</b>
2019- 2020				
April 1	Tarun's Capital Account	Dr.	19,200	
	To Amar's Capital Account			19,200
	(Being the adjustment entry for revaluation of assets and reassessment of liabilities, reserves, Profit and Loss Account and Goodwill due to change in the profit-sharing ratio)			

**BALANCE SHEET OF RECONSTITUTED FIRM**  
**as on 1st April, 2019**

<b>Liabilities</b>		<b>Amount(₹)</b>	<b>Assets</b>		<b>Amount(₹)</b>
Sundry Creditors		1,60,000	Cash in Hand		25,000

Salaries Payable		30,000	Bank Balance		1,25,000
Reserves		80,000	Bills Receivable		10,000
Profit and Loss A/c		30,000	Sundry Debtors	1,00,000	
Capital A/cs:			Less: Provision for Doubtful Debts	10,000	90,000
Amar	3,19,200		Stock		2,00,000
Tarun	1,60,800		Furniture		50,000
Akhil	1,20,000	6,00,000	Computers		3,00,000
			Air-Conditioners		1,00,000
<b>TOTAL</b>		<b>9,00,000</b>	<b>TOTAL</b>		<b>9,00,000</b>

**Working Notes:**

**1. Calculation of the Net Amount to be Adjusted:**

Particulars	Amount(₹)
Net Effect of Revaluation:	
Loss due to decrease in value of assets and increase in amount of liabilities:	
Furniture	(10,000)
Computers	(30,000)
	(40,000)
Gain (Profit) due to increase in value of assets and decrease in amount of liabilities:	
Stock	20,000
Provision for Doubtful Debts	2,000 22,000
Loss on Revaluation	(18,000)
Add: Adjustment for: Reserves	80,000
Profit and Loss A/c	30,000
Goodwill	1,00,000
Net Amount to be adjusted	

**Calculation of Sacrifice/(Gain) of each Partner:**

	Amar	Tarun	Akhil
Old Share	5/10	3/10	2/10
New Share	2/5	2/5	1/5
Sacrifice/(Gain) = Old Share - New Share	$\frac{5-4}{10}$	$\frac{3-4}{10}$	$\frac{2-2}{10}$

	1/10	-1/10	Nil
	Sacrifice	(Gain)	
Proportionate Amount to be Adjusted	₹19,200 (Cr.)	₹19,200 (Dr.)	

24.

**Journal Entries**

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
i	Bank A/c.....Dr. To Equity Share Application A/c (Being application money received.)		3,60,000	
ii	Equity Share Application A/c.....Dr. To Equity Share Capital A/c (Being application money transferred.)		3,60,000	3,60,000
iii	Equity Share Allotment A/c.....Dr. To Equity Share Capital A/c To Security Premium Reserve A/c (Being allotment money due.)		23,40,000	5,40,000
iv	Bank A/c.....Dr. Calls in Arrears A/c.....Dr. To Equity Share Allotment A/c To Calls in Advance A/c (Being allotment money received.)		23,24,000	91,000
v	Equity Share 1st call A/c.....Dr. To Equity Share Capital A/c To Security premium Reserve A/c (Being Share first call due.)		12,60,000	3,60,000
vi	Bank A/c.....Dr. Calls in Advance A/c.....Dr. To Equity Share First Call A/c To Calls in arrears A/c (Being call money received.)		13,16,000	35,000
vii	Equity Share Second & Final call A/c.....Dr. To Equity Share Capital A/c To Security Premium Reserve A/c (Being second and final call money due.)		14,40,000	5,40,000
viii	Bank A/c.....Dr.		13,84,000	

	Calls in arrears A/c.....Dr.	16,000	
	Calls in advance A/c.....Dr.	40,000	
	To Equity Share 2nd & Final Call A/c		14,40,000
	(Being call money received.)		
ix	Equity Share Capital A/c.....Dr.	20,000	
	Security Premium Reserve A/c.....Dr.	10,000	
	To Calls in arrears A/c		16,000
	To Share forfeited A/c		14,000
	(Being shares forfeited.)		
x	Bank A/c.....Dr.	12,000	
	Share forfeited A/c.....Dr.	3,000	
	To Equity Share Capital A/c		15,000
	(Being shares reissued.)		
xi	Share forfeited A/c.....Dr.	7,500	
	To Capital Reserve A/c		7,500
	(Being share forfeited transferred.)		

**Vayee Ltd.  
Journal**

25. i.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Land & Building A/c	Dr.	84,00,000	
	Plant & Machinery A/c	Dr.	36,00,000	
	To EX Ltd. A/c			1,10,00,000
	To Capital Reserve A/c (Bal. Fig.)			10,00,000
	(Being assets of EX Ltd. purchased)			
	EX Ltd. A/c	Dr.	1,10,00,000	
	To Bills Payable A/c			20,00,000
	To 8% Debentures A/c ( $75,000 \times 100$ )			75,00,000
	To Securities Premium Reserve A/c ( $75,000 \times 20$ )			15,00,000
	(Being purchase consideration paid by accepting a bill and issuing 75,000 8% debentures of ₹100 each at 20% premium)			

**Working Notes:** Number of Debentures issued =  $(90,00,000/120) = 75,000$  debentures

ii.

Zed Ltd. Journal				
Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.	1,00,00,000	
	To Debenture Application A/c			1,00,00,000
	(Being application amount received on 2,00,000, 8% Debentures)			
	Debenture Application A/c	Dr.	1,00,00,000	
	Loss on Issue of debentures A/c	Dr.	20,00,000	
	To 8% Debentures A/c			1,00,00,000
	To Premium on Redemption A/c			20,00,000
	(Being debentures allotted and premium on redemption accounted for)			
	Debenture Allotment A/c	Dr.	88,00,000	
	Discount on Issue of Debenture A/c	Dr.	12,00,000	
	To 8% Debentures A/c			1,00,00,000
	(Being allotment due on debentures)			
	Bank A/c	Dr.	88,00,000	
	To Debenture Allotment A/c			88,00,000
	(Being allotment money received)			

26.

### IN THE BOOKS OF THE FIRM JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014				
June 30	Workmen Compensation Reserve A/c	Dr.	6,400	
	To B's Capital A/c			6,400
	(Transfer of B's share of reserve to his Capital Ac)			
June 30	Interest on Capital A/c	Dr.	375	
	To B's Capital A/c			375
	(Interest credited to his Capital A/c provided for)			

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
June 30	A's Capital A/c	Dr.	10,500	
	C's Capital A/c	Dr.	10,500	
	To B's Capital A/c			21,000
	(Adjustment of B's share of goodwill into the Capital A/cs of A and C in their gaining ratio i.e., equally)			
June 30	Profit & Loss Suspense A/c	Dr.	2,625	
	To B's Capital A/c			2,625
	(Transfer of profit till his death)			
June 30	B's Capital A/c	Dr.	60,400	
	To B's Executor's A/c			60,400
	(Amount due to B transferred to his Executor's A/c)			
July 1	B's Executor's A/c	Dr.	20,400	
	To Bank A/c			20,400
	(Amount paid to B's Executor)			

#### B's CAPITAL A/C

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2014			2014		
June 30	To B's Executor's A/c	60,400	April 1	By Balance b/d	30,000
			June 30	By Workmen Compensation Reserve A/c	6,400
			June 30	By Interest on Capital A/c	375
			June 30	By A's Capital A/c	10,500
			June 30	By C's Capital A/c	10,500
			June 30	By Profit & Loss Suspense A/c	2,625
		60,400			60,400

#### B's EXECUTOR'S A/C

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2014 July 1	To Bank A/c	20,400	2014 June 30	By B's Capital A/c	60,400
2015 March 31	To Balance c/d	41,800	2015 March 31	By Interest A/c (60,400 - 20,400) $\times \frac{6}{100} \times \frac{9}{12}$	1,800
		<b>62,200</b>			<b>62,200</b>
2015 June 30	To Bank A/c (10,000 + 1,800 + 600)	12,400	2015 April 1	By Balance b/d	41,800
2016 March 31	To Balance c/d	31,350	2015 June 30	By Interest A/c $40,000 \times \frac{6}{100} \times \frac{3}{12}$	600
			2016 March 31	By Interest A/c $30,000 \times \frac{6}{100} \times \frac{9}{12}$	1,350
		<b>43,750</b>			<b>43,750</b>
2016 June 30	To Bank A/c (10,00 + 1,350 + 450)	11,8000	2016 April 1	By Balance b/d	31,350
2017 March 31	To Balance c/d	20,900	2016 June 30	By Interest A/c $30,000 \times \frac{6}{100} \times \frac{3}{12}$	450
			2017 March 31	By Interest A/c $20,000 \times \frac{6}{100} \times \frac{9}{12}$	900
		<b>32,700</b>			<b>32,700</b>
2017 June 30	To Bank A/c (10,000 + 900 + 300)	11,200	2017 April 1	By Balance b/d	20,900
2018 March 31	To Balance c/d	10,450	2017 June 30	By Interest A/c $20,000 \times \frac{6}{100} \times \frac{3}{12}$	300
			2018 March 31	By Interest A/c $10,000 \times \frac{6}{100} \times \frac{9}{12}$	450
		<b>21,650</b>			<b>21,650</b>

2018 June 30	To Bank A/c (10,000 + 450 + 150)	10,600	2018 April 1	By Balance b/d	10,450
			2018 June 30	By Interest A/c $10,000 \times \frac{6}{100} \times \frac{3}{12}$	150
		<b>10,600</b>			<b>10,600</b>

**Notes:**

- i. Total amount due to B9's Executor's is ₹ 40,000 payable in 4 instalments. Hence,  
yearly instalment =  $40,000 \div 4 = ₹ 10,000$  plus interest.

**Part B :- Analysis of Financial Statements**

27. (c) A is true but R is false.

**Explanation:** A is true but R is false.

28. (a) All of these

**Explanation:** All the options are correct because all are the main objectives of an analysis of financial statements.

29. (a) An investment in Bonds

**Explanation:** An investment in the bond is part of investing activities as it is a long term investment and not linked with cash equivalents. It is a non-current asset.

OR

(a) Added in operating activities

**Explanation:** The decrease in the value of Trade Receivables (Current assets) will be added in operating activities while preparing a cash flow statement. Because Decrease in Trade Receivable is an inflow of cash.

30. (a) All of these

**Explanation:** Financial statements of an enterprise include a balance sheet, profit & loss a/c and cash flow statement.

31. Trade Receivables Turnover Ratio = Net Credit Sales/Average Receivables

Cost of Revenue from Operations = ₹ 4,80,000

Let Net Sales be = Rs. x

Gross Profit ratio = Gross Profit/Net Sales × 100

$$\frac{20}{100} = x - \frac{4,80,000}{x}$$

$$\frac{20x}{100} = x - 4,80,000$$

$$x = \text{Rs. } 6,00,000$$

Net Sales of the firm is = ₹ 6,00,000

Let the cash revenue from operations = Rs. y

Credit revenue from operations = y + 2,00,000

Total Sales of the firm = Cash Sales + credit sales

$$6,00,000 = (y + y + 2,00,000)$$

$$y = \text{Rs. } 2,00,000$$

Cash Sales of the firm = ₹ 2,00,000

Net Credit Sales = ₹(2,00,000 + 2,00,000) = ₹ 4,00,000

Average Receivables = ₹( $\frac{4,00,000}{8}$ ) = ₹ 50,000

Let closing trade receivables be = Rs. z

Opening trade receivables =  $\frac{z}{4}$

Average trade Receivable = (Opening Trade Receivables + Closing trade Receivables)/2

$$50,000 = \frac{z+\frac{z}{4}}{2}$$

$$z = \text{Rs. } 80,000$$

Therefore, Opening Trade Receivables and Closing Trade Receivables of the firm are ₹20,000 and ₹80,000 respectively.

Opening Trade Receivable = Rs. 20,000

Closing Trade Receivable = Rs. 80,000

32.

**In the books of Royal Ltd.  
EXTRACT OF BALANCE SHEET  
as at 31st March, 2018**

<b>Particulars</b>	<b>Note No.</b>	<b>31.03.2018 ₹</b>	<b>31.03.2017 ₹</b>
<b>I. EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholder's Funds:</b>			
Reserves and Surplus	1	(8,50,000)	(4,00,000)

**Notes to Accounts :**

	<b>31.03.2018</b>
<b>(1) Reserves and Surplus:</b>	
(a) Securities Premium	1,00,000
(b) General Reserve	2,00,000
(c) Statement of profit and loss:	
Balance in Statement of Profit & Loss (Opening)	(7,00,000)
Surplus (Loss) for the Period	(4,50,000)
	(11,50,000)
	(8,50,000)

33. Cost of Goods Sold = Opening Stock + Purchases + Closing Stock

$$= 40,000 + 3,20,000 - 1,20,000 = 2,40,000$$

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

$$= \frac{40,000 + 1,20,000}{2} = 80,000$$

$$\text{Stock Turnover Ratio} = \frac{2,40,000}{80,000} = 3 \text{ Times}$$

Effect of various transactions on inventory turnover ratio is as follows:-

- a. Sale of goods for ₹ 40,000 (Cost ₹ 32,000)- Increase

Reason: This transaction will decrease stock at the end (closing stock). Decrease in closing stock will result increase the proportion of Cost of Goods Sold and decrease in Average Stock.

- b. Increase in value of Closing Stock by 40,000- Decrease

Reason: Increase in Closing Stock results decrease in Cost of Goods Sold and increase in Average Stock.

- c. Goods purchased for ₹ 80,000- Decrease

Reason: This Transaction increases the amount of Closing Stock. Increase in Closing Stock reduces the proportion of Cost of Goods Sold and Increase in Average Stock.

- d. Purchase Return ₹ 20,000- Increase

Reason: It will result decrease in Cost of Goods Sold and Average Stock with same amount.

- e. Goods costing ₹ 10,000 withdrawn for personal use- Increase

Reason: Drawing of goods will decrease the amount of Closing Stock and increase in Cost of Goods Sold.

- f. Goods costing ₹ 20,000 distributed as free sample- Increase

Reason: Goods distributed as free sample reduces Closing Stock. Reduction in Closing Stock will result increase in Cost of Goods Sold and decrease in Average Stock.

OR

**Operating ratio** shows the efficiency of a company's management by comparing the total operating expense of a company to net sales.

$$\text{Operating Ratio} = \frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Net Revenue from Operations}} \times 100$$

Cost of Revenue from Operations = Opening Inventory + Purchases + Wages - Closing Inventory

$$= ₹ 12,000 + ₹ 1,20,000 + ₹ 8,000 - ₹ 18,000 \\ = ₹ 1,22,000$$

$$\text{Operating Ratio} = \frac{1,22,000 + \{2,000 (\text{selling expenses})\}}{2,00,000} \times 100 = 62\%$$

**Gross profit ratio (GP ratio)** is a profitability ratio that shows the relationship between gross profit and total net sales revenue.

$$\text{Gross Profit Ratio} = \frac{\text{Gross profit}}{\text{Net Revenue from Operations}} \times 100$$

Gross Profit = Net Revenue from Operations - Cost of Revenue from Operations  
= ₹ 2,00,000 - ₹ 1,22,000 = ₹ 78,000

$$\text{Gross Profit Ratio} = \frac{78,000}{2,00,000} \times 100 = 39\%$$

**Quick ratio** is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets.

$$\text{Quick ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}} \\ = \frac{50,000}{30,000} = 1.67 : 1$$

**Working capital turnover** is a ratio that measures how efficiently a company is using its working capital to support a given level of sales.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Working Capital}}$$

Working Capital = Closing Inventory + Other Current Assets - Current Liabilities  
= ₹ 18,000 + ₹ 50,000 - ₹ 30,000 = ₹ 38,000  
=  $\frac{1,22,000}{38,000}$  = 3.21 times

**Proprietary ratio** (also known as the equity ratio) is the proportion of shareholder's equity to total assets.

$$\text{Proprietary Ratio} = \frac{\text{Shareholders' Funds}}{\text{Total Assets}}$$

Shareholder's Funds = Equity Share Capital + Preference Share Capital + General Reserve  
= ₹ 1,00,000 + ₹ 80,000 + ₹ 10,000  
= ₹ 1,90,000

Total Assets = Closing Inventory + Other Current Assets + Fixed Assets  
= ₹ 18,000 + ₹ 50,000 + ₹ 2,12,000  
= ₹ 2,80,000

$$\text{Proprietary Ratio} = \frac{1,90,000}{2,80,000} \times 100 = 67.86\%$$

34.

**Cash Flow Statement of Samta Ltd.  
for the year ended March 31, 2019**

Particulars	₹	₹
<b>A. Cash Flow from Operating Activities</b>		
Profit as per Statement of Profit and Loss [(1,50,000 - (-1,40,000))]	2,90,000	
Provision for Tax	45,000	
General Reserve	30,000	
<b>Profit before Taxation</b>		<b>3,65,000</b>
Items to be Added:		
Depreciation on Fixed Assets	60,000	
Loss on Fixed Assets	20,000	

Interest on Debentures (6,000 + 10,400)	16,400	
Interest on Bank Loan (2,000 + 1,600)	3,600	
Premium on Redemption of Preference Shares	5,000	
Goodwill written off	25,000	1,30,000
<b>Operating Profit before Working Capital Adjustments</b>		<b>4,95,000</b>
Less: Increase in Current Assets		
Inventories	(95,000)	
Add: Increase in Current Liabilities		
Trade Payables	10,000	(85,000)
<b>Cash Generated from Operations</b>		<b>4,10,000</b>
Less: Tax Paid		(35,000)
<b>Net Cash Flows from Operating Activities</b>		<b>3,75,000</b>
<b>B. Cash Flow from Investing Activities</b>		
Sale of Fixed Assets	20,000	
Purchase of Fixed Assets	(3,40,000)	
Purchase of Investment	(45,000)	
<b>Net Cash Used in Investing Activities</b>		<b>(3,65,000)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds form Issue of Shares Capital	1,00,000	
Proceeds from Issue of Debentures	1,10,000	
Interest on Debentures Paid	(16,400)	
Redemption of Preference Share Capital	(1,00,000)	
Premium on Redemption of Preference Share Capital	(5,000)	
Security Premium Reserve	10,000	
Repayment of Bank Loan	(10 000)	

<b>Dr.</b>	<b>Cr.</b>		
<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Balance b/d	6,20,000	By Bank A/c (Sale) ( $40,000 \times 50\%$ )	20,000
To Bank A/c (B/F)	3,40,000	By Depreciation	60,000
		By Profit and Loss A/c	20,000
		By Balance c/d	8,60,000
	<b>9,60,000</b>		<b>9,60,000</b>

ii. **Provision for Taxation Account**

<b>Dr.</b>	<b>Cr.</b>		
<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Bank A/c (B/F)	35,000	By Balance b/d	40,000
To Balance c/d	50,000	By Profit and Loss A/c	45,000
	<b>85,000</b>		<b>85,000</b>