CLASS 12 MARKING SCHEME

ACCOUNTANCY PRE-BOARD I 2024-25

SET A

1.

(b) X ₹ 5,400 and Y ₹ 3,600

Explanation: Share of profit comes to Rs.9000 which is divine in the ratio 3:2 between X and Y.

2.

(d) A is false but R is true.

Explanation: A is false but R is true.

Assertion is false because interest on drawing is charged on drawing even if firm incurred loss. interest on drawing is treated as income in the firm.

3.

(d) Statement (iv) is correct.

Explanation: Statement (iv) is correct.

Fluctuating capital account can have a positive or a negative balance.

4. **(a)** Vijay's Capital A/c Dr. 18,000 and Raman's Capital A/c Cr 18,000

Explanation: sacrifice = old share - new share

vijay = 3/5 - 3/4 = -3/20 gain

raman = 2/5 - 1/4 = 3/20 sacrifice

goodwill = 1,20,000 so 1,20,000 x 3/20 = 18,000

5. **(a)** Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

6.

(d) X's Capital A/c Dr.1,600

Explanation: Adjustment for the amount of profit and loss account:

X's capital account is to be debited with Rs.1,600 i.e. 6,000 × $\frac{8}{30}$ = 1,600 because he is gaining.

Sacrifice = Old share - New share

X = $\frac{1}{3} - \frac{6}{10} = \frac{8}{30}$ Gain

Y = $\frac{1}{3} - \frac{3}{10} = \frac{1}{30}$ Sacrifice

Z = $\frac{1}{3} - \frac{1}{10} = \frac{7}{30}$ Sacrifice

7.

(d) His Capital Account Debited with 5,000

Explanation: Revaluation loss = 10,000

Workmen compensation reserve = 80,000

Workmen compensation claim = 90,000

Revaluation loss will be distributed in old ratio and hence X's capital account will be debited by 5,000.

8.

(c) purchased

Explanation: As per the Accounting Standard 26, goodwill will be recorded in the books of accounts only when some money or money's worth is paid for it. In simple words only purchased goodwill is recorded in the books of accounts and self-generated goodwill is not recorded.

9.

(c) Credited Rs.1500

Explanation: Share of profit of T will be calculated as follows:

Profit = Rs.24,000

Profit for 3 months (from the last balance sheet till the date of his death) = 24,000 × $\frac{3}{12}$ = Rs.6,000

T's share = $\frac{4}{16}$

T’s share of profit for 3 months = 6,000 × $\frac{4}{16}$ = Rs. 1,500

Profit received by T as he died so credited in his account.

10.

(b) Both A and R are true but R is not the correct explanation of A.

Explanation: Both A and R are true but R is not the correct explanation of A.

11. **(a)** Debit to Partners’ capital/current A/c

Explanation: All accumulated profits and losses and fictitious assets (if any) given in the balance sheet, will be debited to the old partners in their old profit sharing ratio at the time of dissolution of the partnership firm.

Entry will be:

Partner's Capital / Current A/c ... Dr

To Deferred Revenue expenditure A/c

12.

(d) A is false but R is true.

Explanation: A is false but R is true.

13. **(a)** ₹ 1,60,000

Explanation:

	₹
Agreed Value of Plant & Machinery	8,00,000
Agreed Value of Stock: 2,50,000 × $\frac{160}{100}$	4,00,000
	12,00,000
Payment made: 20% by cheque	2,40,000
	9,60,000

Number of shares issued : $\frac{₹\ 9,60,000}{6}$ = ₹ 1,60,000

14.

(b) (A)

Explanation: If the Articles of the Company are silent about the rate of interest on calls-in-advance, then the rate of interest is 6% p.a. Such an interest is a charge on profits and has to be paid to the concerned shareholder even if there is no profit. Calls in advance are the amount received in advance by the company from shareholders.

15. **(a)** Under Other Current Liabilities

Explanation: When debentures become due for the redemption they are shown under the heading of Current Liabilities and subheading Other Current Liabilities. Debentures are Liability of company.

16. **(a)** Both A and R are true and R is the correct explanation of A.

Explanation: As interest is subtracted before calculating net profit before tax

17.

Particulars	**Note No.**	**Current Year (₹)**	**Foregoing (₹)**
Assets			
Non-Currents Assets			
Currents Assets			

18.

(c) Figure of net revenue from operations is assumed to be equal to 100

Explanation: Figure of net revenue from operations is assumed to be equal to 100

19.

(c) Vertical Analysis

Explanation: Vertical analysis is used for cross section analysis.Vertical analysis is analysis and review for single year. Cross section analysis is comparing 2 firms at same point of time.

20. **(a)** Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

21. **Profit and Loss Appropriation Account**
for the year ended March 31, 2023

Particulars		Amount ₹	Particulars	Amount ₹
To Interest on Capital to:			By Profit and Loss A/c (Net Profit)	4,24,000
Ram's capital	48,000			
Ravi's capital	40,000			
Yogesh's capital	32,000	1,20,000		
To Salary to Ravi's capital (₹ 7,000 × 12)		84,000		
To Salary to Yogesh's capital (₹ 10,000 × 4)		40,000		
Profit transferred to:				
Ram's capital	70,000			
Ravi's capital	40,000			
Yogesh's capital	70,000	1,80,000		
		4,24,000		**4,24,000**

W.N:

Profit available for distribution = 4,24,000 – (1,20,000 + 84,000 + 40,000) = ₹ 1,80,000

Profit sharing ratio = 4 : 2 : 3

Ram's Profit Share: = 1,80,000 × $\frac{4}{9}$ = ₹ 80,000

Ravi's Profit Share = 1,80,000 × $\frac{2}{9}$ = ₹ 40,000

Yogesh's Profit Share = 1,80,000 × $\frac{3}{9}$ = ₹ 60,000

Yogesh's Minimum Guaranteed Profit = ₹ 1,10,000 (excluding interest on capital, but including salary)

Yogesh's Minimum Guaranteed Profit (excluding salary) = 1,10,000 – 40,000 = ₹ 70,000

But, Yogesh's Actual Profit Share = ₹ 60,000

Deficiency in Yogesh's Profit Share = 70,000 – 60,000 = 10,000

This deficiency is to be borne by Ram alone.

Ram's New Profit Share = 80,000 – 10,000 = ₹ 70,000

22. Average Profit = $\frac{₹60,000 + 1,50,000 + 1,70,000 + 1,90,000 + (-)70,000}{5}$

= ₹ 1,00,000

Goodwill at 3 year's purchase = ₹ 1,00,000 × 3 = ₹ 3,00,000

<u>**Sacrifice or Gain:**</u>

Old Ratio of P, Q and R = 5 : 3 : 2

New Ratio of P, Q and R = 1 : 1 : 1

P = $\frac{5}{10} - \frac{1}{3} = \frac{15-10}{30} = \frac{5}{30}$ **(Sacrifice)**

Q = $\frac{3}{10} - \frac{1}{3} = \frac{9-10}{30} = \frac{1}{30}$ **(Gain)**

R = $\frac{2}{10} - \frac{1}{3} = \frac{6-10}{30} = \frac{4}{30}$ **(Gain)**

In th books of firm
JOURNAL

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
2023 April 1	Q's Capital A/c ($\frac{1}{30}$ of 3,00,000)	Dr.		10,000	
	R's Capital A/c ($\frac{4}{30}$ of 3,00,000)	Dr.		40,000	
	To P's Capital A/c ($\frac{5}{30}$ of 3,00,000) (Adjustment for goodwill due to change in profit sharing ratio)				50,000

23. **JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)

2023 March 31					
(i)	Ankit's Capital A/c	Dr.		32,000*	
	Bank A/c	Dr.		52,000**	
	To Realisation A/c				84,000
	(Stock taken over by Ankit, remaining sold at a profit)				
(ii)	Realisation A/c	Dr.		69,000	
	To Bank A/c				69,000
	(Payment made to creditors ₹ 32,000 + ₹ 37,000)				
(iii)	Realisation A/c	Dr.		22,000	
	To Bank A/c				22,000
	(Bobby's sister's loan paid along with interest)				
(iv)	Karan's loan A/c	Dr.		12,000	
	Realisation A/c	Dr.		500	
	To Bank A/c				12,500
	(Karan's loan settled)				

*(₹ 80,000 × $\frac{50}{100}$) - (₹ 40,000 × $\frac{20}{100}$) = ₹ 32,000.

**(₹ 80,000 × $\frac{50}{100}$) + (₹ 40,000 × $\frac{30}{100}$) = ₹ 52,000.

24. **BOOKS OF X LTD.**

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	Dr.		8,00,000	
	Land and Building A/c	Dr.		72,00,000	
	To Y Ltd. (Purchase of assets of Y Ltd.)				80,00,000
	Y Ltd.	Dr.		20,00,000	
	To Bank A/c (Part payment made through Bank)				20,00,000
	Y Ltd.	Dr.		60,00,000	
	To 6% Debentures A/c				50,00,000
	To Securities Premium Reserve A/c (Issue of 50,000 Debentures of ₹100 each at 20% premium calculated as $\frac{60,00,000}{120}$ = 50,000)				10,00,000

25. subsidy reserve is a reserve kept for providing subsidy and classified under reserves and surplus, mining rights is a long term asset and hence classified under intangible fixed assets, provision for doubtful debts is a provision meant for a short period and hence classified as short term provisions.

Sl.No.	Items	Major Headings	Sub-headings
(i)	Subsidy Reserve	Shareholder's Funds	Reserves and Surplus
(ii)	Mining Rights	Non-current Assets	Fixed Assets (Intangible assets)
(iii)	Provision for Doubtful Debts	Current Liabilities	Short-term Provisions

OR

S.No.	Item	Major Head	Sub Head
(i)	Provision for Warranties	Non-Current Liabilities	Long term Provisions
(ii)	Provision For Tax	Current Liabilities	Short-Term Provisions
(iii)	Bank overdraft	Current Liabilities	Short-Term Borrowings
(iv)	Goodwill	Non-Current Assets	Property, Plant and Equipment and Intangible Assets-Intangible Assets
(v)	Unclaimed Dividend	Current Liabilities	Other Current Liabilities
(vi)	Loose Tools	Current Assets	Inventories

26. **Comparative Statement of Profit and Loss of Mobility Ltd.**

As at 31st March 2016 and 2017

Particulars	Note No.	31.3.2016	31.3.2017	Absolute Change	Percentage Change
		₹	₹	₹	
Revenue from Operations		6,00,000	9,00,000	3,00,000	50.00%
Less: Expenses					
(a) Cost of Materials Consumed		3,60,000	4,50,000	90,000	25.00%
(b) Other Expenses		48,000	67,500	19,500	40.63%
Total Expenses		4,08,000	5,17,500	1,09,000	26.84%
Profit before tax		1,92,000	3,82,500	1,90,500	99.22%
Less: Tax		96,000	1,91,250	95,250	99.22%
Profit after tax		96,000	1,91,250	95,250	99.22%

OR

COMMON SIZE BALANCE SHEET OF G LTD. AND L LTD.

as at 31.03.2023

Particulars	Note No.	G Ltd.		L Ltd.	
		₹	% of Total	₹	% of Total
I. EQUITY AND LIABILITIES:					
(1) Shareholder’s Funds		3,00,000	50.00	4,00,000	53.33
(2) Non-Current Liabilities		2,00,000	33.33	3,00,000	40.00
(3) Current Liabilities		1,00,000	16.67	50,000	6.67
TOTAL		**6,00,000**	**100.00**	**7,50,000**	**100.00**
II. ASSETS:					
(1) Non-Current Assets					
Property, Plant and Equipment and Intangible Assets					
(i) Property, Plant and Equipment		2,50,000	41.67	3,00,000	40.00
(ii) Intangible Assets		1,50,000	25.00	1,00,000	13.33
(2) Current Assets		2,00,000	33.33	3,50,000	46.67
TOTAL		**6,00,000**	**100.00**	**7,50,000**	**100.00**

Comments: The following differences may be observed in the financial position of both the companies on the basis of above common size balance sheets of G Ltd. and L Ltd.:

i. The short-term financial position of L Ltd. is definitely better as compared to G Ltd. The current liabilities of L Ltd. are 6.67% of total funds invested whereas a proportion of current assets in these funds is 46.67%. On the other hand, the current liabilities of G Ltd. are 16.67% of total funds and current assets are 33.33% of these funds. Thus, trade payables are more secured in L Ltd.

ii. The long-term financial position also of L Ltd. is better than G Ltd. because Shareholder's Funds are 53.33% of total funds in case of L Ltd. while it is 50% in G Ltd.

iii. G Ltd. has invested more (66.67%) in non-current assets as compared to 53.33% by L Ltd.

Comments given above are not in the syllabus. They are meant only for enriched learning.

27. **Books of Anil, Bhanu and Chander**

Anil's Capital Account

Dr.							Cr.
Date	**Particulars**	**J.F.**	**₹**	**Date 2017**	**Particulars**	**J.F.**	**₹**
Oct.1	Anil's Executors		57,000	April, 1	By Balance b/d		30,000
				Oct. 1	By Reserve A/c		3,000
					By Bhanu's Capital A/c		11,250
					By Chandu's Capital A/c		7,500
					By Profit and Loss Suspense A/c		3,750
					By Interest on Capital A/c		1,500
			57,000				**57,000**

Anil's Executors Account

Dr.							Cr.
Date 2017	**Particulars**	**J.F.**	**Amount (₹)**	**Date 2017**	**Particulars**	**J.F.**	**Amount (₹)**
Oct. 1	To Bank		28,500	Oct. 1	By Anil's Capital A/c		57,000
	Balance c/d		28,500				
			57,000				**57,000**

Working Notes:

i. **Revaluation Account**

Dr.							Cr.
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
	Patents		3,000		Building		5,000
	Machinery		2,000				
			5,000				**5,000**

ii. Goodwill = Average Profit × No. of years Purchase

Average profit = $\frac{13{,}000+12{,}000+20{,}000+15{,}000}{4}$

= $\frac{60{,}000}{4}$ = 15,000

= 15,000 × 2.5 = ₹ 37,500

Anil's share of Goodwill = 37,000 × $\frac{5}{10}$ = ₹ 18,750

iii. Profit from the date of last balance sheet to date of death (April 1, 2017 to October 1, 2017) = 6 months

Profit for 6 months = ₹ 15,000 × $\frac{6}{12}$ = ₹ 7,500

Anil's share of profit = ₹ 7,500 × $\frac{5}{10}$ = ₹ 3,750

iv. Interest on Capital (April 1, 2017 to October 1, 2017)

= 30,000 × $\frac{10}{100}$ × $\frac{6}{12}$

= 1,500

28. **JOURNAL ENTRIES**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c	Dr.		10,00,000	
	To 12% Debenture Application & Allotment A/c (Application money received)				10,00,000
	12% Debenture Application & Allotment A/c	Dr.		10,00,000	
	Loss on Issue of Debentures A/c	Dr.		50,000	
	To 12% Debentures A/c				10,00,000
	To Premium on Redemption A/c (Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)				50,000
(b)	Bank A/c	Dr.		9,50,000	
	To 12% Debentures Application & Allotment A/c (Application money received)				9,50,000
	12% Debenture Application & Allotment A/c	Dr.		9,50,000	
	Loss on Issue of Debentures A/c	Dr.		1,00,000	
	To 12% Debentures A/c				10,00,000
	To Premium on Redemption A/c (Application money transferred to Debentures Account, issued at 5% discount, redeemable at 5% premium)				50,000
(c)	Bank A/c	Dr.		5,50,000	
	To 12% Debenture Application & Allotment A/c (Application money received on 5,000 debentures @ ₹ 110 each)				5,50,000
	12% Debenture Application & Allotment A/c	Dr.		5,50,000	
	To 12% Debentures A/c				5,00,000
	To Securities Premium Reserve A/c (Transfer of application money to Debentures Account, issued at a premium of 5%)				50,000
(d)	Machinery A/c	Dr.		95,000	
	To Vendor's A/c (Machinery purchased from vendor)				95,000
	Vendor's A/c	Dr.		95,000	
	Discount on issue of Debentures A/c	Dr.		5,000	
	To 14% Debentures A/c (Vendor's Account settled by the issue of 1,000 Debentures of ₹ 100 each)				1,00,000
(e)	Bank A/c	Dr.		25,000	
	To Bank Loan A/c (Loan Taken, secured by the issue of ₹ 30,000 debentures)				25,000
	Debentures Suspense A/c	Dr.		30,000	
	To 13% Debentures A/c (Issue of debentures as collateral security)				30,000

29. i. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Current Ratio = $\frac{35,000}{17,500}$ = 2 : 1

ii. Acid Test Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$

Liquid Assets = Current Assets - Inventory

= 35,000 - 15,000

= 20,000

Acid Test Ratio = $\frac{20,000}{17,500} = \frac{1.143}{1}$ = 1.143 : 1

iii. Operating Ratio = $\frac{\text{(Cost of Goods Sold + Operating Expenses)}}{\text{Net Revenue from Operations}} \times 100$

= $\frac{(30,000+20,000)}{60,000} \times 100$

= $\frac{50,000}{60,000} \times 100$ = 83.33%

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

Gross Profit = Net Revenue from Operations - Cost of Goods Sold

= 60,000 - 30,000

= 30,000

Gross Profit Ratio = $\frac{30,000}{60,000} \times 100$ = 50%

OR

The **debt-to-equity (D/E) ratio** is calculated by dividing a company's total liabilities by its shareholder equity.

Debt - Equity Ratio = $\frac{\text{Long − term Debts (Note 1)}}{\text{Shareholders' Funds (Note 2)}}$

= $\frac{5,00,000}{21,00,000}$ = 0.238: 1

Notes:

Long-term Debts = 12% Debentures = Rs. 5,00,000

Shareholders' Funds = Equity Share Capital + Reserves and Surplus

= Rs. 15,00,000 + Rs. 6,00,000

= Rs. 21,00,000

The **proprietary ratio** (also known as net worth ratio or equity ratio) is used to evaluate the soundness of the capital structure of a company.

Proprietary Ratio = $\frac{\text{Shareholders' Funds}}{\text{Total Assets}} = \frac{21,00,000}{40,00,000}$ = 0.525: 1

The **debt to total assets ratio** is an indicator of a company's financial leverage. It is the total amount of a company's liabilities divided by the total amount of the company's assets.

Total Assets to Debt Ratio = $\frac{\text{Total Assets}}{\text{Long − term Debts}} = \frac{40,00,000}{5,00,000}$ = 8: 1

30. **REVALUATION ACCOUNT**

Dr.			**Cr.**
Particulars	**Rs.**	**Particulars**	**Rs.**
To Stock (wn1)	11400	By land & building	75000
To provision for doubtful debtors (wn2)	5100		
To profit transferred to A's Capital A/c (1/3) 19,500 B's Capital A/c (1/3) 19,500 C's Capital A/c (1/3)19,500	58,500		
	75000		75000

CAPITAL ACCOUNTS OF PARTNERS

Particulars	**Rashmi Rs.**	**Pooja Rs.**	**Santosh Rs.**	**Particulars Rs.**	**Rashmi Rs.**	**Pooja Rs.**	**Santosh Rs.**
To Advertisement Suspense A/c	1000	1000	1000	By Balance c/d	217000	166000	90000
				By profit on Revaluation	19500	19500	19500
To goodwill (117000×1/3) to	39000	39000	39000	By General Reserve (18000×1/3)=	6000	6000	6000

each partner				6000 to each			
To Current A/c	122500	71500		By Premium A/c (60000 × 1/3) each partner	20000	20000	20000
To Balance c/d	100000	100000	100000	By Current A/c			4500
	262500	211500	140000		262500	211500	140000

BALANCE SHEET OF M/S A, B & C as at 31st march 2002

Dr.				**Cr**
Liabilities	**Rs.**	**Assets**		**Rs.**
Sundry creditors	27000	Cash at bank		172000
Employees' Provident Fund	6000	Debtors	102000	
Bills Payable	45000	Less : Provision	5100	96900
A's Capital	100000	Mr. X		
B's Capital	100000	Stock		102600
C's Capital	100000	Furniture & Fixtures		24000
D's Capital	100000	Plant & Machinery		72000
A's Current A/c	122500	Land & Building		200000
B's Current A/c	71500	C's Current A/c		4500
	6,72,000			6,72,000

WORKING NOTES:

1. provision for stock @ 10% = 11400

11400 ×10% = 1140

2. Provision for debts @5% = 10200 @ 5% = 5100

31. **In the books of Gita and Garv**

Dr.		**Revaluation A/c**		**Cr.**
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**
			By Stock A/c	16,000
			By Building A/c	1,00,000
			By Investments A/c	4,000
To Profit on revaluation transfer to:				
Gita’s Capital A/c	36,000			
Radha’s Capital A/c	60,000			
Garv’s Capital A/c	24,000	1,20,000		
		<u>1,20,000</u>		<u>1,20,000</u>

Partner’s Capital A/c

Dr.							**Cr.**
Particulars	**Gita (₹)**	**Radha (₹)**	**Garv (₹)**	**Particulars**	**Gita (₹)**	**Radha (₹)**	**Garv (₹)**
To Radha’s Capital A/c	90,000		60,000	By balance b/d	3,00,000	2,00,000	1,00,000
To Radha’s Loan A/c		4,30,000		By Gita’s Capital A/c		90,000	
To balance c/d	3,00,000		2,00,000	By Garv’s Capital A/c		60,000	
				By General Reserve A/c	12,000	20,000	8,000

				By Revaluation A/c	36,000	60,000	24,000
				By Current A/c	42,000		1,28,000
	3,90,000	4,30,000	2,60,000		3,90,000	4,30,000	2,60,000

Working Notes:

i. **Calculation of Radha's Share of Goodwill on her retirement**

Goodwill of the firm on retirement	= ₹ 3,00,000
Radha's Share of Goodwill of firm	= ₹ (3,00,000$\times \frac{5}{10}$) = ₹ 1,50,000

Gaining ratio will be the same as the new profit-sharing ratio i.e. 3: 2

ii. Adjustment of Capital of partners

Total Capital of the new firm after retirement	= ₹ 5,00,000
Gita's New Capital	= ₹ (5,00,000 $\times \frac{3}{5}$) = ₹ 3,00,000
Garv's New Capital	= ₹ (5,00,000 $\times \frac{2}{5}$) = ₹ 2,00,000

Existing Capitals of Gita and Garv are ₹ 2,58,000 and ₹ 72,000

Amount to be debited to Gita's Current A/c	= New Capital – Old Capital
	= ₹ (3,00,000 – 2,58,000) = ₹ 42,000
Amount to be debited to Garv's Current A/c	= New Capital – Old Capital
	= ₹ (2,00,000 – 72,000) = ₹ 1,28,000

Balance Sheet as at 31st March 2019

Liabilities		**Amount (₹)**	**Assets**		**Amount (₹)**
Sundry Creditors		60,000	Stock		96,000
Radha's Loan A/c		4,30,000	Building		6,00,000
Capital A/c's of partner			Debtors		40,000
Gita	3,00,000		Current A/c's of partner		
Garv	2,00,000	5,00,000	Gita	42,000	
			Garv	1,28,000	1,70,000
			Cash		84,000
			(50,000 + 34,000)		
		9,90,000			9,90,000

OR

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)				
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
		62,200			**62,200**
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

		43,750			**43,750**
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
		32,700			**32,700**
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
		21,650			**21,650**
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
		10,600			**10,600**

Notes:

i. Total amount due to B9s Executor’s is ₹ 40,000 payable in 4 instalments. Hence, yearly instalment = 40,000 ÷ 4 = ₹ 10,000 plus interest.

32. **REALISATION ACCOUNT**

Dr.					**Cr.**
Particulars		**₹**	**Particulars**		**₹**
To Plant and Machinery A/c		20,000	By Creditors A/c		60,000
To Prepaid Insurance A/c		1,200	By Repairs and Renewals Reserve A/c		4,000
To Stock		60,000	By Bank Loan A/c		20,000
To 100 shares in D.T.M. Ltd. A/c		5,000	By Bank A/c (Assets realised):		
To Sundry Debtors A/c		38,000	Sundry Debtors	38,000	
To B/R A/c		6,000	B/R	4,000	
To Bank A/c (Liabilities paid):			Stock	52,000	
Creditors (7,000 + 27,000)	34,000		Shares	6,000	1,00,000
Contingent Liability	6,000		By Loss on realisation:		
Bank Loan (20,000 + 600)	20,600	60,600	A's Capital A/c $\frac{7}{10}$	10,500	
To Bank A/c (Exp. of Realisation)		700	B's Capital A/c $\frac{3}{10}$	4,500	15,000
To Bank A/c (Tax Paid)		1,500			
To A's Capital A/c (Commission: 6% of ₹ 1,00,000)		6,000			
		1,99,000			**1,99,000**

CAPITAL ACCOUNTS

Dr.					**Cr.**
Particulars	**A**	**B**	**Particulars**	**A**	**B**
	₹	**₹**		**₹**	**₹**
To Drawing A/c	5,000		By Balance b/d	50,000	20,000

To Advertisement Suspense A/c	7,000	3,000	By Realisation A/c (Commission)	6,000	
To Realisation A/c (Loss)	10,500	4,500			
To Bank A/c (Final Payment)	33,500	12,500			
	56,000	**20,000**		**56,000**	**20,000**

BANK ACCOUNT

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	8,800	By Realisation A/c (Liabilities paid: ₹ 34,000 + ₹ 6,000 + ₹ 20,600)	60,600
To Realisation A/c (Assets realised)	1,00,000	By Realisation A/c (Exp.)	700
		By Realisation A/c (Tax)	1,500
		By A's Capital A/c	33,500
		By B's Capital A/c	12,500
	1,08,800		**1,08,800**

33. **CASH BOOK**

Particulars	**₹**	**Particulars**	**₹**
To Share Application A/c	25,00,000	By Share Application A/c	
To Share A llom ent A/c	7,99,300	(20,000 Shares × ₹5)	1,00,000
To Share First and Final Call A/c		By Balance c/d	40,02,100
(₹8,00,000 - 400 shares × ₹ 2)	7,99,200		
To Share Capital A/c (400 Shares × ₹9)			
	3,600		
	41,02,100		**41,02,100**

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Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Share Application A/c (Transfer of application money)	Dr.		24,00,000	
	To Share Capital A/c				20,00,000
	To Share Allotment A/c				4,00,000
	Share Allotment A/c	Dr.		12,00,000	
	To Share Capital A/c (Allotment money due on 4,00,000 shares @ ₹ 3)				12,00,000
	Share First and Final Call A/c	Dr.		8,00,000	
	To Share Capital A/c (First and final call due on 4,00,000 shares @ ₹2)				8,00,000
	Share Capital A/c	Dr.		4,000	
	To Share Allotment A/c				700
	To Share First and Final Call A/c				800
	To Share Forfeiture A/c (Forfeiture of 400 shares for non-payment of allotment and first & final call money)				2,500

	Share Forfeiture A/c	Dr.		400	
	To Share Capital A/c (Loss on reissue of 400 shares)				400
	Share Forfeiture A/c Dr.			2,100	
	To Capital Reserve A/c (Transfer of profit on reissue)				2,100

Working Notes:

Scheme of Allotment:

Applied for	Allotted
20.000 Shares	Nil
80.000 Shares	80.000 Shares
Balance 4,00,000 Shares	Balance 3,20,000 Shares
Total 5,00,000 Shares	Total 4,00,000 Shares

1. Excess amount received from the holder of 400 shares on application:
   The shareholder who has been allotted 400 shares must have applied for more shares.
   If shares allotted were 3,20,000, shares applied for were = 4,00,000
   If shares allotted were 400, shares applied for were = $\frac{4,00,000}{3.20,000} \times 400$ = 500 shares
   Excess application money received from him:
   500 shares - 400 shares = 100 shares × ₹ 5 = ₹ 500
2. Amount due on allotment on these shares = 400 shares × ₹3 = ₹ 1,200
   Less: Excess received on these shares on application = ₹ 500
   Amount not received on allotment = 700
3. Amount received on allotment:

Total amount due on allotment = 4,00,000 shares × ₹3	12,00,000
Less: Excess received on application	4,00,000
	8,00,000
Less: Amount not received on allotment	700
Net amount received on allotment in cash	7,99,300

34. **Cash Flow Statement**

for the year ending 31st March,2023

	Particulars	**₹**	**₹**
I.	**Operating Activities:**		
	Net Profit (before Tax and Extraordinary Items)		2,00,000
	(+) Depreciation on Machinery [W.N.(ii)]	1,32,000	
	(+) Loss on Sale of Machinery	4,000	
	(+) Goodwill Amortized	1,44,000	2,80,000
	Operating Profit before Change in Working Capital		**4,80,000**
	(-) Increase in Current Assets and Decrease in Current Liabilities		
	Decrease in Trade Payables	(50,000)	
	Decrease in Short-term Provisions	(54,000)	
	Increase in Inventories	(16,000)	
	Increase in Trade Receivables	(54,000)	(1,74,000)

	Net Cash Flow from Operating Activities (I)		**3,06,000**
II.	**Investing Activities :**		
	Machinery Purchased	(5,88,000)	
	Machinery Sold	12,000	(5,76,000)
	Net Cash Flow used in Investing Activities (II)		**(5,76,000)**
III.	**Financing Activities :**		
	Issue of Shares	2,00,000	
	Loan Taken	1,40,000	3,40,000
	Net Cash Flow from Financing Activities (III)		**3,40,000**
	Net Cash Flow [I + II + III]		**70,000**
	(+) Opening Cash and Cash Equivalent (Cash 7,50,000 + Current Investments 3,00,000)		10,50,000
	Closing Cash and Cash Equivalent (Cash 6,40,000 + Current Investments 4,80,000)		11,20,000

Working Notes :

(i) Machinery Account

Particulars	₹	Particulars	₹
To Balance b/d	20,00,000	By Provision for Depreciation A/c	32,000
To Bank A/c (Purchase)	5,88,000	By Bank A/c (Sale)	12,000
(Balancing figure)		By Statement of Profit and Loss (Loss)	4,000
		By Balance c/d	25,40,000
	25,88,000		**25,88,000**

(ii) Provision for Depreciation Account

Particulars	₹	Particulars	₹
To Machinery A/c (Depreciation on Machinery sold)	32,000	By Balance b/d	3,00,000
	4,00,000	By Depreciation A/c (Statement of Profit and Loss)	1,32,000
		(Balancing figure)	
	4,32,000		**4,32,000**

OR

CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹	₹
Purchase of Plant and Machinery	(2,70,000)	
Purchase of Investment	(1,00,000)	
Purchase of Goodwill	(50,000)	
Rent Received	20,000	
Dividend Received (1,50,000 × 12%)	18,000	
Sale of Plant and Machinery	35,000	
Sale of Investment	80,000	
Interest on Investments	6,000	
Sale of Patents	20,000	
Net Cash Used in Investing Activities		**(2,41,000)**

W.N. 1

Patents Account

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	1,00,000	By Profit and Loss A/c	20,000
To Profit and Loss A/c	10,000	By Bank A/c (Bal. Fig.)	20,000
		By Balance c/d	70,000
	1,10,000		**1,10,000**

WN 3:

12% Long-Term Investment Account

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	50,000	By Bank A/c (Bal. Fig.)	80,000
To Bank A/c	1,00,000	By Balance c/d	80,000
To Profit and Loss A/c	10,000		
	1,60,000		**1,60,000**

WN 3:

Plant and Machinery Account

Dr.			Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	6,00,000	By Depreciation A/c	70,000
To Bank A/c (Bal. Fig)	2,70,000	By Bank A/c	35,000
		By Profit and Loss A/c	15,000
		By Balance c/d	7,50,000
	8,70,000		**8,70,000**