

CLASS - 12 MARKING SCHEME
ACCOUNTANCY PRE-BOARD I 2024-25

1. **(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.
2. **(d)** Statement (iv) is correct.
Explanation: Statement (iv) is correct.
 Fluctuating capital account can have a positive or a negative balance.
3. **(b)** X ₹5,400 and Y ₹3,600
Explanation: Share of profit comes to Rs. 9000 which is divided in the ratio 3:2 between X and Y.
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
 $\text{vijay} = \frac{3}{5} - \frac{3}{4} = -\frac{3}{20}$ gain
 $\text{raman} = \frac{2}{5} - \frac{1}{4} = \frac{3}{20}$ sacrifice
 $\text{goodwill} = 1,20,000 \text{ so } 1,20,000 \times \frac{3}{20} = 18,000$
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. $6,000 \times \frac{8}{30} = 1,600$ because he is gaining.
 Sacrifice = Old share - New share

$$\begin{aligned} X &= \frac{1}{3} - \frac{6}{10} = -\frac{8}{30} \text{ Gain} \\ Y &= \frac{1}{3} - \frac{2}{10} = \frac{1}{15} \text{ Sacrifice} \\ Z &= \frac{1}{3} - \frac{1}{10} = \frac{7}{30} \text{ Sacrifice} \end{aligned}$$
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)** 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) = $24,000 \times \frac{3}{12} = \text{Rs. } 6,000$
 T's share = $\frac{4}{16}$
 T's share of profit for 3 months = $6,000 \times \frac{4}{16} = \text{Rs. } 1,500$
 Profit received by T as he died so credited in his account.
9. **(c)** purchased
Explanation: As per the Accounting Standard 26, goodwill will be recorded in the books of account 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.

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: $2,50,000 \times \frac{160}{100}$	<u>4,00,000</u>
	12,00,000
Payment made: 20% by cheque	<u>2,40,000</u>
	<u>9,60,000</u>

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 sub-heading 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

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

20.

(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.

$$21. \text{Average Profit} = \frac{₹60,000 + 1,50,000 + 1,70,000 + 1,90,000 + (-)70,000}{5}$$

$$= ₹1,00,000$$

$$\text{Goodwill at 3 year's purchase} = ₹1,00,000 \times 3 = ₹3,00,000$$

Sacrifice or Gain:

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

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

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

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

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

In the 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

22. **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	<u>32,000</u>		
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	<u>70,000</u>		
	4,24,000		4,24,000

W.N:

$$\text{Profit available for distribution} = 4,24,000 - (1,20,000 + 84,000 + 40,000) = ₹1,80,000$$

$$\text{Profit sharing ratio} = 4:2:3$$

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

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

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

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

$$\text{Yogesh's Minimum Guaranteed Profit (excluding salary)} = 1,10,000 - 40,000 = ₹70,000$$

$$\text{But, Yogesh's Actual Profit Share} = ₹60,000$$

$$\text{Deficiency in Yogesh's Profit Share} = 70,000 - 60,000 = 10,000$$

This deficiency is to be borne by Ram alone.

$$\text{Ram's New Profit Share} = 80,000 - 10,000 = ₹70,000$$

23. **JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
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2023March31				
(i)	Ankit'sCapitalA/c	Dr.	32,000*	
	BankA/c	Dr.	52,000**	
	ToRealisationA/c			84,000
	(StocktakenoverbyAnkit,remainingsoldataprofit)			
(ii)	RealisationA/c	Dr.	69,000	
	To Bank A/c			69,000
	(Paymentmadetocreditors₹32,000+₹37,000)			
(iii)	RealisationA/c	Dr.	22,000	
	To Bank A/c			22,000
	(Bobby'ssister'sloanpaidalongwithinterest)			
(iv)	Karan'sloanA/c	Dr.	12,000	
	RealisationA/c	Dr.	500	
	To Bank A/c			12,500
	(Karan'sloansettled)			

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

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

24.

BOOKS OF XLTD.
JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	PlantandMachineryA/c	Dr.	8,00,000	
	LandandBuildingA/c	Dr.	72,00,000	
	ToYLtd. (PurchaseofassetsofYLtd.)			80,00,000
	YLtd.	Dr.	20,00,000	
	To Bank A/c (PartpaymentmadethroughBank)			20,00,000
	YLtd.	Dr.	60,00,000	
	To6%DebenturesA/c			50,00,000
	ToSecuritiesPremiumReserveA/c (Issueof50,000Debenturesof₹100eachat20%premiumcalculatedas $\frac{60,00,000}{120}$ 50,000)			10,00,000

25.

ComparativeStatementofProfitandLossofMobilityLtd.

Asat31stMarch2016and2017

Particulars	NoteNo.	31.3.2016	31.3.2017	AbsoluteChange	PercentageChange
		₹	₹	₹	
RevenuefromOperations		6,00,000	9,00,000	3,00,000	50.00%
Less:Expenses					
(a)CostofMaterialsConsumed		3,60,000	4,50,000	90,000	25.00%
(b)OtherExpenses		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.	GLtd.		LLtd.	
		₹	% 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.:

- 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.
- 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.
- 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.

26. 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-CurrentAssets	Property, Plant and Equipment and Intangible Assets-Intangible Assets
(v)	UnclaimedDividend	CurrentLiabilities	OtherCurrentLiabilities
(vi)	LooseTools	CurrentAssets	Inventories

27.

JOURNALENTRIES

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
(a)	BankA/c	Dr.		10,00,000	
	To 12% Debenture Application & Allotment A/c (Application money received)				10,00,000
	12%DebentureApplication&AllotmentA/c	Dr.		10,00,000	
	LossonIssueofDebenturesA/c	Dr.		50,000	
	To12%DebenturesA/c				10,00,000
	ToPremiumonRedemptionA/c (Transfer of application money to Debentures Account, issued at par, but redeemable at a premium of 5%)				50,000
(b)	BankA/c	Dr.		9,50,000	
	To 12% Debentures Application & Allotment A/c (Application money received)				9,50,000
	12%DebentureApplication&AllotmentA/c	Dr.		9,50,000	
	LossonIssueofDebenturesA/c	Dr.		1,00,000	
	To12%DebenturesA/c				10,00,000
	ToPremiumonRedemptionA/c (Application money transferred to Debentures Account, issued at 5% discount, redeemable at 5% premium)				50,000
(c)	BankA/c	Dr.		5,50,000	
	To12%DebentureApplication&AllotmentA/c (Applicationmoneyreceivedon5,000debentures@₹110each)				5,50,000
	12%DebentureApplication&AllotmentA/c	Dr.		5,50,000	
	To12%DebenturesA/c				5,00,000
	ToSecuritiesPremiumReserveA/c (TransferofapplicationmoneytoDebenturesAccount,issuedatapremiumof5%)				50,000
(d)	MachineryA/c	Dr.		95,000	
	ToVendor'sA/c (Machinerypurchasedfromvendor)				95,000
	Vendor'sA/c	Dr.		95,000	
	DiscountonissueofDebenturesA/c	Dr.		5,000	
	To14%DebenturesA/c (Vendor'sAccountsettledbytheissueof1,000Debenturesof₹100each)				1,00,000

(e)	BankA/c	Dr.		25,000	
	ToBankLoanA/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

28.

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

$$\text{Average profit} = \frac{13,000 + 12,000 + 20,000 + 15,000}{4} = \frac{60,000}{4} = 15,000$$

$$= 15,000 \times 2.5 = ₹37,500$$

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

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

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

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

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

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

$$= 1,500$$

29. i. $\text{CurrentRatio} = \frac{\text{CurrentAssets}}{\text{CurrentLiabilities}}$
 $\text{CurrentRatio} = \frac{35,000}{17,500} = 2:1$
- ii. $\text{AcidTestRatio} = \frac{\text{LiquidAssets}}{\text{CurrentLiabilities}}$
 $\text{LiquidAssets} = \text{CurrentAssets} - \text{Inventory}$
 $= 35,000 - 15,000$
 $= 20,000$
 $\text{AcidTestRatio} = \frac{20,000}{17,500} = 1.143$
 $= 1.143:1$
- iii. $\text{OperatingRatio} = \frac{(\text{Cost of Goods Sold} + \text{Operating Expenses})}{\text{Net Revenue from Operations}} \times 100$
 $= \frac{(30,000 + 20,000)}{60,000} \times 100$
 $= \frac{50,000}{60,000} \times 100 = 83.33\%$
- iv. $\text{GrossProfitRatio} = \frac{\text{GrossProfit}}{\text{NetRevenuefromOperations}} \times 100$
 $\text{GrossProfit} = \text{NetRevenuefromOperations} - \text{CostofGoodsSold}$
 $= 60,000 - 30,000$
 $= 30,000$
 $\text{GrossProfitRatio} = \frac{30,000}{60,000} \times 100 = 50\%$

OR

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

$$\text{Debt-EquityRatio} = \frac{\text{Long-termDebts (Note1)}}{\text{Shareholders' Funds (Note2)}}$$

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

Notes:

Long-termDebts = 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.

$$\text{ProprietaryRatio} = \frac{\text{Shareholders' Funds}}{\text{TotalAssets}} = \frac{21,00,000}{40,00,000} = 0.525:1$$

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.

$$\text{TotalAssets to DebtRatio} = \frac{\text{TotalAssets}}{\text{Long-termDebts}} = \frac{40,00,000}{5,00,000} = 8:1$$

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	58,500		
C's Capital A/c (1/3) 19,500			
	75000		75000

CAPITAL ACCOUNTS OF PARTNERS

Particulars	Rashmi Rs.	Pooja Rs.	Santosh Rs.	Particulars Rs.	Rashmi Rs.	Pooja Rs.	Santosh Rs.
To Advertisement	1000	1000	1000	By Balance c/d	217000	166000	90000
Suspense A/c				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:

- provision for stock @ 10% = 11400
11400 × 10% = 1140
- 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	= $\frac{₹(3,00,000 \times \frac{5}{10})}{10}$ = ₹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	= $\frac{₹(5,00,000 \times \frac{3}{5})}{5}$ = ₹3,00,000
Garv's New Capital	= $\frac{₹(5,00,000 \times \frac{2}{5})}{5}$ = ₹2,00,000

Existing Capital 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 of partner			Debtors		40,000
Gita	3,00,000		Current A/c 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 A/c)				
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
2016June30	To Bank A/c (10,00+1,350+450)	11,8000	2016April1	ByBalanceb/d	31,350
2017March31	ToBalancec/d	20,900	2016June30	ByInterestA/c $30,000 \times \frac{6}{100} \times \frac{3}{12}$	450
			2017March31	ByInterestA/c $20,000 \times \frac{6}{100} \times \frac{9}{12}$	900
		32,700			32,700
2017June30	ToBankA/c(10,000+900+300)	11,200	2017April1	ByBalanceb/d	20,900
2018March31	ToBalancec/d	10,450	2017June30	ByInterestA/c $20,000 \times \frac{6}{100} \times \frac{3}{12}$	300
			2018March31	ByInterestA/c $10,000 \times \frac{6}{100} \times \frac{9}{12}$	450
		21,650			21,650
2018June30	ToBankA/c(10,000+450+150)	10,600	2018April1	ByBalanceb/d	10,450
			2018June30	ByInterestA/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 = $40,000 \div 4 = ₹ 10,000$ plus interest.

32.

REALISATIONACCOUNT

Dr.			Cr.		
Particulars		₹	Particulars		₹
ToPlantandMachineryA/c		20,000	ByCreditorsA/c		60,000
ToPrepaidInsuranceA/c		1,200	By Repairs and Renewals Reserve A/c		4,000
ToStock		60,000	ByBankLoanA/c		20,000
To100sharesinD.T.M.Ltd.A/c		5,000	ByBankA/c(Assetsrealised):		
ToSundryDebtorsA/c		38,000	SundryDebtors	38,000	
ToB/RA/c		6,000	B/R	4,000	
ToBankA/c(Liabilitiespaid):			Stock	52,000	
Creditors(7,000+27,000)	34,000		Shares	<u>6,000</u>	1,00,000
ContingentLiability	6,000		ByLossonrealisation:		
BankLoan(20,000+600)	<u>20,600</u>	60,600	A'sCapitalA/c ² ₁₀	10,500	
ToBankA/c(Exp.ofRealisation)		700	B'sCapitalA/c ³ ₁₀	<u>4,500</u>	15,000
To Bank A/c (Tax Paid)		1,500			
To A's Capital A/c (Commission: 6% of ₹ 1,00,000)		6,000			
		<u>1,99,000</u>			<u>1,99,000</u>

CAPITALACCOUNTS

Dr.			Cr.		
Particulars	A	B	Particulars	A	B
	₹	₹		₹	₹
ToDrawingA/c	5,000		ByBalanceb/d	50,000	20,000

ToAdvertisementSuspenseA/c	7,000	3,000	ByRealisationA/c(Commission)	6,000	
ToRealisationA/c(Loss)	10,500	4,500			
ToBankA/c(FinalPayment)	33,500	12,500			
	<u>56,000</u>	<u>20,000</u>		<u>56,000</u>	<u>20,000</u>

BANKACCOUNT

Dr.		Cr.	
Particulars	₹	Particulars	₹
ToBalanceb/d	8,800	ByRealisationA/c(Liabilitiespaid:₹34,000+₹6,000+₹20,600)	60,600
ToRealisationA/c(Assetsrealised)	1,00,000	ByRealisationA/c(Exp.)	700
		ByRealisationA/c(Tax)	1,500
		ByA'sCapitalA/c	33,500
		ByB'sCapitalA/c	12,500
	<u>1,08,800</u>		<u>1,08,800</u>

33.

CashFlowStatement

fortheyearendng31stMarch,2023

Particulars		₹	₹
I. OperatingActivities:			
NetProfit(beforeTaxandExtraordinaryItems)			2,00,000
(+)DepreciationonMachinery[W.N.(ii)]		1,32,000	
(+)LossonSaleofMachinery		4,000	
(+)GoodwillAmortized		<u>1,44,000</u>	<u>2,80,000</u>
OperatingProfitbeforeChangeinWorkingCapital			4,80,000
(-)IncreaseinCurrentAssetsandDecreaseinCurrentLiabilities			
DecreaseinTradePayables		(50,000)	
DecreaseinShort-termProvisions		(54,000)	
IncreaseinInventories		(16,000)	
IncreaseinTradeReceivables		(54,000)	(1,74,000)
NetCashFlowfromOperatingActivities(I)			<u>3,06,000</u>
II. InvestingActivities:			
MachineryPurchased		(5,88,000)	
MachinerySold		<u>12,000</u>	<u>(5,76,000)</u>
NetCashFlowusedinInvestingActivities(II)			<u>(5,76,000)</u>
III. FinancingActivities:			
IssueofShares		2,00,000	
LoanTaken		<u>1,40,000</u>	<u>3,40,000</u>
NetCashFlowfromFinancingActivities(III)			<u>3,40,000</u>
NetCashFlow[I+II+III]			70,000
(+)OpeningCashandCashEquivalent(Cash7,50,000+CurrentInvestments3,00,000)			10,50,000

Closing Cash and Cash Equivalent (Cash 6,40,000 + Current Investments 4,80,000)	11,20,000
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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
	<u>25,88,000</u>		<u>25,88,000</u>

(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)	
	<u>4,32,000</u>		<u>4,32,000</u>

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	<u>20,000</u>	
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
	<u>1,10,000</u>		<u>1,10,000</u>

WN3:

12% Long-Term Investment Account

Dr.		Cr.	
Particulars	₹	Particulars	₹

ToBalanceb/d	50,000	ByBankA/c(Bal.Fig.)	80,000
To Bank A/c	1,00,000	ByBalancec/d	80,000
ToProfitandLossA/c	10,000		
	1,60,000		1,60,000

WN3:

PlantandMachineryAccount

Dr.		Cr.	
Particulars	₹	Particulars	₹
ToBalanceb/d	6,00,000	ByDepreciationA/c	70,000
ToBankA/c(Bal.Fig)	2,70,000	ByBankA/c	35,000
		ByProfitandLossA/c	15,000
		ByBalancec/d	7,50,000
	8,70,000		8,70,000

34.

CASHBOOK

Particulars	₹	Particulars	₹
ToShareApplicationA/c	25,00,000	ByShareApplicationA/c	
ToShareAllomentA/c	7,99,300	(20,000Shares×₹5)	1,00,000
ToShareFirstandFinalCallA/c		ByBalancec/d	40,02,100
(₹8,00,000-400shares×₹2)	7,99,200		
ToShareCapitalA/c (400 Shares × ₹9)			
	3,600		
	41,02,100		41,02,100

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Share Application A/c(Transfer of application money)	Dr.		24,00,000	
	ToShareCapitalA/c				20,00,000
	ToShareAllotmentA/c				4,00,000
	ShareAllotmentA/c	Dr.		12,00,000	
	ToShareCapitalA/c (Allotmentmoneydueon4,00,000shares@₹3)				12,00,000
	ShareFirstandFinalCallA/c	Dr.		8,00,000	
	ToShareCapitalA/c (Firstandfinalcalldueon4,00,000shares@₹2)				8,00,000
	ShareCapitalA/c	Dr.		4,000	
	ToShareAllotmentA/c				700
	ToShareFirstandFinalCallA/c				800
	ToShareForfeitureA/c (Forfeitureof400sharesfornon-paymentofallotmentandfirst&finalcallmoney)				2,500

	ShareForfeitureA/c	Dr.		400	
	ToShareCapitalA/c (Loss on reissue of 400 shares)				400
	ShareForfeitureA/cDr.			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 $\times ₹5 = ₹500$

2. Amount due on allotment on these shares = 400 shares $\times ₹3 = ₹1,200$

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 $\times ₹3$	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