

QUESTIONS FOR PRACTICE SOLUTIONS

CHAPTER–1: Financial Statements of Not-for-Profit Organisations

Short Answer Questions

1. Calculation of Medicine consumed

		(₹)
Opening Stock of Medicines		86,000
<i>Add:</i> Payment for medicines	5,10,000	
<i>Add:</i> Advance to supply of medicines (1.4.2018)	26,000	
<i>Add:</i> Creditor for medicines (31.3.2019)	<u>29,000</u>	5,65,000
		<u>6,51,000</u>
<i>Less:</i> Creditor for medicines (1.4.2018)	34,000	
<i>Less:</i> Closing stock of Medicines	39,000	
<i>Less:</i> Advance to supply of medicines (31.3.19)	<u>32,000</u>	1,05,000
Amount of Medicines consumed during the year		<u>5,46,000</u>

2. Calculation of Medicine consumed:

		(₹)
Opening Stock of Medicines		25,000
<i>Add:</i> Payment for Medicines during the year		1,00,000
<i>Add:</i> Creditors for medicines (31st March 2018)		<u>28,000</u>
		1,53,000
<i>Less:</i> Closing Stock for Medicines	20,000	
<i>Less:</i> Creditors for Medicines (31st March 2017)	<u>15,000</u>	35,000
Medicines consumed		<u>1,18,000</u>

3. Calculation of Stationery consumed:

		(₹)
Opening Stock of Stationery		8,000
<i>Add:</i> Purchases stationery during the year		<u>47,000</u>
		55,000
<i>Less:</i> Closing Stock for Stationery		6,000
Stationery consumed		<u>49,000</u>

	(₹)
Match Fund (as on 31st March 2009)	17,000
Add: Donation for Match Fund	9,000
Add: Sale of Match Ticket	3,000
	29,000
Less: Match exp. paid	30,000
Loss from Match Fund	(1000)

Income and Expenditure Account

(for the year ended 31st March 2010)

Dr.

Cr.

Expenditure	(₹)	Incomes	(₹)
To Loss on Match Fund	1,000		

5

Particulars	(₹)
Subscriptions received during the year 2017-18	2,65,000
Add: Received in advance on 31st March, 2017	12,000
	2,77,000
Less: Received in advance on 31st March, 2018	30,000
	2,47,000
Less: Outstanding on 31st March, 2017	40,000
	2,07,000
Less: Total Subscriptions to be shown in Income & Expenditure A/c: (250 members × ₹1,000)	2,50,000
Subscriptions Outstanding as on 31st March, 2018	43,000

6.

Income and Expenditure Account

(for the year ended 31st March, 2011)

Dr.

Cr.

Expenditures	(₹)	Incomes	(₹)
To Salary	2200	By Subscription	25,500
Add Outstanding	200	By Entrance Fee	2000
	2,400	By Donation (3000 – 1000)	2000
To Rent	800	By Hall Rent	2,500
To Electricity	3,500	By Interest on F.D.	195
To Taxes	2,600	(13000 × 2/12 × 9/100)	
To Printing and Stationery	800		
To Loss on sale of book	500		
To Surplus	21,595		
	32,195		32,195

7.	Subscription Received during the year		2,45,000
	Add: Advance subscription (31st March 2017)		24,500
	Add: Outstanding subscription (For the year ended 31-3-2018)		23,100
			<u>2,92,600</u>
	Less: Outstanding Subscription received (31-3--2017)	14000	
	Less: Advance Subscription received (31-3-2018)	<u>26,400</u>	40,400
	Amount credited to Income and Expenditure Account		<u>2,52,200</u>
8.	Subscription Received during the year		50,000
	Add: Subscription received in Advance (31-3-2020)		8,000
	Add: Subscription Outstanding (31-3-2021)		<u>6,000</u>
			64,000
	Less: Subscription received for (2019--20)	18,500	
	Less: Subscription received in Advance (31-3-2021)	<u>9,000</u>	27,500
	Amount to be credited in Income and Expenditure A/c		<u>36,500</u>
9.	Subscription Received during the year		2,85,000
	Add: Subscription Outstanding (31-3-2011)		9,000
	Add: Subscription received in Advance (31-3-2010)		<u>8,000</u>
			3,02,000
	Less: Subscription Outstanding (31-3-2010)	12,000	
	Less: Subscription received in Advance (31-3-2011)	<u>7,000</u>	19,000
	Amount to be credited in Income and Expenditure A/c		<u>2,83,000</u>
10.	Opening stock of sport Material		2,200
	Add: Payment to supplier during the year		1,20,000
	Add: Creditor for Sport Material (31-3-2009)		9,200
	Add: Advance to Suppliers (31-3-2008)		<u>15,000</u>
			1,46,400
	Less: Closing stock of Sport Material	5,800	
	Less: Creditor for Sport Material (31-3-2008)	7,800	
	Less: Advance to suppliers (31-3-2099)	25,000	38,600
	Sport Material consumed during the year		<u>1,07,800</u>

Long Answer Questions

1.

Income and Expenditure Account

(for the year ended 31st March, 2019)

Dr.				Cr.	
Expenditures	(₹)	Incomes		(₹)	
To Loss on Sale of furniture	300	By Subscription	49,200		
To Salaries	42,500	Add: Outstanding	<u>10,800</u>	60,000	
Add: Outstanding (2018-19)	<u>4,250</u>	By Interest on Investments	650		
	46,750	Add: Accrued	<u>160</u>	810	
Less outstanding (2017-18)	<u>3,150</u>				
To Printing and Stationery	21,500				
To Depreciation on furniture (15,000 × 10/100 × 6/12)	750	By Deficit		5,340	
	<u>66,150</u>			<u>66,150</u>	

2.

Queen's Club
Income and Expenditure Account

Dr. Cr.
(For the year ended 31st March 2018)

Expenditures	(₹)	Incomes	(₹)
To Salaries	1,66,000	By Subscription	1,80,000
To Stationery consumed (72000 + 32000 – 5400)	33,800	Less: O/s (2016–17)	(12,000)
To Rent	48,000	Less: Advance for (2018-19)	(18,000)
Add: Outstanding	<u>4,000</u>	By Interest on Investment	65000
	52,000	Add Accured Interest	<u>10,000</u>
Less: Outstanding (2016-17)	<u>4,000</u>	By Donation	1,12,000
To Telephone Expenses	8,000	By Sale of Concert Tickets	2,47,000
Less prepaid	<u>2,000</u>		
To Sport Material Consumed (12,000 + 78,000 – 21,000)	69,000		
To Misc. Expenses	24,000		
To concert expenses	58,000		
To Depreciation on Building	80,000		
To Surplus	99,200		
	<u>5,84,000</u>		<u>5,84,000</u>

[Hints: 1. O/s Rent for March, 2018 = $\frac{48,000 - 4,000}{11} = 4,000$

2. Donations being not specific purpose, are credited to Income and Expenditure A/c

3. Interest on Investment:

	(₹)	
₹10,00,000 × 6/100 = 60,000	= 60,000	
₹5,00,000 × 6/100 × 6/12	= <u>15,000</u>	
Interest due	75,000	
Less: Interest received during the year	<u>65,000</u>	
Interest outstanding	10,000]	

3.

Youth Club
Income and Expenditure Account

Dr. Cr.
(for the year ended 31st March, 2010)

Expenditures	(₹)	Incomes	(₹)
To Salaries paid	105,000	By Subscription	1,79,000
To Lighting expenses	9,700	Less: Advanced (3,000)	
To Stationery	7,400	Less : O/s (PY) <u>(9,000)</u>	<u>12,000</u>
Less : O/s (PY)	<u>800</u>		1,67,000
To Misc. Expenses	23,000	Add: O/s (CY)	<u>700</u>
To Interest paid on Loan	9,200	By Net proceeds from Refreshment Rooms	49,000
Add Outstanding (3 months)	<u>3,067</u>	By Locker Rent received	5,400
	12,267		

To Rent and Rates	13,400		
Less : Prepaid	<u>2,000</u>	11,400	
To Surplus		54,133	
		<u>2,22,100</u>	<u>2,22,100</u>

4.

Gems Club

Income and Expenditure Account

(for the year ending 31st March, 2018)

Dr.

Cr.

Expenditures	(₹)	Incomes	(₹)
To Salaries	64,500	By Interest on Investment	2,400
Add: Outstanding	<u>8,000</u>	Add: Accured Interest	<u>1,600</u>
To Misc. Expenses	52,000	By Donations	17,000
To Telephone Charges	12,000	By Subscriptions	3,00,000
To Printing and Stationery (12000 + 19000 – 15000)	16,000	Add Outstanding (CY)	<u>20,000</u>
To Surplus	2,46,100		3,20,000
		Less: Advance (Next year)	<u>15,000</u>
		By Rent received	70,000
		Add Accured	<u>2,000</u>
		By Sale of old Newspaper	600
	<u>3,98,600</u>		<u>3,98,600</u>



CHAPTER–2: Reconstitution of Partnership: Retirement and Death of a Partners

Short Answer Questions

1.

In the Books of the firm

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 Feb. 1	Kavi's Capital A/c To Ravi's Capital A/c To Kumar's Capital A/c To Guru's Capital A/c (Being adjustment of Goodwill on Guru's retirement)	Dr.	81,000	18,000 18,000 45,000

Working Note:

1. Calculation of Gaining Ratio:

	Kavi	Ravi	Kumar	Guru
New Ratio	3/5	1/5	1/5	–
Old Ratio	3/8	2/8	2/8	1/8
	9/40 (Gain)	2/40 (Sacrifice)	2/40 (Sacrifice)	1/8 (Sacrifice)

2. Old Ratio = 3 : 2 : 1

Dinkar Share = 3/6, Navita Share = 2/6

Vani Share = $\frac{1}{6}$

Navita died 30 June, 2017

goods sold during the period = ₹6,00,000

$$\text{Profits} = 6,00,000 \times \frac{10}{100} = 60,000$$

$$\begin{aligned} \text{Navita share in profit} \\ = 60,000 \times \frac{2}{6} = 20,000 \end{aligned}$$

3.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
I	A's Capital A/c	Dr.	1,35,000	
	B's Capital A/c	Dr.	1,35,000	
	C's Capital A/c	Dr.	90,000	
	D's Capital A/c	Dr.	90,000	
	To Goodwill A/c (Being already appeared goodwill written off)			4,50,000
II	A's Capital A/c	Dr.	1,20,000	
	B's Capital A/c	Dr.	20,000	
	To C's Capital A/c			20,000
	To D's Capital A/c (Being adjustment of goodwill made)			1,20,000
III	Profit and Loss Appropriation A/c	Dr.	1,20,000	
	To A's Capital A/c			60,000
	To B's Capital A/c			40,000
	To C's Capital A/c (Being profit distributed among remaining partners)			20,000

Working Notes:

(i) Old Ratio of Partners = 3 : 3 : 2 : 2

New Ratio of Partners = 3 : 2 : 1

Calculation of Gaining Ratios:

Gaining ratio = New Ratio – Old Ratio

$$A = \frac{3}{6} - \frac{3}{10} = \frac{15-9}{30} = \frac{6}{30} \text{ (Gain)}$$

$$B = \frac{2}{6} - \frac{3}{10} = \frac{10-9}{30} = \frac{1}{30} \text{ (Gain)}$$

$$C = \frac{1}{6} - \frac{2}{10} = \frac{5-6}{30} = \frac{-1}{30} \text{ (Sacrifice)}$$

$$D = \frac{2}{10} = \frac{6}{30} \text{ (Sacrifice)}$$

(ii) D's share of goodwill = $6,00,000 \times \frac{6}{30} = 1,20,000$

C's share of goodwill = $6,00,000 \times \frac{1}{30} = 20,000$

(iii) Already appeared goodwill will be written off by all partners in their old ratio.

(iv) Profit after D's retirement will be distributed in new ratio among remaining partners.

4. Gaining Ratio = New Ratio – Old Ratio

$$A's \text{ Gain} = \frac{11}{15} - \frac{6}{15} = \frac{11-6}{15} = \frac{5}{15} (\text{Gain})$$

$$B's \text{ Gain} = \frac{4}{15} - \frac{5}{15} = \frac{4-5}{15} = \left(\frac{-1}{15}\right) \text{ Sacrifice}$$

$$C's \text{ Sacrifice} = \frac{4}{15}$$

Total goodwill of firm = ₹90,000

A's Gain = 90,000 × 5/15 = 30,000

B's Sacrifice = 90,000 × 1/15 = 6,000

C's Sacrifice = 90,000 × 4/15 = 24,000

Journal entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017	A's Capital A/c	Dr.	30,000	
April 1	To B's Capital A/c			6,000
	To C's Capital A/c			24,000
	(Being adjustment entry passed for Goodwill)			

5. Average Profit = $\frac{\text{Total Profit}}{\text{No. of years}} = \frac{14,000 + 18,000 + 16,000 + (-10,000) + 16,000}{5}$
 $= \frac{54,000}{5} = 10,800$

Period between 1st April 2009 to 30th April 2009 = 3 months

3 months profit = 10,800 × 3/12 = 2,700

A's share of profit = 2,700 × 1/3 = 900

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2009	Profit and Loss Suspense A/c	Dr.	900	
30th June	To A's Capital A/c			900
	(Being A's share of profit transferred to his Capital A/c)			

6. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c	Dr.	60,000	
	To Furniture A/c			30,000
	To Plant A/c			30,000
	(Being assets revalued)			
	Pawan's Capital A/c	Dr.	24,000	
	Raman's Capital A/c	Dr.	24,000	
	Hina's Capital A/c	Dr.	12,000	
	To Revaluation A/c			60,000
	(Being loss on revaluation distributed among partners)			
	General Reserve A/c	Dr.	45,000	
	To Pawan's Capital A/c			18,000
	To Raman's Capital A/c			18,000
	To Hina's Capital A/c			9,000
	(Being General Reserve distributed among partners)			

Workmen Compensation Fund	Dr.	20,000	
To Claim for Workmen Compensation			12,000
To Pawan's Capital A/c			3,200
To Raman's Capital A/c			3,200
To Hina's Capital A/c			1,600
(Being liability for claim for workmen compensation provided and excess workmen compensation fund distributed among partners)			
Pawan's Capital A/c	Dr.	22,000	
Raman's Capital A/c	Dr.	22,000	
Hina's Capital A/c	Dr.	11,000	
To Profit and Loss A/c			55,000
(Being accumulated loss distributed among partners)			
Pawan's Capital A/c	Dr.	1,75,200	
To Pawan's Executor's A/c			1,75,200
(Being balance in Pawan's capital transferred to his executor's account)			

7.

Books of the firm**Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015	Manav's Capital A/c	Dr.	95,000	
Sept. 30	Narayan's Capital A/c	Dr.	95,000	
	To Nath's Capital A/c			1,90,000
	(Being Nath's share of goodwill adjusted in the capital A/cs of the existing partners in their gaining ratio i.e., 1 : 1)			
	Nath's Capital A/c	Dr.	15,000	
	To Profit & Loss A/c			15,000
	(Being Nath's share in debit balance of Profit & Loss A/c transferred)			
	OR			
	Manav's Capital A/c	Dr.	7,500	
	Nath's Capital A/c	Dr.	15,000	
	Narayan's Capital A/c	Dr.	7,500	
	To Profit & Loss A/c			30,000
	(Being Debit balance of Profit and Loss A/c transferred to Partners' Capital accounts)			
	Profit & Loss Suspense A/c	Dr.	22,500	
	To Nath's Capital A/c			22,500
	(Being Nath's share of profit upto the date of death transferred)			
	Nath's Capital A/c	Dr.	1,92,500	
	To Nath's Executors' A/c			1,92,500
	(Being amount due to Nath transferred to his executors' A/c)			

8. Dr.

C's Capital Account

Cr.

Particulars	(₹)	Particulars	(₹)
To C's Executor A/c	14,813	By Balance b/d	7,500

	By Reserve Fund	1,200
	By Interest on Capital	113
	By A's Capital A/c	3,500
	By B's Capital A/c	1,750
	By P and L Suspense A/c	750
	<u>14,813</u>	<u>14,813</u>

Working Notes:

(i) Calculation of Interest on Capital = $7,500 \times \frac{6}{100} \times \frac{3}{12} = ₹113$

(ii) Calculation of Share of Profit = $12,000 \times \frac{3}{12} \times \frac{1}{4} = ₹750$

(iii) Share in Goodwill = $10,500 \times 2 = 21,000 \times \frac{1}{4} = ₹5,250$

Average Profit = $\frac{9,000 + 10,500 + 12,000}{3} = 10,500$

9.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018	Revaluation A/c	Dr.	63,000	
March 31	To Furniture A/c			36,000
	To Plant's A/c			12,000
	To W.C.F. A/c			15,000
	(Being value of Assets decreased and claim for W.C.F. accepted)			
	Anita's Capital A/c	Dr.	21,000	
	Babita Capital A/c	Dr.	21,000	
	Chamanpreet Capital A/c	Dr.	21,000	
	To Revaluation A/c			63,000
	(Being Loss on Revaluation transferred to Partners' Capital A/c)			
	General Reserve A/c	Dr.	63,000	
	To Anita's Capital A/c			21,000
	To Babita Capital A/c			21,000
	To Chamanpreet Capital A/c			21,000
	(Being General reserve transferred to Partners' Capital A/c)			
	Anita Capital A/c	Dr.	2,00,000	
	To Anita executor's A/c			2,00,000
	(Being of Anita's Capital transferred to Anita's executor's A/c)			
	Anita's executors	Dr.	2,00,000	
	To Bank A/c			1,00,000
	To Anita executor's A/c			1,00,000
	(Being ₹1,00,000 paid immediately to her executors and remaining amount transferred to her executors loan A/c)			

10. Gaining Ratio = New Ratio–Old Ratio

Bimal gain = $\frac{1}{2} - \frac{3}{10} = \frac{5-3}{10} = \frac{2}{10}$

$$\text{Deepak gain} = \frac{1}{2} - \frac{5}{10} = \frac{5-5}{10} = \frac{0}{10} \text{ (No change)}$$

Firm goodwill = ₹37,500

$$\text{Bimal gain} = 37,500 \times \frac{2}{10} = 7,500$$

$$\text{Aman Sacrifice} = 37,500 \times \frac{2}{10} = 7,500$$

Journal entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2009 30th June	Bimal Capital A/c To Aman's Capital A/c (Being adjustment entry passed for goodwill)	Dr.	7,500	7,500

Long Answer Questions

1. Dr. Revaluation A/c Cr.

Particulars	(₹)	Particulars	(₹)
To Bad Debts	4,000	By Land and Building	12,000
To Furniture	8,000	By provision for D/D	900
To Profit transferred to:			
A's Capital A/c	300		
B's Capital A/c	300		
C's Capital A/c	<u>300</u>		
	900		
	<u>12,900</u>		<u>12,900</u>

Dr. Partners Capital Accounts Cr.

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To B's Capital A/c	10,000	—	—	By balance b/d	60,000	40,000	32,000
To Bank A/c	—	20,000	—	By General Reserve	10,000	10,000	10,000
To B's loan	—	41,800	—	By A's Capital A/c (goodwill)	—	10,000	—
To balance c/d	61,800	—	43,800	By Workmen's Compensation Reserve	1,500	1,500	1,500
				By Revaluation A/c	300	300	300
	<u>71,800</u>	<u>61,800</u>	<u>43,800</u>		<u>71,800</u>	<u>61,800</u>	<u>43,800</u>

Dr. Bank A/c Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	20,000	By B's Capital A/c	20,000
To Furniture	20,000	By Balance c/d	20,000
	<u>40,000</u>		<u>40,000</u>

2. Dr. Revaluation Account Cr.

Particulars	(₹)	Particulars	(₹)
To Provision for doubtful debts	700	By Creditors A/c	2,500
To Partners' Capital A/c – Gain on Revaluation			
X 900			
Y 600			
Z <u>300</u>	<u>1,800</u>		
	<u>2,500</u>		<u>2,500</u>

Dr. Partners' Capital Accounts				Cr.			
Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Y's Capital A/c	9,000	—	3,000	By Balance b/d	90,000	60,000	30,000
To Cash A/c	—	9,000	—	By G. Reserve A/c	3,000	2,000	1,000
To Y's Loan A/c	—	68,600	—	By Revaluation A/c	900	600	300
To Balance c/d	89,400	—	29,800	By Workmen's Compensation Fund	4,500	3,000	1,500
				By X's Capital A/c	—	9,000	—
				By Z's Capital A/c	—	3,000	—
	<u>98,400</u>	<u>77,600</u>	<u>32,800</u>		<u>98,400</u>	<u>77,600</u>	<u>32,800</u>

Balance Sheet of X, Y and Z

as at 31st March, 2020

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	14,100	Cash (15,000 – 9,000)	6,000
Y's Loan A/c	68,600	Debtors	21,000
Capital Accounts:-		Less: Provision for doubtful debts	<u>2,100</u>
X	89,400	Stock	19,000
Y	<u>29,800</u>	Machinery	58,000
		Building	1,00,000
			<u>2,01,900</u>
	<u>2,01,900</u>		<u>2,01,900</u>

Working Notes:

1. Calculation of Gaining Ratio:

	X	Y	Z
Old Ratio	3/6	2/6	1/6
New Ratio	3/4	—	1/4
Gaining Ratio	3/12	—	1/12 or 3 : 1

2. Y's share of Goodwill = $36,000 \times 2/6 = 12,000$ to be borne by X and Z in their gaining ratio as follows:

$$X = 12,000 \times 3/4 = 9,000$$

$$Z = 12,000 \times 1/4 = 3,000$$

3. Dr. Revaluation Account

Particulars	(₹)	Particulars	(₹)
To Stock A/c	4,600	By Loss trfd. to:	
To Furniture A/c	1,000	R	6,720
To Plant and Machinery A/c	1,500	S	6,720
To Building A/c	8,000	T	3,360
To Provision for Doubtful Debts A/c	1,700		16,800
	<u>16,800</u>		<u>16,800</u>

Dr. Partners Capital Accounts				Cr.			
Particulars	R (₹)	S (₹)	T (₹)	Particulars	R (₹)	S (₹)	T (₹)
To Revaluation A/c	6,720	6,720	3,360	By Balance b/d	80,000	50,000	40,000
To S's Capital A/c	3,200	—	1,600	By Profit and Loss A/c	3,600	3,600	1,800
To Cash A/c	—	18,080	—	By R's Cap. A/c	—	3,200	—
To S's Loan A/c	—	33,600	—	By T's Cap. A/c	—	1,600	—
To Balance c/d	73,680	—	36,840				
	<u>83,600</u>	<u>58,400</u>	<u>41,800</u>		<u>83,600</u>	<u>58,400</u>	<u>41,800</u>

Dr. Cash Account		Cr.	
Particulars	(₹)	Particulars	(₹)
To Balance b/d	51,300	By S's Capital A/c	18,080
		By Balance c/d	33,220
	<u>51,300</u>		<u>51,300</u>

Balance Sheet
(after retirement of S)

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	25,000	Cash	33,220
Bank Loan	12,800	Stock	40,000
S's Loan	33,600	Debtors	35,600
Capitals:		Less: Prov. for Doubtful Debts	<u>1,700</u>
R	73,680	Bills Receivable	10,800
T	<u>36,840</u>	Furniture	6,000
	1,10,520	Plant and Machinery	18,000
		Buildings	40,000
	<u>1,81,920</u>		<u>1,81,920</u>

Dr. Revaluation A/c		Cr.	
Particulars	(₹)	Particulars	(₹)
To Furniture	30,000	By Land A/c	3,20,000
To Building	1,00,000		
To Profit on Revaluation	1,90,000		
	<u>3,20,000</u>		<u>3,20,000</u>

Dr. Partners Capital Accounts				Cr.			
Particulars	L	M	N	Particulars	L	M	N
To N's Capital A/c	1,00,000	50,000	—	By Balance b/d	6,00,000	4,80,000	4,80,000
To N's Loan	—	—	8,37,500	By Genera Reserve	2,20,000	1,10,000	1,10,000
To Balance c/d	9,15,000	6,37,500	—	By W.C.F.	1,00,000	50,000	50,000
				By Profit on Revaluation	95,000	47,500	47,500
				By Goodwill:			
				L's Capital	—	—	1,00,000
				M's Capital	—	—	50,000
	<u>10,15,000</u>	<u>6,87,500</u>	<u>8,37,500</u>		<u>10,15,000</u>	<u>6,87,500</u>	<u>8,37,500</u>

Balance Sheet

as on April 1st 2020

Dr.

Cr.

Liabilities		(₹)	Assets		(₹)
Capital:	L	9,15,000	Land (8,00,000 + 3,20,000)		11,20,000
	M	72,500	Building (6,00,000 – 1,00,000)		5,00,000
N's Loan		8,37,500	Furniture (2,40,000 + 30,000)		2,10,000
Creditors		2,40,000	Debtors		3,80,000
W.C.F.		1,60,000	Stock		4,40,000
			Cash		1,40,000
		<u>27,90,000</u>			<u>27,90,000</u>

5.

Journal entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018	General Reserve A/c	Dr.	10,000	
March 14	To N's Capital A/c			10,000
	(Being transfer of N's share of general reserve to his capital account)			
	Interest on Capital A/c	Dr.	700	
	To N's Capital A/c			700
	(Being interest 5% p.a. credited to N's Capital Account upto 14th March, 2018)			
	M's Capital A/c	Dr.	30,000	
	O's Capital A/c	Dr.	30,000	
	To N's Capital A/c			60,000
	(Being Goodwill adjusted through partner's capital accounts)			
	Profit and Loss Suspense A/c	Dr.	12,000	
	To N's Capital A/c			12,000
	(Being the transfer of N's share of profit to his Capital account)			
	N's Capital A/c	Dr.	1,52,700	
	To N's Executor's A/c			1,52,700
	(Being the transfer of amount due to N's Executor's Account)			

Dr.

N's Capital Account

Cr.

Particulars	(₹)	Particulars	(₹)
To N's Executor's A/c	1,52,700	By Balance b/d	70,000
		By General Reserve A/c	10,000
		By Interest on Capital A/c	700
		(70,000 × 5/100 × 73/365)	40,000
		By M's Capital A/c	30,000
		By O's Capital A/c	30,000
		By Profit and Loss Suspense A/c	12,000
		(90,000 × 2 × 73/365 × 1/3)	
	<u>1,52,700</u>		<u>1,52,700</u>

Working Notes:

$$(1) \text{ Calculation of Goodwill} = \text{Average Profit} \times \text{No. of years' Purchase}$$

$$= 90,000 \times 2 = ₹1,80,000$$

Average Profit = Total Profit/No. of years = ₹2,70,000/3 = ₹90,000

N's Share in Goodwill = ₹1,80,000 × 1/3 = ₹60,000.

(2) No. of days from the closure of last accounting year till the date of death
= 31 + 28 + 14 = 73 days

(3) Interest on Capital = $70,000 \times \frac{5}{100} \times \frac{73}{365} = ₹ 700$

(4) Profit for 73 days = $1,80,000 \times \frac{73}{365}$
= ₹36,000

N's share of profit = $36,000 \times \frac{1}{3} = ₹ 12,000$

6. Dr.		Revaluation A/c		Cr	
Particulars	(₹)	Particulars	(₹)		
To Provision for Doubtful Debts	600	By Buildings	10,000		
To Machinery	7,200	By Unexpired Insurance	2,000		
To Outstanding Repair bill	3,000	By Creditors	1,800		
To Profit on Revaluation	3,000				
	<u>13,800</u>				<u>13,800</u>

Dr.				Partners Capital Accounts				Cr.			
Particulars	A	B	C	Particulars	A	B	C				
To B's Capital (goodwill)	9,000	—	3,000	By Balance b/d	90,000	60,000	30,000				
To Cash paid	—	9,000	—	By Reserve	3,000	2,000	1,000				
To B's Loan	—	66,000	—	By Profit on Revaluation	1,500	1,000	500				
				By Goodwill:							
To Balance c/d	85,500	—	28,500	A's Capital	—	9,000	—				
				C's Capital		3,000	—				
	<u>94,500</u>	<u>75,000</u>	<u>31,500</u>		<u>94,500</u>	<u>75,000</u>	<u>31,500</u>				

Balance Sheet

as on 31st March 2017

Liabilities	(₹)	Assets	(₹)
Capital: A	85,500	Cash (16,000 – 9,000)	7,000
C	28,500	Debtors	20,000
B's Loan	66,000	Less prov. for D/D	<u>1,000</u>
Creditors (15,600 – 1,800)	13,800	Machinery (48,000 – 7,200)	40,800
O/s Repairs Bill	3,000	Stock	18,000
		Building (1,00,000 + 10,000)	1,10,000
		Unexpired Insurance	2,000
	<u>1,96,800</u>		<u>1,96,800</u>

Working Note:

Old Ratio = 3 : 2 : 1

A B C

B's Retired

Then, New Ratio and gaining ratio = 3 : 1

A C

Total goodwill of firm = ₹36,000

B's share in goodwill = $36,000 \times \frac{2}{6} = 12,000$

A's gain = $12,000 \times \frac{3}{4} = 9,000$

C's gain = $12,000 \times \frac{1}{4} = 3,000$

7.

Journal entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018 March 14	Revaluation A/c Dr. To Fixed Assets A/c (Being value of Fixed Assets Decreased)		2,500	2,500
	Revaluation A/c Dr. To Reserve for Doubtful Debts A/c To Provision for Repairs of bill A/c (Being provision for doubtful debt made on debtors and provision for Repairs of bill is created)		5,000	4,000 1,000
	Sundry Creditors A/c Dr. To Revaluation A/c (Being liabilities for damages w. off ₹2,000)		2,000	2,000
	X's Capital A/c Dr. Y's Capital A/c Dr. Z's Capital A/c Dr. To Revaluation A/c (Being Loss on Revaluation transferred to partners' Capital A/c)		2,750 1,650 1,100	5,500
	Profit and Loss A/c Dr. To X's Capital A/c To Y's Capital A/c To Z's Capital A/c (Being profit transferred to partners' Capital A/c)		85,000	42,500 25,500 17,000
	X's Capital A/c Dr. Y's Capital A/c Dr. Z's Capital A/c Dr. To Advertisement Expenditure Ac (Being advertisement Expenditure w. off)		5,000 3,000 2,000	10,000
	Y's Capital A/c Dr. Z's Capital A/c Dr. To X's Capital A/c (Being goodwill adjusted in sacrificing Ratio)		8,000 32,000	40,000
	X's Capital A/c Dr. To X's Loan A/c (Being Amount of X's Capital transferred to X's loan A/c)		1,15,750	1,15,750



CHAPTER–3: Dissolution of A Partnership Firm

Short Answer Questions

1. Difference between Dissolution of Partnership and Dissolution of a firm

Basis	Dissolution of Partnership	Dissolution of a Partnership Firm
1. Meaning	Signifies a change in the existing agreement among all the partners.	Signifies end of a partnership firm as it ceases to operate and thus the partnership too terminates.
2. Implication	Does not imply dissolution of the firm	Implies dissolution of both partnership and the firm..
3. Necessitating Situations	Change in profit-sharing ratio amongst the partners, admission of a new partner, retirement of a partner, expulsion of a partner, death of a partner, insolvency of a partner, and expiry of period of partnership.	Mutual agreement among all partners, all partners except one becoming insolvent, firm doing unlawful business, upon fulfilment of objective of partnership business, upon expiry of partnership firm's duration of operations, by a court order, etc.
4. Effect on Business	Does not affect trade and business.	Brings trade and business operations come to a standstill.
5. Effect on Accounting Books	No major effect on accounting books and they may not be closed.	Books of accounts are closed completely.
6. Court Intervention	It is a voluntary action.	Firm may be dissolved by an order of court.
7. Effect on Assets and Liabilities	Assets are revalued and liabilities are reassessed and the profit or loss arising out of it is distributed among the partners in old-profit sharing ratio.	Assets are realised and liabilities are paid off or settled. The profit or loss on realisation is distributed among all the partners.

2. A court can give order for the dissolution of the firm on the following grounds:
- When a partner has become mentally disturbed or has unsound mind.
 - When a partner has become permanently incapable of performing his duties as a partner.
 - When a partner has transferred whole of his interest in the firm to a third party.
 - When a partner deliberately and consistently commits breach of agreements relating to the management of the firm.
 - When conduct of the partner is likely to adversely affect the business of the firm.
 - When the court is satisfied that the firm cannot be carried on except at a loss.
3. **Dissolution by Agreement (Section 40)**
- Voluntary dissolution through mutual agreement amongst partners.
 - Consensual dissolution according to the partnership agreement or a contract.

Dissolution by Notice (Section 43)

In case of partnership at will, the firm may be dissolved if any one partner gives a notice in writing to the other partners.

4.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Cash A/c Dr. To Realisation A/c (Being Building give to creditor and extra cash received)		40,000	40,000
(ii)	No Entry			
(iii)	Realisation A/c Dr. To Cash A/c (Being partly amount paid to creditor in cash)		30,000	30,000
(iv)	L's Capital A/c Dr. M's Capital A/c Dr. To Realisation A/c (Being Loss on Realisation transferred to partners' Capital A/c)		1,600 2,400	4,000

5.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To Bank A/c (Being the payment of bank loan made)		12,000	12,000
(ii)	Q's Capital A/c Dr. To Realisation A/c (Being stock taken over by Q)		16,000	16,000
(iii)	Realisation A/c Dr. To P's Capital A/c (Being amount paid to creditor by P credited to his capital)		4,000	4,000
(iv)	Cash or Bank A/c Dr. To Realisation A/c (Being the realisation of unrecorded asset)		1,200	1,200
(v)	Realisation A/c Dr. To Q's Capital A/c (Being the realisation expenses paid)		2,000	2,000
(vi)	Realisation A/c Dr. To P's Capital A/c To Q's Capital A/c (Being profit on Realisation transferred to Partners' Capital A/cs)		36,000	20,000 16,000

6.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To Sudha's Capital A/c (Being Sudha's husband's loan taken over by Sudha)		19,000	19,000
(ii)	Bank A/c Dr. To Realisation A/c (Being debtors realised)		7,500	7,500

(iii)	Shiva's Capital A/c To Realisation A/c (Being investments taken over by Shiva)	Dr.	13,300	13,300
(iv)	Realisation A/c To Bank A/c (Being Creditors settled)	Dr.	9,100	9,100
(v)	Realisation A/c To Sudha's Capital A/c (Being remuneration for realisation due to Sudha)	Dr.	3,000	3,000
(vi)	Sudha's Capital A/c Shiva's Capital A/c To Realisation A/c (Being loss on realisation transferred to partners' capital accounts)	Dr. Dr.	5,640 3,760	9,400

7.

**In the Books of the firm
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c To Cash/Bank A/c (Being dissolution expenses paid)	Dr.	800	800
(ii)	Realisation A/c To Prabhu's Capital A/c (Being dissolution expenses paid by partner)	Dr.	800	800
(iii)	Realisation A/c To Geeta's Capital A/c (Being dissolution expenses paid by Geeta and compensated by firm)	Dr.	10,000	10,000
(iv) (a)	Realisation A/c To Janki's Capital A/c (Being dissolution expenses paid by Janki and compensated by firm)	Dr.	5,000	5,000
(iv) (b)	Janki's Capital A/c To Mohan's Capital A/c (Being Mohan paid dissolution expenses on behalf of Janki)	Dr.	5,500	5,500
(v) (a)	Realisation A/c To Kavita's Capital A/c (Being remuneration given to Kavita)	Dr.	9,000	9,000
(v) (b)	Kavita's Capital A/c To Realisation A/c (Being furniture taken over by Kavita as remuneration)	Dr.	9,000	9,000
(v)(a + b)	Or			
(vi)	No Entry will be passed.			
	No Entry will be passed.			

8.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Realisation A/c To Sharma's Capital A/c (Remuneration credited to Sharma's capital A/c)	Dr.	15,000	15,000
(b)	Realisation A/c To Bank A/c (Realisation Expenses incurred)	Dr.	5,000	5,000
(c)	Realisation A/c To Bank A/c (Creditors paid in full settlement)	Dr.	2,84,000	2,84,000
(d)	Jain's capital A/c Sharma's Capital A/c Verma's Capital A/c To Realisation A/c (Loss on Realisation debited to Partners ' Capital A/c)	Dr. Dr. Dr.	4,500 9,000 4,500	18,000

9.

Books of the firm**Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c To Cash/Bank A/c (Being remuneration paid)	Dr.	700	700
(ii)	Realisation A/c To A's Capital A/c (Being dissolution expenses paid by partner)	Dr.	1,100	1,100
(iii)	Realisation A/c To B's Capital A/c (Being commission given to B)	Dr.	2,000	2,000
(iv) (a)	Realisation A/c To C's Capital A/c (Being remuneration given to C)	Dr.	10,000	10,000
(iv) (b)	C's Capital A/c To Cash/Bank A/c (Being the dissolution expenses paid by firm on behalf of partner)	Dr.	9,800	9,800
(v) (a)	Realisation A/c To D's Capital A/c (Being remuneration given to D)	Dr.	15,000	15,000
(v) (b)	D's Capital A/c To E's Capital A/c (Being E paid dissolution expenses on behalf of D)	Dr.	13,000	13,000
(vi) (a)	Realisation A/c To F's Capital A/c (Being remuneration given to F)	Dr.	9,000	9,000

(vi) (b)	F's Capital A/c To Realisation A/c (Being furniture taken over by F as remuneration) Or	Dr.	9,000	9,000
(vi)				
(a + b)	No Entry will be passed			

10.

In the books of E and F

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c To Realisation A/c (Being payment received from creditor)	Dr.	75,000	75,000
(b)	No Entry			
(c)	Realisation A/c To Bank A/c (Being partial payment made to creditors through cheque)	Dr.	37,000	37,000
(d)	E's Capital A/c F's Capital A/c To Realisation A/c (Being loss on realisation transferred to partners' capital accounts)	Dr. Dr.	4,900 2,100	7,000

11.

In the books of G and H

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Apr. 1	Realisation A/c To Bank A/c (Being partial payment made to creditor)	Dr.	50,000	50,000
	Bank A/c To Realisation A/c (Being payment received from creditor)	Dr.	8,00,000	8,00,000
	No Entry			
	G's Capital A/c H's Capital A/c To Realisation A/c (Being loss on realisation transferred to partners' capital A/cs)	Dr. Dr.	27,000 21,000	48,000

Long Answer Questions

1.

Journal

Date	Particulars	Dr. (₹)	Cr. (₹)
2019 Mar 31	Bank/ Cash A/c Dr. To Realisation A/c (Being the Investments realised, net amount received i.e., 63,000 – 700 = 62,300))	62,300	62,300
(ii)	Realisation A/c Dr. To Bank A/c (Being payment made to creditors as a part of settlement of their dues)	23,000	23,000
(iii)	Vasudha's Capital A/c Dr. To Realisation A/c (Being the written off old Furniture taken over by Vasudha)	2,000	2,000
(iv)	Vasudha's Capital A/c Dr. Dewan's Capital A/c To Realisation A/c (Being the Loss on realisation transferred to partners' capital accounts)	3,600 5,400	9,000

2. Dr.

Realisation A/c

Cr.

Particulars	(₹)	Particulars	(₹)
To Debtors	76,000	By Creditors	36,000
To Stock	2,00,000	By O/s expenses	10,000
To Furniture	20,000	By Gopal's wife's loan	50,000
To Leasehold premises	1,00,000		
To Gopal's capital A/c:		By Bank A/c:	
Gopal's wife's loan	50,000	Leasehold premises	1,50,000
Realisation expenses	<u>10,000</u>	Debtors	64,000
To Bank A/c:		Stock	<u>1,84,000</u>
Creditors	16,200		3,98,000
Outstanding expenses	<u>10,000</u>		
To Profit transferred to:			
Harish's Capital A/c	7,080		
Gopal's capital A/c	<u>4,720</u>		
	11,800		
	<u>4,94,000</u>		<u>4,94,000</u>

3.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To Cash A/c (Being bank loan paid)		15,000	15,000
(ii)	L's Capital A/c Dr. To Realisation A/c (Being stock taken over by L)		20,000	20,000

(iii)	Realisation A/c To K's Capital A/c (Being a creditor of ₹ 9,000 paid by K)	Dr.	9,000	9,000
(iv)	Realisation A/c To Cash A/c (Being an unrecorded liability was settled)	Dr.	3,700	3,700
(v)	Realisation A/c To L's Capital A/c (Being realisation expenses paid by L)	Dr.	900	900
(vi)	K's Capital A/c L's Capital A/c To Realisation A/c (Being loss on realisation divided between partners in 7 : 3 ratio)	Dr. Dr.	4,970 2,130	7,100

4. Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1-4-2019	Realisation A/c To Building A/c To Furniture A/c To Debtors A/c To Stock A/c (Being Sundry Assets transferred to realisation A/c)	Dr.	5,70,000	2,40,000 1,75,000 80,000 75,000
	Sundry Creditors pital A/c To Realisation A/c (Being Sundry liability transferred to Realisation A/c)	Dr.	1,17,000	1,17,000
	Cash A/c To Realisation A/c (Being assets realised as Furniture ₹ 1,66,250, Debtors - ₹75,000, Stock ₹70,500)	Dr.	3,11,750	3,11,750
	Realisation A/c To B's Capital A/c (Being realisation exp paid by partner B)	Dr.	500	500
	A's Capital A/c B's Capital A/c To Realisation A/c (Being Loss on Realisation transferred to partners' Capital A/c)	Dr. Dr.	85,050 56,700	1,41,750
	A's Capital A/c B's Capital A/c To Cash Ac (Being Final payment made to partners' on dissolution)	Dr. Dr.	2,14,950 1,43,800	3,58,750

5. Dr.

Realisation A/c

Cr.

Particulars	(₹)	Particulars	(₹)
To Debtors	3,40,000	By Creditors	1,50,000
To Stock	1,50,000	By Bank:	

To Furniture	4,60,000	Debtors	3,23,000	
To Machinery	8,20,000	Stock	65,000	
To Bank:		Machinery	<u>74,000</u>	4,62,000
Creditors	1,50,000	By Hanif's Current Ac (Stock)		67,500
To Hanif Current Ac (Exp.)	8,000	By Jubed's Current Ac (Furniture)		1,35,000
		By Loss on Realisation		11,13,500
	<u>19,28,000</u>			<u>19,28,000</u>

6. Dr. Realisation A/c Cr.

Particulars	(₹)	Particulars	(₹)
To Sundry Assets		Sundry Liabilities	
Stock	24,000	Trade Creditors	42,000
Debtors	19,000	Employees Prov Fund	60,000
Furniture	40,000	Mrs. Ashish's Loan	<u>9,000</u>
Plant	2,10,000	By Investment Fluctuation Reserve	4,000
Investment	<u>32,000</u>		
	3,25,000	By Ashish Capital A/c (Furniture)	38,000
To Ashish's Capital A/c (Mrs. Ashish's Loan)	9,000	By Bank A/c – Assets	
To Kanav's Capital A/c (Remuneration)	12,000	Debtors –	18,500
To Bank A/c (EPF)	60,000	Plant –	2,31,000
To Partners' Capital A/c (Gain)		Stock –	<u>15,840</u>
Ashish –	12,012		2,65,340
Kanav –	<u>8,008</u>	By Kanav's Capital A/c (Stock)	7,680
	20,020		
	<u>4,26,020</u>		<u>4,26,020</u>

7. Dr. Realisation A/c Cr.

Particulars	(₹)	Particulars	(₹)
To Sundry Assets	17,000	By Provision for Doubtful Debts A/c	1,200
To Debtors A/c	24,200	By Creditors A/c	6,000
To Stock A/c	7,800	By Loan A/c	1,500
To B/R A/c	1,000	By A's Capital A/c:	
To A's Capital A/c (Creditors)	6,000	B/R	800
To C's Capital A/c	1,800	Debtors	<u>17,200</u>
(Loan 1,500 + interest 300)			18,000
To Cash A/c (Realisation Exp.)	270	By B's Capital A/c	
		Stock	7,000
		Sundry Assets	<u>7,200</u>
			14,200
		By C's Capital A/c (Sundry Assets)	8,100
		By Cash A/c (Debtors)	2,100
		By Loss transferred to:	
		A	4,182
		B	1,394
		C	<u>1,394</u>
			6,970
	<u>58,070</u>		<u>58,070</u>

Dr.		Partners' Capital Accounts						Cr.
Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)	
To Realisation A/c	18,000	14,200	8,100	By Balance b/d	27,500	10,000	7,000	
To Realisation A/c	4,182	1,394	1,394	By Realisation A/c	6,000	—	1,800	
To Cash A/c	11,318	—	—	By Cash A/c	—	5,594	694	
	<u>33,500</u>	<u>15,594</u>	<u>9,494</u>		<u>33,500</u>	<u>15,594</u>	<u>9,494</u>	

Dr.		Cash Account		Cr.	
Particulars	(₹)	Particulars	(₹)		(₹)
To Balance b/d	3,200	By Realisation A/c (Expenses)	270		
To Realisation A/c (debtors)	2,100	By A's Capital A/c	11,318		
To B's Capital A/c	5,594				
To C's Capital A/c	694				
	<u>11,588</u>				<u>11,588</u>

Working Notes:

- Calculation of the book value of Sundry Assets taken by B:
 $₹7,200 \times 100/90 = ₹8,000$
- Calculation of Sundry Assets taken by C:
 $₹17,000 - ₹8,000 = ₹9,000 \times 90/100 = ₹8,100$
- Treatment of Debtors:
 Total ₹24,200 – taken over by A, i.e., ₹20,000 = ₹4,200.
 Debtors of ₹4,200 sold at 50%, i.e., ₹2,100.

Dr.		Realisation A/c		Cr.	
Particulars	(₹)	Particulars	(₹)		(₹)
To Debtors	1,70,000	By Provision for B/D	20,000		
To Stock	1,50,000	By Creditors A/c	60,000		
To Investment	2,50,000	By Arnab brother's Loan	95,000		
To Building	3,00,000	By Investment Fluctuation Reserve	50,000		
To Arnab Capital (Brother's Loan)	95,000	By Bank:			
To Bank (Creditors)	54,000	Investment	2,00,000		
To Dhruvad Capital A/c (Expenses)	3,000	Building	3,50,000		
		Stock (75000 – 20%)	<u>60,000</u>	6,10,000	
		By Ragini Capital A/c (Stock)		60,000	
		By Loss on Realisation Transferred to Partners' Capital A/c			
		Arnab	76,200		
		Ragini	25,400		
		Dhruvad	<u>25,400</u>	1,27,000	
	<u>10,22,000</u>			<u>10,22,000</u>	

Dr.		Partners Capital Accounts						Cr.
Particulars	Arnab (₹)	Ragini (₹)	Dhruvad (₹)	Particulars	Arnab (₹)	Ragini (₹)	Dhruvad (₹)	
To Loss on Realisation	76,200	25,400	25,400	By Balance b/d	2,75,000	2,00,000	1,70,000	
To Profit and Loss A/c	30,000	10,000	10,000	By Realisation	95,000	—	3,000	
To Realisation	—	60,000	—					

To Bank	2,63,800	1,04,600	137,600			
	<u>3,70,000</u>	<u>2,00,000</u>	<u>1,73,000</u>	<u>3,70,000</u>	<u>2,00,000</u>	<u>1,73,000</u>

Dr. **Bank A/c** Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	50,000	By Realisation (creditors)	54,000
To Realisation (Assets realised)	6,10,000	By Arnab Capital A/c	2,63,800
		By Ragini Capital A/c	1,04,600
		By Dhruvad Capital A/c	1,37,600
		By Dhruvad Loan A/c	1,00,000
	<u>6,60,000</u>		<u>6,60,000</u>

9. Dr. **Realisation Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Sundry Assets (WN 3)	3,30,000	By Creditors	40,000
To Cash A/c (Creditors)	40,000	By Cash A/c (Assets Realised)	3,20,000
To Cash A/c (Expenses)	7,000	By Loss on Realisation transferred to:	
		P's Capital A/c (4/10)	6,800
		Q's Capital A/c (3/10)	5,100
		R's Capital A/c (3/10)	5,100
	<u>3,77,000</u>		<u>17,000</u>
			<u>3,77,000</u>

Dr. **Partners Capital Accounts (After Dissolution)** Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Realisation A/c (loss)	6,800	5,100	5,100	By Balance b/d (WN 1)	1,20,000	1,35,000	35,000
To Cash A/c (Balancing Figure)	1,13,200	1,29,900	29,900				
	<u>1,20,000</u>	<u>1,35,000</u>	<u>35,000</u>		<u>1,20,000</u>	<u>1,35,000</u>	<u>35,000</u>

Dr. **Cash Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Realisation A/c (Assets Realised)	3,20,000	By Realisation A/c (Expenses)	7,000
		By Realisation A/c (Creditors)	40,000
		By P's Capital A/c (Final Payment)	1,13,200
		By Q's Capital A/c (Final Payment)	1,29,900
		By R's Capital A/c (Final Payment)	29,900
	<u>3,20,000</u>		<u>3,20,000</u>

10. Dr. **Realisation Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Accounts Receivable A/c	12,000	By Accounts Payable A/c	20,000
To Stock A/c	25,000	By Sundry Creditors A/c	18,000
To Sundry Debtors A/c	40,000	By Mrs. Vyas's Loan A/c	20,000
To Machinery A/c	50,000	By Outstanding Electricity Bill A/c	5,000

To Furniture A/c	10,000		By Provision for Bad and Doubtful Debts A/c	4,000	
To Motor Cycle A/c	5,000		By Bank A/c (Assets Realised)		
To Investments A/c	<u>30,000</u>	1,72,000	Debtors	40,000	
To Bank A/c:			Stock	22,000	
Accounts Payable	20,000		Machinery.	70,000	
Sundry Creditors	16,200	36,200	Furniture	7,500	
To Cash A/c (Liabilities Paid):			Investments	44,400	
Mrs. Vyas's Loan	20,000		Accounts Receivable	<u>11,400</u>	1,95,300.
Outstanding Electricity Bill	5,000		By Vyas's Capital A/c		3,000
Bank Loan (unrecorded)	20,000	45,000	(Motor Cycle)		
To... Profit transferred to Partners' Cap. A/c:					
Vyas's Capital A/c (5/10)	6,050				
Suman's Capital A/c (3/10)	3,630				
Subodh's Capital A/c (2/10)	2,420	12,100.			
		<u>2,65,300</u>			<u>2,65,300</u>

Dr. Partners' Capital Accounts Cr.

Particulars	Vyas (₹)	Suman (₹)	Subodh (₹)	Particulars	Vyas(₹)	Suman (₹)	Subodh (₹)
To Realisation A/c	3,000	—	—	By Balance b/d	50,000	30,000	28,000
To Bank A/c (Final Settlement)	65,550	41,130	35,420	By Workmen Compensation Reserve	7,500	4,500	3,000
				By Profit and Loss A/c	5,000	3,000	2,000
				By Realisation A/c	6,050	3,630	2,420
	<u>68,550</u>	<u>41,130</u>	<u>35,420</u>		<u>68,550</u>	<u>41,130</u>	<u>35,420</u>

Dr. Bank Account Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	28,000	By Realisation A/c	36,200
To Realisation A/c (Assets Realised)	1,95,300	By Realisation A/c	45,000
		By Vyas's Capital A/c (Final Payment)	65,550
		By Suman's Capital A/c (Final Payment)	41,130
		By Subodh's Capital A/c (Final Payment)	35,420
	<u>2,23,300</u>		<u>2,23,300</u>

11. Dr. Realisation Account Cr.

Particulars	(₹)	Particulars	(₹)
To Stock	10,000	By Provision for B/D	4,000
To Investment	20,000	By Sundry Creditors	60,000
To Debtor	40,000	By Investment Fluctuation Reserve	2,000

To Plant	40,000	By Mrs. A's Loan	10,000
To Cash (Creditors)	59,700	By A's Capital (Stock)	8,000
To A's Capital:		By Cash:	
Mrs. A's loan	10,000	Debtors	38,000
Realisation Exp.	<u>2,000</u>	Plant	50,000
To Profit on Realisation	9,900	Investment	<u>19,000</u>
		By B's Capital (Typewriter)	600
	<u>1,91,600</u>		<u>1,91,600</u>

Dr. **Partners' Capital Accounts** Cr.

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Realisation A/c	8,000	600	By Balance b/d	20,000	20,000
To Cash (Final Settlement)	38,950	343,50	By Profit Realisation	4,950	4,950
			By General Reserve	10,000	10,000
			By Realisation	12,000	—
	<u>46,950</u>	<u>34,950</u>		<u>46,950</u>	<u>34,950</u>

Dr. **Cash Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	26,000	By Realisation A/c	59,700
To Realisation A/c	1,07,000	By A's Capital	38,950
		By B's Capital	34,350
	<u>1,33,000</u>		<u>1,33,000</u>



CHAPTER-4: Company Accounts—Issue of Debentures

Short Answer Questions

- The issue of debentures as a collateral security means the issue of debentures as an additional security against the loan in addition to principal security that may be offered. However, if company fails to repay the loan along with interest in time, the lender is at liberty to recover its dues from the sale of primary security in the first instance. If the realisable value of primary security is insufficient to clear his dues, the lender has the right to invoke the benefit of collateral security. In that case, the debentures may either be presented for redemption or sold in the market. If the lender has any surplus from sale of security after meeting his dues, he is under obligation to return the same to the company.
- Distinction between Shares and Debentures**

Basis	Shares	Debentures
1. Meaning	A unit of ownership interest in a corporation.	A certificate acknowledging debt.
2. Nature	Contribute to the capital fund.	Contribute to the loan capital.
3. Status of Holder	Considered the owner and has the right to participate in management.	Considered the creditor and has no voting rights.
4. Type of Return	Shareholders receive dividend from the company.	Debenture holders receive interest from the company.

3. TYPES OF DEBENTURES

There are several types or kinds or categories of debentures to suit the investment preferences of varieties of investors. A company may issue the following types of debentures on the basis of specific governing factors determining their type as mentioned:

I. Security Consideration

- (a) **Secured or Mortgaged Debentures:** These debentures are secured either by fixed charge or floating charge on the assets of the company. If the company falters to settle up debentures on the due date, the debentureholders can realise their money by auctioning (or selling) the assets mortgaged with them. In India, debentures issued by companies must necessarily be secured.
- (b) **Unsecured or Naked Debentures:** These debentures have no security. The holders of such debentures are treated as unsecured creditors. Such debentures are not very common these days.

II. Redemption Consideration

- (a) **Redeemable Debentures:** These debentures are repayable by the company on the expiry of fixed period either in a single lump sum payment or through annual instalments during the lifetime of the enterprise. Another method for redemption is the purchase of own debentures from the open market. Today most of the debentures are redeemable.
- (b) **Irredeemable or Perpetual Debentures:** An irredeemable debenture is one which is not redeemable or repaid during the life-time of the company but only at the time of liquidation. Such debentures are not popular among the investors.

III. Convertibility Consideration

- (a) **Convertible Debentures:** These debentures offer the investors an option to convert their debentures into shares at a stated rate of exchange after a certain period. Thus, convertible debentureholders can change their status from lenders and debentureholders to shareholders after a particular duration. Convertible debentures are of two types.

Partly Convertible Debentures: When only a part of the debentures amount is convertible into shares.

Fully Convertible Debentures: When the full amount of debentures is convertible into shares.

Such debentures are very popular these days, as they provide liquidity, safety, capital appreciation and assured return to the investors.

- (b) **Non-convertible Debentures:** Such debentures cannot be converted into shares.

4. A Ltd. obtained loan of ₹1,00,000 from Indian Bank and issued 1,200, 10% Debentures of ₹ 100 each as Collateral Security. The Company recorded the issue of debentures as collateral security by opening 'Debenture Suspense Account'.

Treatment:

An extract of Balance Sheet of A Ltd.

as at

Particulars	Note No.	(₹)
EQUITY AND LIABILITIES:		
Non-current Liabilities		
Long-term Borrowings	1	1,00,000

Notes to Accounts:

Note No.	Particulars	(₹)
1.	Long-term Borrowings	
	Loan from Indian Bank	1,00,000
	1,200, 10% Debentures of ₹ 100 each issued as Collateral Security	1,20,000
	Less: Debenture Suspense Account	(1,20,000)
		1,00,000

5.

Journal of Bright Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1-4-2019	Bank A/c Dr. To Debenture Application A/c (Application money received on 4,00,000 debentures)		3,20,00,000	3,20,00,000
	Debenture Application A/c Dr. To 6% Debentures A/c (Application money on 6% debentures transferred to Debentures account)		3,20,00,000	3,20,00,000
	Debenture Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 6% Debentures A/c (Allotment money due on 6% debentures)		60,00,000 20,00,000	80,00,000
	Bank A/c Dr. To Debenture Allotment A/c (Allotment money received on 6% Debentures)		60,00,000	60,00,000

6.

**Disha Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. Goodwill A/c To Sundry Liabilities A/c To Kriti Ltd. A/c (Assets and liabilities taken over from Kriti Ltd.)		8,00,000 1,00,000	3,00,000 6,00,000
	Kriti Ltd.'s A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Purchase consideration discharged by issuing 9% Debentures at a premium)		6,00,000	5,00,000 1,00,000

7.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application and Allotment A/c (Being Debentures Application and Allotment money received on 4000 Debentures @100 each at ₹50 premium)		6,00,000	6,00,000
	12% Debenture Application and Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Bank A/c (Being 12% Debenture Application and Allotment A/c transferred to 12% Debenture and Security premium Reserve and extra money Refunded by bank)		6,00,000	3,00,000 1,50,000 1,50,000

8.

X. Ltd.
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 9% Debenture Application and Allotment A/c (Being application money received for 1,200 debentures @ ₹94 each)		1,12,800	1,12,800
	9% Debenture Application and Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c To Bank A/c (Being 1,000 9% debentures allotted on prorata basis)		1,12,800 6,000	1,00,000 18,800

9.

Books of ZK Ltd.
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Debentures Application & Allotment A/c (Being debentures application money received)		3,80,000	3,80,000
(ii)	Debentures Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. Loss on issue of debentures A/c Dr. To 9% Debentures A/c To Premium on redemption of Deb. A/c (Being debenture issued at discount redeemable at premium)		3,80,000 20,000 40,000	4,00,000 40,000
	Alternative for entry (ii) Debentures application & allotment A/c Dr. Loss on issue of debentures A/c Dr. To 9% Debentures A/c To Premium on redemption of Debentures A/c (Being debentures issued at discount redeemable at premium)		3,80,000 60,000	4,00,000 40,000

10.

In the Books of Good Blankets Ltd.
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. To Vendor's A/c (Being purchase of machinery from Vendors)		7,00,000	7,00,000
	Vendor's A/c Dr. To Equity Share Capital A/c To 8% Debentures A/c (Being issue of equity shares and debentures at par to vendors)		7,00,000	5,00,000 2,00,000

11.

In the books of Shruti Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2007	Sundry Assets A/c	Dr.	5,60,000	
Apr. 1	Goodwill A/c (Balancing Figure)	Dr.	40,000	
	To Creditors A/c			1,00,000
	To Shinkey Ltd.			5,00,000
	(Being sundry assets and creditors taken over)			
Apr. 3	Shinkey Ltd.	Dr.	1,00,000	
	To Cash A/c			1,00,000
	(Being cash paid to Shinkey Ltd.)			
Apr. 5	Shinkey Ltd.	Dr.	4,00,000	
	To 6% Debentures A/c (3,200 x 100)			3,20,000
	To Securities Premium Reserve A/c (3,200 x 25)			80,000
	(Being debentures issued to Shinkey Ltd. as purchase consideration)			

12.

Balance Sheet

Dr.

as at .

Cr.

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Non-current Liabilities			
Long-term Borrowings	1	4,00,000	
Total		<u>4,00,000</u>	
II. ASSETS			
1. Current Assets			
Cash and Cash Equivalents	2	4,00,000	
Total		<u>4,00,000</u>	

Notes to Accounts

Particulars	(₹)
1 . Long-term Borrowings:	
Loan from IDBI Bank	4,00,000
5,000; 9% Debentures of 100 each issued as collateral security	5,00,000
Less: Debenture Suspense A/c	<u>5,00,000</u>
	<u>4,00,000</u>
2. Cash and Cash Equivalents	
Cash at Bank	<u>4,00,000</u>

13.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	85,500	
	To 12% Debentures Application and Allotment A/c			85,500
	(Being Application received for 90,000, 12% debentures issued at 5% discount)			
	12% Debentures Application and Allotment A/c	Dr.	85,500	
	Loss on Issue of Debentures A/c		13,500	

To 12% Debentures A/c		90,000
To premium Redemption of Debentures A/c		9,000
(Being Allotment of 900, 12% debentures at 5% discount, redeemable at 10% premium)		

14. (a)

VKR Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 Mar. 4	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application money received)		5,36,250	5,36,250
	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr.		5,36,250	
	To 9% Debentures A/c		29,250	4,87,500
	To Securities Premium Reserve A/c			48,750
	To Premium on Redemption of Debentures A/c			29,250
	(Being transfer of application money to debentures account and securities premium reserve issued at premium of 10% and redeemable at premium of 6%)			

(b)

VKR Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 Mar. 4	Bank A/c To 9% Debenture Application and Allotment A/c (Being application money received)		4,87,500	4,87,500
	9% Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr.		4,87,500	
	To 9% Debentures A/c		43,875	4,87,500
	To Premium on Redemption of Debentures A/c			43,875
	(Being transfer of application money to debentures account issued at par, but redeemable at premium of 9%)			

15. (i)

Journal entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 10% Debentures Application and Allotment A/c (Being 10% Debentures application and Allotment money received)		13,25,000	13,25,000
	10% Debentures Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr.		13,25,000	
	To 10% Debentures A/c		1,00,000	12,50,000
	To Security premium Reserve A/c			75,000
	To premium on Redemption of Debentures A/c			1,00,000
	(Being Debentures issued at premium and redeemable at premium)			

(ii)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 10% Debentures Application and Allotment A/c (Being 10% Debentures application and Allotment received at 6% discount)		11,75,000	11,75,000
	10% Debentures Application and Allotment A/c Dr.		11,75,000	
	Loss on Issue of Debentures A/c Dr. To 10% Debentures A/c		1,75,000	12,50,000
	To premium on Redemption of Debentures A/c			1,00,000

Long Answer Questions

1. (a)

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	Assets A/c Dr. To Liabilities A/c To Ram Ltd. To Capital Reserve A/c (Being Maheesh Ltd. took over assets and liabilities of Ram Ltd.)	9,40,000	1,40,000 7,80,000 20,000
(ii)	Ram Ltd. A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Being 9% Debentures issued to Ram Ltd. at premium)	7,80,000	6,50,000 1,30,000

(b)

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Debenture Application and Allotment A/c (Being debenture application money received)	105	105
	Debenture Application and Allotment A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Being application money transferred)	105	100 5
(ii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application money received)	100	100
	Debenture Application and Allotment A/c Dr.	105	
	Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being debentures issued at ₹100 and redeemable at ₹105)	5	100 5
(iii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Being debenture application money received)	110	110

Debenture Application and Allotment A/c	Dr.	110	
Loss on Issue of Debentures A/c	Dr.	5	
To 9% Debentures A/c			100
To Securities Premium Reserve A/c			10
To Premium on Redemption of Debentures A/c			5
(Being debenture issued at premium and redeemable at premium)			

2.

Journal Entries

F

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Apr. 1	Bank A/c Dr. To 9% Debentures Application and Allotment A/c (Being 9% Debentures Application and Allotment money received on 15000 Debentures @ ₹100 each at 7% discount)		13,95,000	13,95,000
	9% Debentures Application and Allotment A/c Dr. Loss on Issue of 9% Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being the issue of 15000; 9% Debentures of ₹100 each at Discount and redeemable at premium)		13,95,000 2,55,000	15,00,000 1,50,000
Sep. 30	Interest on 9% Debentures A/c Dr. To Bank A/c (Being interest paid for 6 months on 9% debentures)		67,500	67,500
2016 Mar. 31	Interest on 9% Debentures A/c Dr. To Bank A/c (Being interest paid on 9% debentures for 2nd 6 months)		67,500	67,500
	Statement of Profit and Loss A/c Dr. To Interest A/c (Being amount of 9% Debentures transferred to Statement of P and L A/c)		1,35,000	1,35,000



CHAPTER-5: Tools for Financial Analysis

Short Answer Questions

1.

Comparative Statement of Profit & Loss for the years ending 31 March 2018 and 2019

Particulars	31 March 2018 (₹)	31 March 2019 (₹)	Absolute Change (₹)	Percentage Change
I. Revenue from Operations	4,00,000	3,00,000	(1,00,000)	(25.00)
II. Add Other income	80,000	40,000	(40,000)	(50.00)
III. Total Revenue	4,80,000	3,40,000	(140,000)	(29.17)
IV. Less: Expenses	2,00,000	150,000	(50,000)	(25.00)
V. Profit before Tax	2,80,000	1,90,000	(90,000)	(32.14)

VI. Less: Tax	1,12,000	76,000	(36,000)	(32.14)
VII. Profit after Tax	1,68,000	1,14,000	(54,000)	(32.14)

2. **Comparative Statement of Profit and Loss**
for the years ended 31st March 2018 and 31st March 2019

Particulars	31 March 2018 (₹)	31 March 2019 (₹)	Percentage of Balance Sheet Total	
I. Revenue from operations	20,00,000	45,00,000	25,00,000	25
II. Expenses				
Employee benefit expenses	8,00,000	10,00,000	20,00,000	20
Other expenses	2,00,000	5,00,000	3,00,000	150
III. Total expenses	10,00,000	15,00,000	5,00,000	50
IV. Profit before Tax (I – III)	10,00,000	30,00,000	20,00,000	200
V. Less Tax	3,00,000	9,00,000	6,00,000	200
VI. Profit after Tax	7,00,000	21,00,000	14,00,000	200

3. **Comparative Statement of Profit & Loss**
for the year ended 31st March, 2018

Particulars	31 March 2017 (₹)	31 March 2018 (₹)	Absolute Charge (₹)	% Absolute Charge
I. Revenue from Operations	12,00,000	17,60,000	5,60,000	46.67
III. Expenses:				
(a) Cost of Materials Consumed	4,00,000	4,40,000	40,000	10.00
(b) Other Expenses	80,000	1,32,000	52,000	65.00
III. Total Expenses	4,80,000	5,72,000	92,000	19.17
IV. Profit before tax (I–III)	7,20,000	11,88,000	4,68,000	65.00
V. Less 50% tax	3,60,000	5,94,000	2,34,000	65.00
VI. Profit after tax (IV–V)	3,60,000	5,94,000	2,34,000	65.00

4. **Comparative Statement of Profit & Loss**
for the year ended 31st March, 2011 and 2012

Particulars	Note No.	31 March 2011 (₹)	31 March 2012 (₹)	Absolute Charge (Increase/Decrease) (₹)	% Absolute Charge
I. Revenue from Operations		16,00,000	20,00,000	4,00,000	25.00
II. Expenses					
(a) Employees Benefit Expenses		8,00,000	10,00,000	2,00,000	25.00
(b) Other Expenses		2,00,000	1,00,000	(1,00,000)	(50.00)
III. Total Expenses		10,00,000	11,00,000	1,00,000	10.00
IV. Profit before tax (I–III)		6,00,000	9,00,000	3,00,000	50.00

5.

Comparative Income Statement of Shyam Ltd.
for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2016-17 (₹)	2017-18 (₹)	Absolute Change (₹)	Percentage Change (%)
1		2	3	4	5
		A	B	(B – A) = C	C/A × 100 = D
I. Revenue from Operations		24,00,000	40,00,000	16,00,000	66.67
II. Other Incomes		18,00,000	24,00,000	6,00,000	33.33
III. Total Revenue from Operations		42,00,000	64,00,000	22,00,000	52.39
IV. Loss Expenses		14,00,000	16,00,000	2,00,000	14.29
V. Net Profit before Tax (III – IV)		28,00,000	48,00,000	20,00,000	71.43

6.

Comparative Income Statement of Shyam Ltd.
for the years ended 31st March, 2017 and 2018

Particulars	Note No.	2017 (₹)	2018 (₹)	Absolute Change (₹)	Percentage Change (%)
1		2	3	4	5
		A	B	(B – A) = C	C/A × 100 = D
I. Revenue from Operations		17,50,000	20,00,000	2,50,000	14.28
II. Expenses:					
Cost of Material Consumed		9,75,000	11,70,000	1,95,000	20.00
Other Expenses		67,700	91,500	23,800	35.16
Total Expenses		10,42,700	12,61,500	2,18,800	20.98
III. Profit before Tax (I – II)		7,07,300	7,38,500	31,200	4.41
IV. Less: Income Tax		2,82,920	2,95,400	12,480	4.41
V. Profit after Tax		4,24,380	4,43,100	18,720	4.42

7.

Comparative Statement of Profit and Loss
(for the year ended 2015)

Particulars	Absolute Figures		Absolute Change in ₹ (Increase/ Decrease)	Percentage Change (Increase/ Decrease)
	31 March 2014 (₹)	31 March 2015 (₹)		
	A	B	C (A–B)	%
I. Revenue from Operations	12,00,000	16,00,000	4,00,000	33.33
II. Less: Expenses				
Purchases of stock in trade	4,80,000	7,20,000	2,40,000	50
Changes in Inventories of stock in trade	1,20,000	80,000	(40,000)	(33.33)
Other Expenses	90,000	2,00,000	1,10,000	122.22
Total Expenses	6,90,000	10,00,000	3,10,000	44.92
III. Profitable for Tax (I–II)	5,10,000	6,00,000	90,000	17.65
IV. Less Tax	2,29,500	2,10,000	(19,500)	(8.45)
	2,80,500	3,90,000	1,09,500	39.04

Note: Cost of Revenue from Operation = Purchases of Stock in trade
+ changes in inventories of Stock-in-Trade

8.

Common size Balance Sheet

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31 March 2018 (₹)	31 March 2019 (₹)	31 March 2018 (%)	31 March 2019 (%)
I. Equity and Liabilities					
1. Shareholders' Funds		10,00,000	20,00,000	50	40
2. Non-Current liabilities		5,00,000	20,00,000	25	40
3. Current Liabilities		5,00,000	10,00,000	25	20
Total		<u>20,00,000</u>	<u>50,00,000</u>	<u>100.00</u>	<u>100.00</u>
II. Assets					
1. Non Current assets		12,50,000	30,00,000	62.5	60
2. Current assets		7,50,000	20,00,000	37.5	40
Total		<u>20,00,000</u>	<u>50,00,000</u>	<u>100.00</u>	<u>100.00</u>

9.

Common Size Balance Sheet

as at 31st March, 2017 and 2018

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		31 March 2017 (₹)	31 March 2018 (₹)	31 March 2017 (%)	31 March 2018 (%)
I. Equity and Liabilities					
1. Shareholders' Funds		10,00,000	12,00,000	50	48
2. Non-Current liabilities		6,00,000	6,00,000	30	24
3. Current Liabilities		4,00,000	7,00,000	20	28
Total		<u>20,00,000</u>	<u>25,00,000</u>	<u>100.00</u>	<u>100.00</u>
II. Assets					
1. Non Current assets		12,00,000	13,00,000	60	52
2. Current assets		8,00,000	12,00,000	40	48
Total		<u>20,00,000</u>	<u>25,00,000</u>	<u>100.00</u>	<u>100.00</u>

10.

Comparative Statement of Profit and Loss

Particulars	Note No.	31 March 2012 (₹)	31 March 2013 (₹)	Absolute Changes (₹)	Percentage change (%)
		A	B		
I. Revenue from Operations		8,00,000	10,00,000	2,00,000	25
II. Expenses:					
(a) Employees Benefit Expenses		4,00,000	5,00,000	1,00,000	25
(b) Other Expenses		1,00,000	50,000	(50,000)	(50)
Total Expenses		<u>5,00,000</u>	<u>5,50,000</u>	<u>50,000</u>	10.00
III. Profit before tax (I-II)		3,00,000	4,50,000	1,50,000	50
IV. Less Income Tax		1,50,000	2,25,000	75,000	50
V. Profit after tax		<u>1,50,000</u>	<u>2,25,000</u>	<u>75,000</u>	50

11. **Comparative Statement of Profit & Loss for the year ended 31st March, 2018**

Particulars	31 March 2016-17 (₹)	31 March 2017-18 (₹)	Absolute Change (₹)	Percentage Change(%)
I. Revenue from Operations	4,00,000	6,00,000	2,00,000	50
II. Less: Expenses				
Cost of Material Consumed	2,00,000	3,00,000	1,00,000	50
Other Expenses	50,000	45,000	(5,000)	(10)
Total Expenses	2,50,000	3,45,000	95,000	38
III. Profit before Tax (I-II)	1,50,000	2,55,000	1,05,000	70
IV. Less: Tax@40%	60,000	1,02,000	42,000	70
V. Profit after Tax	90,000	1,53,000	63,000	70

12. **Comparative Statement of Profit and Loss**
(for the year ended 2016)

Particulars	Note No.	2016 (₹)	2017 (₹)	Absolute Changes (₹)	Percentage change (%)
		A	B	C = (B-A)	D = C/A × 100
I. Revenue from Operations		20,00,000	32,00,000	12,00,000	60
II. Expenses:					
Cost of Materials consumed		14,00,000	22,40,000	8,40,000	60
Other Expenses		1,00,000	1,60,000	60,000	60
Total Expenses		15,00,000	24,00,000	9,00,000	60
III. Profit before tax (I-II)		5,00,000	8,00,000	3,00,000	60
IV. Less Income Tax		2,50,000	4,00,000	1,50,000	60
V. Profit after tax		2,50,000	4,00,000	1,50,000	60



CHAPTER-6: Cash Flow Statement

Short Answer Questions

1. **Calculation of Cash Flow from Operating Activities for the year ended 31st March, 2015**

Particulars	(₹)	(₹)
Net Profit before tax and extraordinary items (WN)		41,000
Add: Non-Cash and Non-operating items:		
Depreciation on Machinery	18,000	
Loss on Sale of Machinery (₹50,000 – ₹20,000 – ₹10,000)	20,000	38,000
Operating Profit before Working Capital Changes		79,000
Add: Increase in Current Liabilities:		
Outstanding Expenses (₹14,600 – ₹10,000)		4,600
Less: Increase in Current Assets:		83,600
Inventory (₹12,000 – ₹4,000)	8,000	

Trade Receivables (₹58,000 – ₹45,000)	13,000	21,000
Cash Generated from Operating Activities before Tax		62,600
Less: Tax Paid		23,000
Cash Flow from Operating Activities after Tax		<u>39,600</u>

2.

Calculation of Cash from Investing Activities

Particulars	(₹)
Investing in share of Delko Ltd. during the year	(10,00,000)
Dividend received from Delko Ltd.	1,60,000
Sold 11% Long term Investment	7,00,000
Interest on Long term Investment	1,10,000
Purchases of goodwill	(2,60,000)
Purchases of Plant and Machinery	(4,10,000)
Sale of Machinery	60,000
Net cash used in Investing Activities	<u>(6,40,000)</u>

Plant and Machinery A/c

Particulars	(₹)	Particulars	(₹)
To balance b/d	9,00,000	By Cash (Sales)	60,000
		By Depreciation (10,000+40,000)	50,000
To Cash (Purchases)	4,10,000	By balance c/d	12,00,000
	<u>13,10,000</u>		<u>13,10,000</u>

Long Answer Questions

1.

Ashok Ltd.

Cash Flow Statement

for the year ended 31st March, 2019

Particulars	(₹)	(₹)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from Operating activities (A)		Nil
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Goodwill	(1,10,000)	
Purchase of Plant and Machinery	(5,40,000)	
Sale of Plant and Machinery (WN)	54,000	
Cash used in Investing activities (B)		(5,96,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of Share Capital	8,00,000	
Redemption of 8% Debentures	(3,00,000)	
Interest paid on 8% Debentures	(14,000)	
Bank overdraft raised	20,000	
Cash flows from Financing activities (C)		5,06,000

Net Decrease in Cash and Cash equivalents (A + B + C)		(90,000)
Add: Opening balance of Cash and Cash equivalents:		
Current Investments	2,90,000	
Cash and Cash equivalents	2,30,000	5,20,000
Closing balance of Cash and Cash equivalents:		
Current Investments	1,30,000	
Cash and Cash equivalents	3,00,000	<u>4,30,000</u>

Working Notes:

Plant and Machinery Account

Particulars	(₹)	Particulars	(₹)
To Balance b/d	11,70,000	By Accumulated Dep. A/c	20,000
To Cash A/c (bal. fig.)	5,40,000	By Statement of Profit and Loss (loss on sale)	6,000
		By Cash A/c	54,000
		By balance c/d	16,30,000
	<u>17,10,000</u>		<u>17,10,000</u>

Dr. **Accumulated Depreciation A/c**

Cr.

Particulars	(₹)	Particulars	(₹)
To Plant and Machinery A/c	20,000	By Balance b/d	70,000
To Balance c/d	1,30,000	By Depreciation/ Statement of P& L	80,000
	<u>1,50,000</u>		<u>1,50,000</u>

2.

Cash Flow Statement of Gopal Ltd. Balance Sheet

for the year ended 31st March 2019

Particulars	31st March, 2019 (₹)	31st March, 2018 (₹)
A.Cash Flows from Operating Activities		
Net Profit before Tax	6,75,000	
Adjustment for non cash and non operating items		
Add:		
Interest on debentures	1,08,000	
Depreciation	2,00,000	
Goodwill written off	12,000	
Operating profit before Working capital changes	9,95,000	
Less: Increase in Inventory	(1,24,000)	
Cash from operations	8,71,000	
Less: Tax paid	1,50,000	
B.Cash Inflows from Operating activities		7,21,000
Cash Flows from Investing Activities		
Purchase of Plant and Machinery	(7,58,000)	
Purchase of Investments	(55,000)	
Cash used in Investing Activities		(8,13,000)
Cash Flows from Financing Activities		
C.Cash Inflows from Financing activities		2,32,000

Net increase in Cash and Cash equivalents (A+B+C)		1,40,000
Add: Opening balance of Cash and Cash equivalents		
Current Investments	1,20,000	
Cash and Cash Equivalents	1,20,000	2,40,000
Closing balance of Cash and Cash equivalents		
Current Investments	2,00,000	
Cash and Cash Equivalents	1,80,000	<u>3,80,000</u>

Working Notes:

1. Calculation of Net Profit before Tax:

Net Profit as per Statement of Profit and Loss	5,00,000
Add: Provision for Tax made	<u>1,75,000</u>
	<u>6,75,000</u>

Dr.		Provision for Tax Account		Cr.	
Particulars	(₹)	Particulars	(₹)		
To Cash A/c (Tax Paid)	1,50,000	By Balance b/d	1,75,000		
To Balance c/d	2,00,000	By Statement of Profit and Loss (Provision made) (Bal. Fig.)	1,75,000		
	<u>3,50,000</u>		<u>3,50,000</u>		

3.

Cash Flow Statement

for the year ending 31st March, 2013

Particulars		31st March, 2019 (₹)	31st March, 2018 (₹)
1. Cash Flow from Operating Activities:			
(A) Net Profit before Tax		15,000	
(B) Adjustments for non-cash and non-operating items		—	
(C) Operating profit before working capital changes		15,000	
(D) Add: Decrease in Current Assets and Increase in Current Liabilities			
Decrease in Trade Receivables		13,500	
Decrease in Inventories		1,500	
(E) Less: Increase in Current Assets and Decrease in Current Liabilities			
Decrease in Trade Payables		(66,000)	
Cash used in Operating Activities (C + D – E)	(X)		(36,000)
2. Cash Flow from Investing Activities:			
Purchase of Fixed Tangible Assets		(47,500)	
Purchase of Non-current Investments		(3,000)	
Net Cash used in Investing Activities	(Y)		(50,500)
3. Cash Flow from Financing Activities:			
Issue of Share Capital		50,000	
Cash generated from Financing Activities	(Z)		50,000
4. Net Decrease in Cash and Cash Equivalents (X + Y + Z)			(36,500)

5. Add: Cash and Cash Equivalents in the beginning of the year (84,000 + 33,500)	1,17,500
6. Cash and Cash Equivalents at the end of the year (68,500 + 12,500)	<u>81,000</u>

4.

Cash Flow Statement

As per AS-3 (Revised)

Particulars	Details (₹)	Amount (₹)
Cash Flows from Operating Activities:		
Net Profit before Tax		
Profit during the year (3,50,000 - 2,00,000)	1,50,000	
Add: Provision for Tax (31.3.2018)	50,000	2,00,000
Add: Non-Cash and Non-Operating Expenses:		
Depreciation provided (WN)	40,000	
Loss on Sale of Assets	18,000	
Goodwill Amortised	5,000	63,000
Operating profit before working capital change		2,63,000
Operating Profit before Working Capital	17,000	17,000
		2,80,000
Less: Increase in Inventory	(75,000)	
Increase in Trade Receivables	(67,000)	(1,42,000)
Cash from Operating Activities before Tax		1,38,000
Less: Tax Paid (previous provision)		(30,000)
Cash from Operating Activities		<u>1,08,000</u>

Working Notes:

1. Dr.

Machinery Account

Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	2,00,000	By Accumulated Depreciation	20,000
To Bank A/c (Purchase b/f)	1,60,000	By Statement of Profit and Loss (Loss on sale)	18,000
		By Bank A/c (80,000 - 20,000 - 18,000)	42,000
		By Balance c/d	2,80,000
	<u>3,60,000</u>		<u>3,60,000</u>

2. Dr.

Accumulated Depreciation Account

Cr.

Particulars	(₹)	Particulars	(₹)
To Machinery A/c	20,000	By Balance b/d	80,000
To Balance c/d	1,00,000	By Statement of Profit and Loss (Depreciation charged)	40,000
	<u>1,20,000</u>		<u>1,20,000</u>

5.

Mevanca Ltd.

Cash flow Statement

for the year ending 31st March, 2017

Particulars	Details (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net Profit before Tax	(44,000)	
Add: Depreciation on Fixed Assets	25,000	

<i>Add:</i> Interest on Loan	7,500	
Operating profit before working capital changes	(11,500)	
<i>Add:</i> Decrease in Trade Receivables	14,000	
Decrease in Other current Assets	4,000	
<i>Less:</i> Decrease in Trade Payable	(14,000)	
Increase in Inventories	(7,000)	
Cash flow from Operations before tax	(14,500)	
<i>Less:</i> Tax Paid	(53,000)	
Net Cash used in Operating Activities		(67,500)
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(1,69,000)	
Net Cash used in Investing Activities		(1,69,000)
C. Cash Flow from Financing Activities:		
Issue of Share	2,00,000	
Raising of long term loans	20,000	
Interest on loan paid	(7,500)	
Cash flow from Financing Activities		212,500
Net Decrease in Cash and Cash Equivalents (A+B+C)		(24,000)
<i>Add:</i> Opening Balance of Cash and Cash Equivalents		(49,000)
Closing Balance of Cash and Cash Equivalents		25,000

Notes:

Calculation of Profit before Tax:

Net Profit for the year = (95,000)

Add: Provision for tax = 51,000

Net profit before tax = (44,000)

Provision for Tax A/c

Particulars	(₹)	Particulars	(₹)
To Bank A/c	53,000	By Balance b/d	70,000
To Balance c/d	68,000	By Statement of Profit and Loss (Bal. Fig.)	51,000
	<u>1,21,000</u>		<u>1,21,000</u>

6.

Cash Flow Statement of M.M. Ltd.

for the year ended 31st March, 2015 as per AS-3 (Revised)

Particulars	Details (₹)	Amount (₹)
A. Cash Flows from Operating Activities:		
Net Profit before tax & extraordinary items (WN 1)	3,00,000	
<i>Add:</i> Non-cash and Non-operating items		
Goodwill written off	10,000	
Depreciation on machinery	99,000	
Interest on debentures	60,000	

Operating profit before working capital changes	4,69,000	
<i>Less:</i> Increase in Current Asset		
Increase in Inventories	(62,000)	
Cash from operations	4,07,000	
<i>Less:</i> Tax paid	(70,000)	
Net Cash generated from Operating Activities		3,37,000
B. Cash Flows from Investing Activities:		
Purchase of machinery	(3,82,000)	
Purchase of non-current investments	(25,000)	
Net Cash used in Investing Activities		(4,07,000)
C. Cash flows from Financing Activities:		
Issue of Share Capital	1,00,000	
Redemption of 12% Debentures	(50,000)	
Interest on Debentures paid	(60,000)	
Bank Overdraft raised	1,00,000	
Net Cash flow from Financing Activities		90,000
Net increase in Cash and Cash Equivalents (A + B + C)		20,000
<i>Add:</i> Cash and Cash Equivalents in the beginning of the year		
Current Investments	60,000	
Cash and Cash Equivalents	60,000	1,20,000
Cash and Cash Equivalents at the end of the year		
Current Investments	50,000	
Cash and Cash Equivalents	<u>90,000</u>	<u>1,40,000</u>

Working Notes:

1. Calculation of Net Profit before tax:

Net profit as per Statement of Profit and Loss	2,50,000
<i>Add:</i> Provision for tax made	50,000
Net Profit before tax and extraordinary items	<u>3,00,000</u>

2. Dr.

Provision for Tax Account

Cr.

Particulars	(₹)	Particulars	(₹)
To Bank A/c (Tax Paid)	70,000	By Balance b/d	90,000
To Balance c/d	70,000	By Statement of Profit and Loss (Bal. Fig.)	50,000
	<u>1,40,000</u>		<u>1,40,000</u>

7.

Cash Flow Statement

for the year ended 31st March, 2007

Particulars	Amount (₹)	Amount (₹)
A. Cash Flows from Operating Activities:		
Net Profit before tax		10,000
<i>Add:</i> interest on debentures	20,000	
<i>Add:</i> loss on sale of machinery	30,000	50,000
Operating profit before Working Capital changes		60,000

Less: Increase in Debtors	(50,000)	
Increase in Stock	(40,000)	(90,000)
Cash used in Operating Activities:		(30,000)
B. Cash Flows from Investing Activities		
Purchase of fixed assets	(2,80,000)	
Sale of machinery	50,000	
Cash used in Investing Activities:		(2,30,000)
C. Cash flows from Financing Activities		
Issue of equity Share Capital	3,50,000	
Issue of preference shares	40,000	
Redemption of Debentures	(20,000)	
Dividend paid	(80,000)	
Interest paid on Debentures	(20,000)	
Cash generated from Financing Activities:		2,70,000
Net increase in Cash and Cash Equivalents (A+B+C)		10,000
Add: opening balance of Cash and Cash equivalents		50,000
Closing balance of Cash and Cash equivalents		60,000

Working Notes:

Dr.		Fixed assets A/c		Cr.	
Particulars	(₹)	Particulars	(₹)		
To Balance b/d	5,00,000	By Bank-sale	50,000		
To Bank (purchase)	2,80,000	By Loss on sale of Fixed Assets	30,000		
		By Balance c/d	7,00,000		
	<u>7,80,000</u>		<u>7,80,000</u>		

Calculation of NP before tax

Net loss	(50,000)
Add: dividend	80,000
Less: transfer from reserve	<u>(20,000)</u>
Net profit before tax	<u>10,000</u>

8.

Cash flow statement of Vikas Ltd.

for the year ending 31st March 2016

Particulars	Amount (₹)	Amount (₹)
Net Profit before interest and tax		42,000
A cash flow from operating activities:		
Non cash items:		
Add: Depreciation		20,000
Cash flow from operating activities before working capital changes		62,000
Less: increase in stock	(4,000)	
Less: Increase in Debtors	(3,000)	
Add: increase in creditors	4,600	(2,400)
Net cash flow from operating activities before tax		59,600
Less Paid Tax		5,000
Cash flow from operating activities after tax:		54,600

B. Cash flows from investing activities		
Purchase of fixed assets	(92,600)	
Net cash use in investing activities		(92,600)
C. Cash flow from financing activities		
Issue of shares	40,000	
Net cash flow from financing activities		40,000
Net cash flow from (A + B + C)		2,000
Cash and cash equivalent in the beginning		4,000
Cash and cash equivalent at the end		6,000

Working Notes:

Calculation of Net Profit before tax:

Net profit	(12,000)
Add: Transfer to reserve	25,000)
Add: Income tax paid	<u>5,000</u>
	<u>42,000</u>

9.

Cash Flow Statement of Yogita Ltd.

for the year ended 31st March, 2018

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net Profit before Tax (WN1)	2,10,000	
Adjustments for:		
Add: Items to be added:		
Depreciation	50,000	
Operating Profit before change in working capital	2,60,000	
Add: Decrease in Current Assets:	Nil	
Add: Increase in Current Liabilities:		
Trade Payables	20,000	
	2,80,000	
Less: Increase in Current Assets:		
Inventories	(70,000)	
Trade Receivables	(50,000)	
Cash from Operating Activities	1,60,000	
Less: Income Tax Paid	(40,000)	
Net Cash from Operating Activities (A)		1,20,000
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets (WN2)	(3,50,000)	
Net Cash used in Investing Activities (B)		(3,50,000)
C. Cash Flow from Financing Activities:		
Issue of Equity Share Capital	1,00,000	
Issue of Preference Share Capital	1,00,000	

Payment of Long-term Borrowings (10% Bank Loan)	(2,00,000)	
Interim Dividend Paid	(50,000)	
Proceeds from Bank Overdraft	2,30,000	
Net Cash from Financing Activities (C)		1,80,000
D. Net Decrease in Cash and Cash Equivalents (A + B + C)		(50,000)
E. Add: Cash and Cash Equivalents in the beginning (45,000 + 5,000)		50,000
F. Cash and Cash Equivalents at the end		NIL

Working Notes:

(1) **Calculation of Net Profit before Tax:**

Particulars	(₹)
Profit [Difference between Closing and Opening Surplus (2,00,000 – 1,00,000)]	1,00,000
Add: Provision for Tax made	60,000
Interim Dividend paid during the year	50,000
	<u>2,10,000</u>

(2) Dr. **Fixed Assets Account** Cr

Particulars	(₹)	Particulars	(₹)
To Balance b/d	4,00,000	By Depreciation A/c	50,000
To Bank A/c (Purchase) (Bal. fig.)	3,50,000	By Balance c/d	7,00,000
	<u>7,50,000</u>		<u>7,50,000</u>

(3) Dr. **Provision for Taxation Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Bank A/c (Bal. fig.)	40,000	By Balance b/d	30,000
To Balance c/d	50,000	By Statement of Profit and Loss (Provision made)	60,000
	<u>90,000</u>		<u>90,000</u>

(4) Bank overdraft has been treated as Short-term Borrowings, hence it is shown under Financing Activities.

10.

Cash Flow Statement of Krishtec Ltd.

(For the year ended 31st March 2012)

Particulars	(₹)
Net Profit before Tax	(50,000)
Add: Depreciation	1,20,000
Interest paid on Long term borrowing	36,000
Operating profit before working capital changes	1,06,000
Add: Increase in trade payable	10,000
Less: Increase in Inventories	(1,00,000)
Increase in Trade receivable	(80,000)
A. Net Cash used in Operating Activities	<u>(64,000)</u>
Cash Flow from Investing Activities:	
Purchases of Tangible Assets	4,20,000
B. Cash used in Investing Activities	<u>4,20,000</u>

Cash flow Financing Activities:	
Issue of Share Capital	4,00,000
Increase in Long term borrowing	90,000
Interest paid on Long term borrowing	(36,000)
C. Cash flow from Financing Activities	<u>4,54,000</u>
Decrease in cash (A + B + C)	(30,000)
Add: Opening Cash equivalents	<u>3,70,000</u>
Closing Cash equivalents	3,40,000

11.

Cash Flow Statement of AXE Ltd.

for the year ending 31-3-18 (As per AS-3)

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Profit before Tax and extraordinary items	1,98,000	
Non Operating and Non Cash Items–		
Depreciation charged during the year	6,000	
Profit on sale of assets/machinery	(42,000)	
Operating Profits before tax and changes in working Capital	1,62,000	
Changes in working Capital		
Increase in trade payables	26,000	
Decrease in other current liabilities	(14,000)	
Decrease in inventories	56,000	
Increase in trade receivables	(2,10,000)	
Cash from Operating Activities (A)		20,000
B. Cash Flows from Investing Activities:		
Purchase of Machinery	(1,32,000)	
Sale of machinery	56,000	
Cash Used in Investing Activities (B)		(76,000)
C. Cash Flows from Financing Activities		
Issue of Shares	70,000	
Cash from Financing Activities (C)		70,000
D. Net Cash Inflow During the year (A + B + C)		14,000
E. Add: Opening Cash Equivalents		70,000
F. Closing Cash Equivalents		<u>84,000</u>

Working Notes:

I. Dr.

Machinery Account

Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	3,60,000	By Accumulated Depreciation (Prev. Depr.)	28,000
To Statement of P&L (Profit)	42,000	By Bank A/c	56,000
To Bank A/c (Purchase) (Balancing Figure)	1,32,000	By Balance c/d	4,50,000
	<u>5,34,000</u>		<u>5,34,000</u>

2. Dr.		Accumulated Depreciation A/c		Cr.	
Particulars	(₹)	Particulars	(₹)		
To Machinery A/c (previous depreciation)	28,000	By Balance b/d	80,000		
To Balance c/d	58,000	By Depreciation A/c (Charged)	6,000		
	<u>86,000</u>		<u>86,000</u>		

12.

DCX Ltd.

Cash flow Statement for the year ending 31st March 2018

Particulars	Details (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net Profit before Tax	(24,000)	
Add : Depreciation on Machinery	4,20,000	
Add: Interest on Debentures	64,000	
Less: Gain on sale of machinery	(1,60,000)	
Operating profit before the working Capital changes	3,00,000	
Add: Increase in Trade Payables	50,000	
Less: Increase in Inventories	(4,00,000)	
Cash generated from Operations before tax	(50,000)	
Less: Tax Paid	(56,000)	
Net Cash used in Operating Activities		(1,06,000)
B. Cash flows from Investing Activities:		
Purchase of Machinery	(16,00,000)	
Purchase of Intangible Assets	(1,00,000)	
Sale of Machinery	6,40,000	
Net Cash used in investing activities		(10,60,000)
C. Cash flows from financing Activities		
Issue of shares	9,00,000	
Issue of Debentures	3,00,000	
Interest paid on debentures	(64,000)	
Cash Inflows from Financing Activities		11,36,000
Net Decrease in Cash and Cash Equivalents		(30,000)
Add: Opening Balance of Cash and Cash equivalents		
Current Investments	78,000	
Cash & cash equivalents	<u>78,000</u>	1,56,000
Closing Balance of Cash and Cash equivalents		
Current Investments	89,000	
Cash & cash equivalents	<u>37,000</u>	1,26,000

Working Notes:

Calculation of Profit before Tax:

Net Profit for the year = (1,00,000)

Add: Provision for tax = 76,000

Net profit before tax = (24,000)

Dr.		Machinery A/c		Cr.	
Particulars	(₹)	Particulars	(₹)		
To Balance b/d	25,00,000	By Acc. depreciation	3,20,000		
To Gain on sale	1,60,000	By Bank	6,40,000		
To Bank A/c (Bal. Fig.)	16,00,000	By Balance c/d	33,00,000		
	<u>42,60,000</u>		<u>42,60,000</u>		

Accumulated Depreciation A/c

Particulars	(₹)	Particulars	(₹)
To Machinery A/c	3,20,000	By balance b/d	5,00,000
To Balance c/d	6,00,000	By Statement of P & L (Bal. figure)	4,20,000
	<u>9,20,000</u>		<u>9,20,000</u>

