ACCOUNTANCY SOLUTION

1. (C)

New Capital of the firm = 60,000 × $\frac{5}{1}$ = ₹ 3,00,000

Calculation of New Profit sharing ratio: Let the profit = 1:

Remaining profit of X and Y = $1 - \frac{1}{5} = \frac{4}{5}$

X's new ratio = $\frac{5}{8} \times \frac{4}{5} = \frac{20}{40}$;

Y's new ratio = $\frac{3}{8} \times \frac{4}{5} = \frac{12}{40}$;

Z = $\frac{1}{5}$ or $\frac{8}{40}$

New ratio 20 : 12 : 8 or 5 : 3 : 2 New capital of partners:

X's capital = ₹ 3,00,000 × $\frac{5}{10}$ = 1,50,000;

Y's capital = 3,00,000 × $\frac{3}{10}$ = 90,000

2. (C)

Share of A in profit = ₹ 40,000
Less Deficiency paid to C = ₹ 5.000.
So net amount received by A = ₹ 35,000.

3. (A)

Section 52(2) of the Companies Act, 2013 on use of the amount received as premium on securities: As per section 52(2) of the Companies Act, 2013, use of the amounts received as premium on securities is restricted to the following purposes only:

- issuing fully paid bonus shares to the members;
- writing off preliminary expenses of the company;
- writing off the expenses of, or the commission paid or discount allowed on any issue of securities or debentures of the company;
- providing for the premium payable on the redemption of any redeemable Preference Shares of any debentures of the company;
- in purchasing its own shares i.e., in case of buy back of shares.

OR

(D)

Amount of share capital = 12,000 shares x ₹ 70 = ₹ 8,40,000
Calls not received or calls in arrears = 12,000 shares x ₹ 40 = ₹ 4,80,000
Amount received which forfeited due to non-payment = 12,000 shares x ₹ 30 = ₹ 3,60,000

4. (C)

Net profit before appropriations = ₹ 7,87,000

Net Profit After Appropriation (Interest on capital and salary) = ₹ 7,87,000 – ₹ 40,000 – ₹ 75,000 = ₹ 6,72,000 Commission = ₹ 6,72,000 × $\frac{6}{106}$ = ₹ 38,000

OR

(B)

Adjusted amount:

Increase in Land and Building	50,000
Increase in Creditors	40,000
Increase in Outstanding salaries	(5,000)
Decrease in Furniture	(50,000)
	35,000

Sacrifice/Gaining Ratio = Old ratio – New ratio

$U = \frac{2}{10} - \frac{1}{3} = \frac{4}{30}$

$V = \frac{3}{10} - \frac{1}{3} = \frac{1}{30}$

$W = \frac{5}{10} - \frac{1}{3} = \frac{5}{20}$

Amount Credited to W's capital account = 35,000 × $\frac{5}{30}$ = 5833

5. (D)

If partnership deed is silent, then profit will be distributed among all partners equally. No partner has the right to take any salary, bonus, commission form the firm.

6. (A)

9000 shares × ₹ 2 per share = ₹ 18,000 is the amount which remains due or not received from shareholders. So, it is debited to Call-in-arrears account.

OR

(D)

Convertible debentures are long – term debt instruments issued by a company that can be converted into equity shares of the company on a future date. In other word, Convertible debentures are those on which equity shares may be exchanged at the option of the debenture holder.

7. (B)

Money received on application forfeited due to non-payment of allotment and call: 9000 shares x ₹ 30 per share = ₹ 2,70,000

8. (D)

Value of a share = ₹ 100

Full face value received on shares = 2,00,000 – 9,000 = 1,91,000 shares

Total Amount Received = 1,91,000 shares x ₹ 100 = ₹ 1,91,00,000

Partial amount Received = 9,000 shares x ₹ 30 per share = ₹ 2,70,000

Amount Transferred to Share capital = ₹ 1,91,00,000 + ₹ 2,70,000 = ₹ 1,93,70,000

9. (A)

10. (B)
Goodwill which is already existed into the books written off through all partner's capital account. For this, Partners capital account debited and Goodwill credited (Decrease in Assets).
11. (D)
The correct sequence is Trading and Profit & Loss A/c, Profit & Loss Appropriation Account and Balance Sheet.
12. (D)
Total Profit during the period of
Death = ₹ $\frac{2,00,000}{6,00,000}$ × 60,000 = ₹ 20,000
Share of Deceased Partner = ₹ 20,000 × $\frac{1}{5}$ = ₹ 4,000
Remaining profit share of A and R = 1 – $\frac{1}{15}$ = $\frac{4}{5}$
Total capital of A and R = ₹ 45,000 + ₹ 35000 = ₹ 80,000
New capital of the firm = ₹ 80,000 × $\frac{5}{4}$ = ₹ 1,00,000
G's Capital = ₹ 1,00,000 × $\frac{1}{5}$ = ₹ 20,000
13. (A)
Balance = ₹ 4,50,000 – ₹ 90,000 = 3,60,000
14. (A)
Calculation of Hidden Goodwill
Total Capital of all partners = ₹ 90,000 + ₹ 70,000 + ₹ 1,00,000 = ₹ 2,60,000
New capital on the basis of Prateek = ₹ 1,00,000 × 3/1 = 3,00,000
Value of Good will = ₹ 3,00,000 – ₹ 2,60,000 = ₹ 40,000
15. (C)
Interest on Drawing:
Mohit = ₹ 50,000 × $\frac{6}{100}$ × $\frac{6}{12}$ = ₹ 1,500
Rachit = ₹ 40,000 × $\frac{6}{100}$ × $\frac{6}{12}$ = ₹ 1,200
Mayank= ₹ 30,000 × $\frac{6}{100}$ × $\frac{6}{12}$ = ₹ 900

OR

(C)
Total drawing of year = ₹ 20,000 × 2 = ₹ 40,000
Interest on drawing = ₹ 40,000 × 9/100 × 9/12 = ₹ 2,700
16. (B)
External liabilities are the liabilities payable anyhow by the firm. If there is no information related to payment to as such liabilities then it is assumed that these are fully payable.
17. (A) Calculation of new capitals of the existing partners Balance in Asha's Capital (after all adjustments) = 1,60,000
Balance in Lata's Capital = 80,000
Total Capital of the New Firm = 2,40,000
Based on the new profit sharing ratio of 3:1 Asha's New Capital = Rs. 2,40,000 × $\frac{3}{4}$ = 1,80,000

Lata's New Capital= Rs. 2,40,000 × $\frac{1}{4}$ = 60,000

Note: The total capital of the new firm is based on the sum of the balance in the capital accounts of the continuing partners.

(B) Calculation of cash to be brought in or withdrawn by the continuing partners:

	Asha (Rs.)	Lata (Rs.)
New Capitals	1,80,000	60,000
Existing Capitals	1,60,000	80,000
(C) Cash to be brought in on (paid off)		20,000

Books of Asha and Lata

Journal

Particulars	**L.F.**	**Debit Amount (₹)**	**Credit Amount (₹)**
Cash A/c Dr. To Asha Capital A/c (Cash brought by Asha)		20,000	 20,000
Lata's Capital A/c Dr. To Cash A/c (Surplus capital withdrawn by Lata)		20,000	 20,000

18. Value of Firm's Goodwill

Sam's capital = Rs. 60,000

Sam's share = Total capital of new firm 5 x ₹ 60,000 = 3,00,000

Hems + Nem's + Sam's = ₹ 80,000 + ₹ 50,000 + ₹ 60,000 = ₹ 1,90,000

Goodwill of the firm = ₹ 1,10,000 (₹ 3,00,000 – ₹ 1,90,000)

Sam's share = x ₹ 1,10,000 = ₹ 22,000

Books of Hem, Nem, and Sam

Journal

Particulars	**L.F.**	**Debit Amount (₹)**	**Credit Amount (₹)**
Bank A/c Dr. To Sam's Capital A/c (Cash brought by Sam for his capital)		60,000	 60,000
Goodwill A/c Dr. To Hem's Capital A/c To Nem's Capital A/c (Credit given for goodwill to Hem and Nem on Sam's admission)		1,10,000	 66,000 44,000

OR

Table Showing Adjustment

Particulars	A	B	C	Total
Interest already credited@12%	1,80,000	3,60,000	7,20,000	12,60,000
Interest that should have been credited@10%	1,50,000	3,00,000	6,00,000	10,50,000
Partners Over credited with	30,000	60,000	1,20,000	2,10,000
By recovering this interest from the partners, the profits of the firm will be increased by ₹ 2,10,000. This profit will be divided in the ratio of 2:3:5.	42,000	63,000	1,05,000	2,10,000
Net Effect	12,000 Cr.	3,000 Cr.	15,000 Dr.	

Adjustment Entry:

Journal Entry

Particulars	**L.F.**	**Debit Amount (₹)**	**Credit Amount (₹)**
C's Current A/c Dr. To A's Current A/c To B's Current A/c (Interest excessive charged, now rectified)		15,000	 12,000 3,000

19.

Journal

Particulars	**L.F.**	**Debit Amount (₹)**	**Credit Amount (₹)**
As Capital A/c Dr. Bs Capital A/c Dr. To Goodwill A/c (Being existing goodwill written off in the old profit sharing ratio of old partners 3:2)		9,000 6,000	 15,000
Bank A/c Dr. To C's Capital (Being Capital brought in by C by cheque)		36,000	 36,000
C's Capital A/c Dr. To A's Capital A/c To B's Capital A/c (Being credit given to A and B for C's share of goodwill in their sacrificing ratio 3 : 2)		16,800	 10,080 6,720

Note : Calculation of hidden goodwill

C's Capital for $\frac{1}{5}$ share = 36,000

Therefore, the total capital of the new firm on the basis of C's capital should be 36,000 × $\frac{5}{1}$ = 1,80,000

Less: Actual Capital of A, B, and C

A's Capital + B's Capital + C's Capital + Reserves + P&L a/c – Goodwill – Deferred Advertisement Expenditure = 96,000

Value of hidden goodwill 84,000

C's share in the hidden goodwill

84,000 × $\frac{1}{5}$ = 16,800

20.

Journal Entry

Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Share Capital A/c Dr. To Share Forfeiture To Share Second and Final Call A/c (Being 200 share forfeited for non-payment of final call at ₹ 30 per share)		20,000	 14,000 6,000
Bank A/c Dr. Shares Forfeiture A/c Dr. To Share Capital A/c (Being reissue of 150 shares of ₹ 100 each, issued as fully paid for ₹ 60 each)		6,000 9,000	 15,000
Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue of 150 forfeited shares transferred to capital reserve)		4,500	 4,500

OR

Journal Entry

Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Bank A/c Dr. To Debenture Application and Allotment A/c (Being application money received on debentures)		18,000	 18,000
Debenture Application and Allotment A/c Dr. Loss on Issue of Debenture A/c Dr. To 15% Debentures A/c To Premium on Redemption of Debentures A/c (Being issue of Debentures at 10% discount an redeemable at 10% premium)		18,000 4,000	 22,000 2,000
Statement of Profit and Loss Dr. To Loss on Issue of Debentures A/c (Being loss on issue of Debentures written off)		4,000	 4,000

21. (a) P is bound to pay Rs 20,000 together with profit of Rs 5,000 to the firm because this amount belongs to the firm.
As per Principal and Agent relationship, P is principal as well as agent to the firm and to Q and R. As per this rule, any profit earned by an agent (P) by using the firm's property is attributable to the firm.
(b) Q is liable to pay Rs 5,000 to the firm. As per the Partnership Act, 1932, every partner of a partnership firm is liable to the firm for any loss caused by his/her will full negligence.
Here Q is solely responsible for the loss of Rs 1,000 because he used the property of the firm and also represented himself as a principal rather than an agent to the other partners and to the firm.
(c) P and Q may buy goods from A Ltd.
As per Partnership Act, 1932, a partner has a right to buy and sell goods without consulting the other partners unless a Public Notice has been given by the partnership firm to restrict the partners to buy and sell.
(d) C will not be admitted because one of the partners P has not agreed to admit C.
As per Partnership Act, a new partner cannot be admitted into a firm unless all the existing partners agree on the same decision. In other words, a new partner can be admitted in a partnership firm with the consent of all the existing partners.

22.

Balance Sheet of Nishant Co. Ltd.

Particulars		Current Year	Previous Year
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:	1	42,50,000	
(a) Share Capital	2	5,00,000	
(b) Reserve and Surplus			
II. ASSETS		47,50,000	
2. Current Assets	3	47,50,000	
(a) Cash and Cash Equivalents			

Notes to Account:

Particulars	Previous Year
1. Share Capital:	
Authorized Capital:	
1.00,000 equity shares of ₹ 100 each	1,00,00,000
Issued Capital:	
50.000 equity share of ₹ 100 each	50,00,000
Subscribed and fully paid	
25,000 equity share of ₹ 100 each	25,00,000
2. Reserve and Surplus	
Security Premium Reserve	1,00,000
3. Cash and Cash Equivalents	
Cash at Bank (14.000 × 160)	47,50,000

Journal

Particulars	L.F.	Debit (₹)	Credit (₹)
Bank a/c Dr To Equity Share Application A/c : (Application money received)		7,50,000	 7,50,000
Equity Share Application A/ Dr. To Equity Share Capital A/c (Application money transferred to share capital)		7,50,000	 7,50,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Security Premium Reserve A/c (Money due on the allotment with premium)		1,50,000	 10,50,000 5,00,000
Bank A/c Dr. To Equity Share allotment A/c (Money received on allotment)		7,50,000	 7,50,000
Equity Share First Call A/c Dr. To Equity Share Capital A/c (Money due on the first call)		7,50,000	 7,50,000
Bank A/c Dr. To Equity Share 1st Call A/c (First call money received)		7,50,000	 7,50,000

23.

Balance Sheet as of 1st April 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	40,000	Cash in Hand (WN2)	76,000
Contingency Reserve	2,000	Sundry Debtors	46,000
Capital A/cs:		Less : Provision for	44,000
A 63,000		Doubtful Debts 2,000	
B 27,000		Stock-in-trade	30,000
C 30,000	1,20,000	Furniture	12,000
	1,62,000		1,62,000

Working Notes

Dr. **Partners Capital Account** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
To Revaluation A/c (Loss)	26,600	11,400		By Balance b/d (WN 4)	50,000	40,000	
To Cash A/c (Surplus) (Balancing Figure)		7,000		By Premium for Goodwill A/c	7,000	3,000	
				By Reserve A/c	20,000		
				By Bank Overdraft A/c			30,000
To Balance c/d (WN 2)	63,000	27,000	30,000	By Cash A/c (Deficit) (Balancing Figure)	7,000		
	89,600	45,400	30,000		89,600	45,400	30,000

2. Calculation of New Profit-sharing Ratio and Proportionate Capital

C joins the firm for $\frac{1}{4}$th share of profits. Therefore, $\frac{3}{4}$th (i.e.. $1-\frac{1}{4}$) will be shared by A and B in the ratio of 7:3.

As new share = $\frac{3}{4} \times \frac{7}{10} = \frac{21}{40}$; Bs new share = $\frac{3}{4} \times \frac{3}{10} = \frac{9}{40}$ C's share = $\frac{1}{4}$ or $\frac{10}{40}$. New Profit-sharing Ratio = 21 : 9: 10. Total Capital of the new firm on the basis of C's Capital = 30,000 × $\frac{4}{1}$ = 1,20,000.

A's Capital in New Firm = 1,20,000 × $\frac{21}{40}$ = 63,000; B's Capital in New Firm = 1,20,000 × $\frac{9}{40}$ = 27,000.

3. The partners decide to retain 20% of Reserve as Contingency Reserve. Therefore, the balance, i.e.. 8,000 is distributed between the old partners in their old profit-sharing ratio.

Dr. **Revaluation Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock A/c (50,000 × 40/100) To Furniture A/c (30,000 × 60/100)	20,000 18,000	By Loss transferred to: As Capital A/c (38,000 × 7/10) 26,600 B's Capital A/c (38,000 × 3/10) 11,400	38,000
	38,000		38,000

24.

Books of Arti Ltd.
Journal Entry

Particulars	L.F.	Debit (₹)	Credit (₹)
Bank A/c Dr. To Share Application A/c (Being application money received on 1,40,000 shares per share)		7,00,000	7,00,000
Share Application A/c Dr. To Share Capital A/c To share Allotment a/c To Bank A/c (Being application money transferred to share capital and excess application money adjusted to share allotment and returned the balance)		7,00,000	4,00,000 2,80,000 20,000
Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due on 80,000 share per share including premium *4 per share)		7,00,000	4,00,000 3,00,000
Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being allotment money received except on 900 shares)		7,20,000	4,20,000 3,20,000
Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Calls-in-Arrears A/c To Share Forfeited A/c (Being 900 shares of Rajiv forfeited on non-payment of allotment money)		4,33,400 6,600	4,40,000

Working Notes:

Adjustment of excess application money towards allotment money:
Allotment money not paid by Rajiv Clearly, Rajiv belongs to category
(i) – pro – rata basis = 80,000 : 60,000 = 4 : 3.

Number of shares applied for = 1,200. Therefore, number of share allotted = 1,200 × $\frac{3}{4}$ = 900

Excess application money = (1,200 – 900) × ₹ 5 = ₹ 1,500
Unpaid allotment money = (900 × ₹ 9) – ₹ 1500 = ₹ 6,600

Balance Sheet of Arti Ltd.

Particulars		Current Year (₹)	Previous Year(₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:	1	7,97,000	
(a) Share Capital	2	3,16,400	
(b) Reserve and Surplus			

Notes Accounts:

Particulars	Current Year (₹)	Previous Year(₹)
(1) Shareholders' Capital:		20,00,00
Authorized capital		8,00,000
2,00,000 equity shares of ₹ 10 each		
issued capital		
80,000 equity shares of ₹ 10 each issued to public		
Subscribed Capital	7,91,000	
Subscribed and fully paid capital	6,0000	7,97,000
79,100 equity shares of ₹ 10 each		
Add: Shares forfeited A/c		
(2) Reserve and Surplus		3,16,000
Securities Premium Reserve (3,20,000 – 3,600)		

OR

Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Entry for forfeiture of 500 shares in all cases			
	Share Capital A/c (500 × ₹ 8) Dr.		4,000	
	To Forfeited Shares A/c (500 × ₹ 5)			2,500
	To Shares First Call A/c (500 × ₹ 3)			1,500
	(Being 500 shares forfeited for non-payment of first call)			
	Bank A/c (500 × ₹ 5) Dr.		2,500	
	Forfeited Shares A/c (500 × ₹ 3) Dr.		1,500	
	To Share Capital A/c			4,000
	(Being 500 shares reissued for ₹ 5 per share)			
Case 1	Forfeited Shares A/c Dr.		1,000	
	To Capital Reserve A/c			1,000
	(Being Gain on reissue transferred to Capital reserve)			

Case 2	Bank A/c (500 × ₹ 9) Dr. To Share Capital A/c (500 × ₹ 8) To Security Premium A/c (500 × ₹ 1) (Being 500 forfeited shares reissued for ₹ 9 per share, ₹ 8 called up)		4,500	 4,000 500
	Forfeited Shares A/c Dr. To Capital Reserve A/c (Being Gain on reissue transferred to Capital reserve)		2,500	 2,500
Case 3	Bank A/c (500 × ₹ 8) Dr. Forfeited Shares A/c (500 × ₹ 1) Dr. To Share Capital A/c (Being 500 shares reissued for ₹ 8 per share, as fully paid)		4,000 1,000	 5,000
	Forfeited Shares A/c Dr. To Capital Reserve A/c (Being Gain on reissue transferred to Capital reserve)		1,000	 1,000

25.

Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Provision for Doubtful Debts A/c To Plant and Machinery A/c	12,000	By Furniture A/c By Stock-in-Trade A/c By Advertising Expenses A/c By Loss on Revaluation transferred to: A's Capital A/c 2,100 B's Capital A/c 1,400 Cs Capital A/c 700	3,750 3,200 2,100 4,200
	12,000		12,000

Dr. Partners Capital Account Cr.

Particulars	A	B	C	Particulars	A	B	C
To Partner's Current A/c			5,000	By Balance b/d	1,20,000	80,000	40,000
To C's Capital A/c (WN 1)		5,000			8,000	2,500	
To Revaluation A/c	2,100	1,400	700		15,000	10,000	5,000
To C's Capital A/c (WN 2)							5,000
To C's Executors' A/c		17,000					17,000
To Balance c/d	1,40,900	69,100					
	1,43,000	92,500	67,000		1,43,000	92,500	67,000

Dr. **C's Executors' Account** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
2017 Dec 31	To Bank: A/c (30,650 + 3,065)	33,715	2017 June 30	By Cs Capital A/c	61,300
2018 Mar. 31	To Balance c/d	31,416	Dec. 31	By Interest A/c (@ 10% for 6 months) (61,300 × 10/100 × 6/12)	3,065
			2018 Mar. 31	By Interest A/c*	766
		65,131			**65,131**
2018 June 30	To Bank A/c	32,182	2018 April 1	By Balance b/d	31,416
			June 30	By Interest A/c (30,650 × 10/100 × 3/12)	766
		32,182			**32,182**

26.

Journal of A Ltd.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2021 Oct. 1	Sundry Assets A/c Dr. Goodwill A/c (Balancing Figure) Dr. To Sundry liabilities A/c To Garg Ltd. (Being Assets and liabilities of Garg Ltd. token over for a consideration of ₹ 3,80,000)		4,30,000 40,000	 60,000 3,80,000
Oct. 1	Garg Ltd Dr. Discount on Issue of Debentures A/c Dr. To 10% Debentures A/c (Being 4.000, 10% Debentures of ₹ 100 each issued at a discount of 10% to Garg Ltd.)		3,80,000 20,000	 4,00,000
Oct. 1	Bank a/c Dr. To Bank Loan A/c (Being loan token from bank)		4,50,000	 4,50,000
Oct 1	Debentures Suspense A/c Dr. To 11% Debentures A/c (Being 5,000 11% Debentures of ₹ 100 each issued as collateral security)		5,00,000	 5,00,000
Oct 1	Bank A/c Dr. To Debentures Application and Allotment A/c (Being Application money received for 5,000 debentures)		5,00,000	 5,00,000
Oct. 1	Debentures Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 11% Debentures A/c To Premium on Redemption of Debentures A/c (Being 5,000. 12% Debentures issued at par and redeemable at 5% premium)		5,00,000 25,000	 5,00,000 25,000

2022 Mar. 31	Debenture Interest A/c Dr. To Debenture holders' A/c (Being Interest due on Debentures for the half year ended 31st March. 2022)		50,000	 50,000
Mar. 31	Debenture holders" A/c Dr. To Bank A/c (Being interest paid to Debenture holders)		50,000	 50,000
Mar. 31	Statement of Profit & Loss A/c Dr. To Debentures' interest A/c (Being transfer of Debentures' interest to Statement of Profit and Loss)		50.000	50.000
	Securities Premium A/c Dr. To Discount on issue of Debentures A/c To Loss on issue of Debentures A/c (Discount and loss on issue of Debentures written off)		40,000	 20,000 20,000

Part B

Financial Statement Analysis

27. (A)

Inter firm comparison means comparison between two companies. This is an advantage of financial statement analysis.

OR

(A)

Change in inventories = Opening Inventories – Closing Inventories.

28. (B)

$$\text{Current assets} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$(\text{Given}) = \frac{\text{Current Assets}}{3,50,000}$$

Current assets = ₹ 3,50,000 x 3 = ₹ 10,50,000

29. (C)

Tax Paid During the year = ₹ 50,000 + ₹ 65,000 – ₹ 75,000 = ₹ 40,000

OR

(B)

Purchase or sale of machinery is an investing activity.
In this case, because of purchase of machinery, flow of cash is outward.

30. (B)

The direct method is one of two accounting treatments used to generate a cash flow statement. The statement of cash flows direct method uses actual cash inflows and outflows from the company's operations, instead of modifying the operating section from accrual accounting to a cash basis.

31.

Items	Headings	Sub-Headings
Share Issue Expenses (to be written off in next 12 months)	Current assets	Other Current assets
Share Issue Expenses (to be written off in after 12 months)	Non Current assets	Other Non Current assets
Premium on Redemption of Debentures	Non Current liabilities	Other Long term Liabilities
Debit balance of Statement of Profit and Loss	Shareholder's Funds	Reserve and Surplus
Loan from bank	Non Current liabilities	Long term Borrowing
Loan Repayable on demand	Current liabilities	Short term Borrowing

32. It is to be known that an ideal quick ratio is 1:1. If it is more, it is considered to be better. The idea is that for every rupee of current liabilities, there should atleast be one rupee of liquid assets.
This ratio is better test of short term financial position of the company than the current ratio, as it considers only those assets which can be easily and readily converted into cash. Inventory is not included in liquid assets as it may take a lot of time before it is converted into cash.
Quick ratio thus is a more rigorous test of liquidity than the current ratio and, when used together with current ratio, it gives a better picture of the short-term financial position of the firm.

33. Gross Profit = ₹ 6,00,000 × $\frac{20}{100}$ = ₹ 1,20,000

Total Revenue from Operations = Cost of Revenue from Operations + Gross Profit = ₹ 6,00,000 + 1,20,000 = ₹ 7, 20,000

Trade Receivables Turnover Ratio = $\frac{\text{Credit Revenue from Operations}}{\text{Average Trade Rececievables}}$

Average Trade Receivables = $\frac{₹5,40,000}{100}$ = ₹ 90,000

Total of Opening and Closing Trade Receivables = ₹ 90,000 × 2 = ₹ 1,80,000

Since Opening Trade Receivables are 1/4th of Closing Trade Receivables, ratio between Opening Trade Receivables and Closing Trade Receivables will be 1:4

Opening Trade Receivables = ₹ 1,80,000 × $\frac{1}{5}$ = ₹ 36,000

Closing Trade Receivables = ₹ 1,80,000 × $\frac{4}{5}$ = ₹ 1,44,000

OR

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

Net Revenue from Operations = Cost of Revenue from Operations + Gross Profit

Revenue from Operations include a profit of 20% on Revenue from Operations therefore goods R80 must have been sold for ₹ 100. As such, If cost of Revenue from Operations is ₹ 80, Revenue from Operations ₹ 100. If cost of Revenue from Operations is ₹ 10,00,000, Revenue from Operations are $\frac{100}{80}$ × 10,00,000 = ₹ 12,50,000

Working Capital = Current Assets – Current Liabilities = ₹ 1,75,000 – ₹ 50,000 = ₹ 1,25,000

Working Capital Turnover Ratio = $\frac{₹12,50,000}{₹1,25,000}$ = 10 Times

34.

Cash Flow Statement of Mohan Ltd.
for the year ended 31st March, 2021 as per AS-3

Particulars	Amount (₹)	Amount (₹)
1. Cash Flow from Operating Activities:		
Profit as per the Balance Sheet (2,00,000 – 1,60,000)	40,000	
Proposed Dividend	70,000	1,10,000
Net Profit before Taxation and Extraordinary items		-
Adjustments:		
Depreciation	70,000	
Loss on sale of machine	10,000	80,000
Operating Profit before Working Capital changes		1,90,000
Add: Decrease in current assets		40,000
Debtors	40,000	
		2,30,000
Less: Increase in Current Assets		
Inventories	(20,000)	
Bills Receivables	(10,000)	
Less. Decrease in Current liabilities		
Trade Payables	(20,000)	– 50,000
Net Cash from Operations		1,80,000
Cash Flow from Investing Activities		20,000
Proceeds from Sale of Fixed Assets		
Purchase of fixed Assets		(2,80,000)
Net Cash outflow from Investing activity		(2,60,000)
Cash Flow from Financing Activities		
Issue of shares		1,00,000
Bank Loan Paid		– 20,000
Dividend Paid		(60,000)
Net Cash from Financing Activities		20,000
Net Decrease in Cash and Cash Equivalents (A + B + C)		(60,000)
Add: Cash and Cash Equivalents in the beginning		90,000
Cash and Cash equivalents at the end		30,000

Dr. **Fixed Account A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	4,00,000	By Bank A/c	20,000
To Bank A/c (Balancing figure)	2,80,000	By Profit and Loss A/c	10,000
		Accumulated Depreciation	50,000
		By Balance c/d	6,00,000
	6,80,000		6,80,000

Dr. **Investment Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Assets	50,000	By Balance b/d	80,000
To Balance c/d	1,00,000	By Profit and Loss A/c	70,000
		(Balance figure)	
	1,50,000		6,80,000