B.K. Birla Centre For Education

Date: 15-12-2025 | PRE BOARD EXAMINATION-II | **Duration**: 3 Hrs

Class: XII | Accountancy | **Total Marks** : 80

Instructions to the Students

- Write only question numbers clearly outside the margin (1, 2, 3.i, 5.b, 4.c.ii, etc.).
- Do not write questions or any titles. (For ex. - Do not write **II. Answer the following**).
- After every answer, give a one-line space.
- For Multiple choice Questions - Both Option and Answer should be written.
- Bullet points & Sub-points should be written inside the margin.
- Do not fold / staple the paper.

Section A

Answer all questions: (16 x 1 = 16)

1.a. **Assertion (A):** Under the fixed capital method, partners' capital accounts always show a credit balance.

Reason (R): Under the fixed capital method, all items like share of profit or loss, interest on capital, drawings, interest on drawings are recorded in a separate account called partners' current account.

a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true but (R) is not the correct explanation of (A)
c) (A) is correct but (R) is wrong
d) (A) is wrong but (R) is correct

Answer 🔑

a) Both (A) and (R) are true and (R) is the correct explanation of (A) (1)

(OR)

1.b. **Assertion (A):** On dissolution of firm, partner's loan is transferred to realisation account.

Reason (R): Partners loan is an internal liability.

a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true but (R) is not the correct explanation of (A)
c) (A) is correct but (R) is wrong
d) (A) is wrong but (R) is correct

Answer 🔑

d) (A) is wrong but (R) is correct (1)

2. In a partnership firm, partner A is entitled a monthly salary of Rs.7,500. At the end of the year, firm earned a profit of Rs.75,000 after charging A's salary. If the manager is entitled a commission of 10% on the net profit after charging his commission, Manager's commission will be :

a) Rs.7,500 b) Rs. 16,500 c) Rs.8,250 d) Rs. 15,000

Answer 🔑

d) Rs. 15,000 (1)

3.a. **Assertion (A):** Goodwill is treated as an intangible asset.

Reason (R): Goodwill cannot be seen or touched; it can only be felt.

a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and (R) are true but (R) is not the correct explanation of (A)
c) (A) is correct but (R) is wrong
d) (A) is wrong but (R) is correct

Answer 🔑

a) Both (A) and (R) are true and (R) is the correct explanation of (A) (1)

(OR)

3.b. Gobind, Hari and Pratap are partners. On retirement of Gobind, the goodwill already appears in the Balance Sheet at Rs. 24,000. The goodwill will be written-off

a) by debiting all partners' capital accounts in their old profit sharing ratio.
b) by debiting remaining partners' capital accounts in their new profit sharing ratio.
c) by debiting retiring partners' capital accounts from his share of goodwill.
d) none of these.

Answer ⚿

a) by debiting all partners' capital accounts in their old profit sharing ratio. (1)

4.a. 10,000 Rs.100 12% debenture are issued at 97 and its redeemable at Rs.103. The loss on issue of debenture is.

a) Rs.30,000 b) Rs.60,000 c) Rs.97,000 d) Rs.1,03,000

Answer ⚿

b) Rs.60,000 (1)

(OR)

4.b. On 1st April, 2020, Elpis Ltd. issued 4,000, 8% Debentures of Rs.100 each, to be redeemed in four equal annual instalments beginning from 31st March, 2022. The interest on these debentures was payable half yearly, on 30th September and 31st March every year. What is the journal entry to close the Interest on Debentures A/c on 31st March, 2023?

a) Debit Statement of P/L 16,000; Credit Interest on Debentures A/c 16,000.
b) Debit Statement of P/L 24,000; Credit Interest on Debentures A/c 24,000.
c) Debit Statement of P/L ₹8,000; Credit Interest on Debentures A/c 8,000.
d) Debit Statement of P/L 32,000; Credit Interest on Debentures A/c 32,000.

Answer ⚿

b) Debit Statement of P/L 24,000; Credit Interest on Debentures A/c 24,000. (1)

5. Vikram and Manish were partners sharing Profits & Losses in the ratio 3:2. Their capital balances were ₹6,00,000 and ₹4,00,000 respectively. There was a General Reserve of ₹2,00,000 in the books. They admitted Arjun for 20% share who brought ₹2,00,000 as capital. Determine Arjun's share of goodwill.

a) ₹1,00,000 b) ₹50,000 c) ₹40,000 d) ₹60,000

Answer ⚿

c) ₹40,000 (1)

Answer Explanation

Total capital including reserves = 6,00,000+4,00,000+ 2,00,000= 12,00,000.
Arjun's share 20% of 12,00,000= 2,40,000. Capital brought = 2,00,000.
Goodwill 2,40,000 - 2,00,000 = ₹40,000.

6. Monu Ltd. forfeited 500 shares of 100 each issued at 40% premium (70 called up) on which application & allotment of 80 each (including premium) has been received. Out of these, 200 shares were reissued for 65 per share (70 paid up). What is the amount to be transferred to Capital Reserve?

a) ₹ 15,000 b) ₹ 7,000 c) ₹ 4,500 d) ₹2,000

Answer ⚿

b) ₹ 7,000 (1)

7. Sahil and Mohit were partners sharing profits and losses in the ratio of 3:2. They admitted Rohit as a new partner for 1/4 share of profit. Rohit brought ₹6,00,000 as his capital and ₹1,20,000 as premium for goodwill. The new profit-sharing ratio was 2:1:1. What amount of goodwill will be credited to Sahil's Capital Account?

a) ₹48,000 b) ₹60,000 c) ₹72,000 d) ₹90,000

Answer ⚩

a) ₹48,000 (1)

Answer Explanation

Old ratio = 3:2

New ratio = 2:1:1

Sacrificing ratio = (3/5 – 2/4) : (2/5 – 1/4) = (12 – 10)/20 : (8 – 5)/20 = 2:3

Rohit's goodwill = ₹1,20,000

Sahil's share = ₹1,20,000 × 2/5 = ₹48,000

Mohit's share = ₹1,20,000 × 3/5 = ₹72,000

Hence, goodwill credited to Sahil's Capital Account = ₹48,000.

8.a. X, Y, and Z were partners sharing profits and losses in the ratio of 5:3:2. Z passed away on December 31, 2023, and the total amount payable to Z's executors was ₹12,00,000. Z's executors were paid ₹2,00,000 immediately, and the balance was to be paid in four equal annual installments along with interest at 12% p.a. Calculate the total amount of interest to be credited to Z's executor's account for the year ended March 31, 2024.

a) ₹90,000 b) ₹72,000 c) ₹30,000 d) ₹84,000

Answer ⚩

c) ₹30,000 (1)

Answer Explanation

Balance Payable to Z's Executors: 12,00,000 -2,00,000= ₹10,00,000.

Interest Calculation for 3 Months (Jan 1 March 31, 2024):

Interest = 10,00,000 × (12%) × (3/12) = ₹30,000.

(OR)

8.b. R, S and T are partners sharing profit in the ratio of 7:5:4. T died on 30th June 2012. Profit for the year was ₹24000 for the year 2011-2012. How much share in profits for the death period will be transferred to T's account?

a) Credited Rs.6000 b) Debited Rs. 1500 c) Credited Rs.1500 d) Debited Rs.6000

Answer ⚩

c) Credited Rs.1500 (1)

9. Which of the following is/are method(s) of valuation of goodwill?

a) Super Profit Method b) Capitalisation

c) Average Profit Method d) All of these

Answer ⚩

d) All of these (1)

10.a. Profit or loss on revaluation of assets and reassessment of liabilities is transferred to partners' capital accounts in their:

a) Gaining Ratio b) Old Profit Sharing Ratio

c) Equal Ratio d) Capital Ratio

Answer ⚩

b) Old Profit Sharing Ratio (1)

(OR)

10.b. What amount is shown in the Forfeiture Account at the time of forfeiture of shares?

a) Amount not paid by the shareholder on application and allotment
b) Total amount paid by the shareholder including amount utilised on premium
c) Application money paid by the shareholder including premium
d) Total amount paid by the shareholder excluding the amount utilised on premium

Answer

d) Total amount paid by the shareholder excluding the amount utilised on premium (1)

11. Girish Ltd. Purchased a running business from Bata Ltd. for a sum of Rs.22,00,000 by issuing 20,000 fully paid Equity Shares of Rs.100 each at a premium of 10%. Total Assets were Rs.26,00,000 and Bills payable Rs.2,50,000. Amount of Goodwill/Capital Reserve will be:

a) 4,00,000 Capital Reserve
b) 1,50,000 Goodwill
c) 4,00,000 Goodwill
d) 1,50,000 Capital Reserve

Answer

d) 1,50,000 Capital Reserve (1)

Answer Explanation

2600000-2450000 = 1,50,000 Capital Reserve

12. P, Q and R are sharing profits and losses equally. R retires and the goodwill is appearing in the books at ₹ 30,000. Goodwill of the firm is valued at ₹ 1,50,000. Calculate the net amount to be credited to R's Capital A/c.

a) ₹ 40,000
b) ₹ 10,000
c) ₹ 50,000
d) ₹ 60,000

Answer

a) ₹ 40,000 (1)

13. Amit and Vinay are partners sharing profits in the ratio of 4: 3. Their Balance Sheet showed a balance of ₹ 56,000 in the General Reserve Account and a debit balance of ₹ 14,000 in Profit and Loss Account. They now decided to share the future profits equally. Instead of closing the General Reserve Account and Profit and Loss Account, it is decided to pass an adjustment entry for the same. In adjustment entry:

a) Cr. Amit by₹5,000; Dr. Vinay by ₹ 5,000
b) Dr. Amit by ₹5,000; Cr. Vinay by ₹ 5,000
c) Dr. Amit by ₹3,000; Cr. Vinay by ₹ 3,000
d) Cr. Amit by ₹3,000; Dr. Vinay by ₹ 3,000

Answer

d) Cr. Amit by ₹3,000; Dr. Vinay by ₹ 3,000 (1)

Answer Explanation

Sacrificing ratio = Old ratio - New ratio

Amit :- $\frac{4}{7} - \frac{1}{2} = \frac{8-7}{14} = \frac{1}{14}$

Vinay :- $\frac{3}{7} - \frac{1}{2} = \frac{6-7}{14} = \frac{(-1)}{14}$ gain

Total adjusted amount = 56,000 -14,000 (profit and loss debit balance)

= 42,000

Amit's share = 42,000 $\times \frac{1}{14}$ = 3,000 (Credit)

Vinay's share = 42,000 $\times \frac{1}{14}$ = 3,000 (Debit)

14. After which account it is assumed that dissolution of the firm stands closed?

a) Memorandum Balance Sheet
b) Realisation A/c
c) Partners Capital A/c
d) Cash A/c

Answer

d) Cash A/c (1)

15. Office premises was appearing in the books at ₹8,40,000 which was undervalued by 20%. What amount will be shown in the Balance Sheet of the reconstituted firm for office premises?

a) ₹10,50,000 b) ₹6,72,000 c) ₹8,40,000 d) 12,60,000

Answer 🔑

a) ₹10,50,000 (1)

Answer Explanation

If undervalued by 20%, book value = 80% of actual value.

Actual value = 8,40000/80 x 100 = 10 ,50,000.

16. Neelkamal Private Limited issued 12% debentures with a face value of ₹2,50,000. The company received ₹2,00,000 in cash on issuance, and these debentures are redeemable at a premium of ₹50,000. Additionally, the company incurred a loss on the issue of debentures amounting to ₹1,00,000. Based on this information, determine the percentage of discount at which the debentures were issued.

a) 15% b) 20% c) 5% d) 10%

Answer 🔑

b) 20% (1)

Answer Explanation

(1,00,000 - 50000)/(2,50,000)=20%

Answer the following questions: (4 x 3 = 12)

17.a. On January 01, 2025 Ritu Ltd. Issued ₹ 40,00,000, 8% Debentures of ₹ 100 each at 5% discount to be redeemed at 10% premium at the end of 5 years. Balance in Securities Premium on the date of such issue was of ₹ 2,70,000. Pass entries for Issue of debentures.

Answer 🔑

Journal

Date	Particulars	Debit	Credit
Jan. 01 2025	Bank A/c Dr. To Debentures Application and Allotment A/c (Being application and allotment money received for debentures)	38,00,000	 38,00,000
Jan. 01 2025	Debentures Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Being Issued ₹ 40,00,000, 8% Debentures of ₹ 100 each at 5% discount to be redeemed at 10% premium)	38,00,000 6,00,000	 40,00,000 4,00,000

Journal (3)

(OR)

17.b. Pass Journal entries in the following cases:

a. Expenses of realisation ₹600 to be borne by the firm and are paid by Mohit, a partner.

b. Mohit, one of the partners of the firm, was asked to carry out dissolution of the firm for which he was allowed a salary of ₹2,000.

c. Motor car of book value ₹50,000 taken by a creditor of the book value of ₹40,000 in settlement.

Answer

Journal Entry

Particulars		L.F.	₹ (Dr.)	₹ (Cr.)
(a) Realisation A/c	Dr.		600	
To Mohit's Capital				600
(Amount Paid by Mohit)				
(b) Realisation A/c	Dr.		2,000	
To Mohit's Capital				2,000
(Amount Paid to Mohit)				
(c) No entry Passed				

Journal (3)

18. Sachin, Rajveer and Mohsin were the partners sharing of 5:3:2. on 31 March, 2022 their Balance Sheet was as under:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Leasehold Premises	1,25,000
Sachin	1,50,000		Patents	30,000
Rajveer	1,25,000		Machinery	1,50,000
Mohsin	75,000	3,50,000	Stock	1,90,000
Creditors		1,55,000	Cash at Bank	40,000
Workmen's Compensation Reserve		30,000		
		5,35,000		5,35,000

Rajveer died on 1st August, 2022. It was agreed that:
(i) Goodwill of the firm is to be valued at ₹1,75,000.
(ii) For the purpose of calculating Rajveer's share in the profits of 2022-23, the profits should be taken to have accrued on the same scale as in 2021-22, which were ₹75,000. (iii) Interest on capital @ 9% p.a.
Prepare Rajveer's Capital Account to show the amount due to his executors.

Answer

Dr. Rajveer's Capital A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rajveer's Executor's A/c	1,97,750	By Bal b/d	1,25,000
		By Sachin's Capital A/c	37,500
		By Mohsin's Capital A/c	15,000
		By Workmen Compensation Reserve A/c	9,000
		By Profit and Loss Suspense A/c	7,500
		By Interest on Capital A/c	3,750
	1,97,750		1,97,750

[redacted]

Working Notes :

(a) Rajveer's share of goodwill : $1,75,000 \times \frac{3}{10} = 52,500$

(b) Rajveer's share of profit $= 75,000 \times \frac{3}{10} \times \frac{4}{12} = ₹\,7,500$

(c) Interest on capital $= 1,25,000 \times \frac{4}{12} \times \frac{9}{100} = ₹\,3,750$

Capital a/c (3)

19. S, T, W and X are partners sharing profits in the ratio of 4 : 3 : 2 : 1. X is given a guarantee that his share of profits in any given year would not be less than ₹1,20,000. The profits for the year ended 31st March, 2023 amounted to ₹8,40,000. Pass necessary entries in the books of the firm.

Answer

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2023 March 31	Profit & Loss A/c	Dr.		8,40,000	
	To Profit & Loss Appropriation A/c (Transfer of profits)				8,40,000
March 31	Profit & Loss Appropriation A/c	Dr.		8,40,000	
	To S's Capital A/c				3,20,000
	To T's Capital A/c				2,40,000
	To W's Capital A/c				1,60,000
	To X's Capital A/c				1,20,000
	(Being Profit distributed Between Partners In their Profit Sharing ratio as per working note)(Refer Working Note)				

Journal (2)

Working Note:

Share of Profit:

S :₹ 8,40,000 $\times \frac{4}{10}$ =₹3,36,000

T:₹ 8,40,000 $\times \frac{3}{10}$ =₹2,52,000

W:₹ 8,40,000 $\times \frac{2}{10}$ =₹1,68,000

X:₹ 8,40,000 $\times \frac{1}{10}$ =₹84,000

X's share in profits amounts to ₹84,000 whereas the minimum guarantee amount is ₹1,20,000. Hence, the deficiency of ₹36,000 will be met by S, T, W in 4:3:2 (i.e.16,000; 12,000; 8,000). As such,

S's share= 3,36,000 - 16,000 = ₹3,20,000

T's share = 2,52,000 - 12,000 = ₹2,40,000

W's share = 1,68,000 - 8,000 = ₹1,60,000

X's share = 84,000 + 36,000 = ₹ 1,20,000

WN (1)

20. Madhu, Raj, Atul and Prachi were partners in a firm sharing profit and losses in the ratio of 3 : 2 : 4 : 1. With effect from 1st April, 2023, they decided to share profits and losses equally. Their Balance Sheet showed a General Reserve of ₹ 1,00,000. The goodwill of the firm was valued at ₹ 20,00,000. Pass necessary journal entries for the above on account of change in the profit sharing ratio. Show your working clearly.

Answer

Books of Madhu, Raj, Atul and Prachi
Journal

Date	Particulars		L.F.	Dr. Amount ₹	Cr. Amount ₹
2023 April 1	General Reserve A/c	Dr.		1,00,000	
	To Madhu's Capital A/c				30,000
	To Raj's Capital A/c				20,000
	To Atul's Capital A/c				40,000
	To Prachi's Capital A/c				10,000
	(Distribution of General Reserve in old profit-sharing ratio)				
2023 April 1	Raj's Capital A/c	Dr.		1,00,000	
	Prachi's Capital A/c	Dr.		3,00,000	
	To Madhu's Capital A/c				1,00,000
	To Atul's Capital A/c				3,00,000
	(Adjustment for Goodwill on account of change in profit sharing ratio)				

Journal (2)

Working notes:

Calculation of gain/ sacrifice

Gaining Share = New share - Old share

Madhu = $\frac{1}{4} - \frac{3}{10} = \frac{-1}{20}$ (Sacrifice)

Raj = $\frac{1}{4} - \frac{2}{10} = \frac{1}{20}$ (Gain)

Atul = $\frac{1}{4} - \frac{4}{10} = \frac{-3}{20}$ (Sacrifice)

Prachi = $\frac{1}{4} - \frac{1}{10} = \frac{3}{20}$ (Gain)

WN (1)

Answer the following questions: (2 x 4 = 8)

21. The Adarsh Control Device Ltd was registered with the authorised capital of Rs.3,00,000 divided into 30,000 shares of 10 each, which were offered to the public. Amount payable as Rs.3 per share on application, Rs.4 per share on allotment and Rs.3 per share on first and final call. These share were fully subscribed and all money was duly received. Prepare journal and Cash Book.

Answer 🔑

Books of Adarsh Control Device Ltd

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Application A/c	Dr.		90,000	
	To Equity Share Capital A/c				90,000
	(Share Application money for 30,000 shares @ ₹ 3 per share transferred to Share Capital Account)				
	Equity Share Allotment A/c	Dr.		1,20,000	
	To Equity Share Capital A/c				1,20,000
	(Share Allotment money due on 30,000 @ ₹ 4 per share)				
	Equity Share First and Final Call A/c	Dr.		90,000	
	To Equity Share Capital A/c				90,000
	(Share First and Final Call due on 30,000 @ ₹ 3 per share)				

Journal (2)

Cash Book (Bank Column)

Dr.							Cr.
Date	**Particulars**	**J.F.**	**₹**	**Date**	**Particulars**	**J.F.**	**₹**
	Equity Share Application		90,000				
	Equity Share Allotment		1,20,000				
	Equity Share First and Final Call		90,000		By Balance c/d		3,00,000
			3,00,000				3,00,000

Cash book (2)

22. Alia, Boman, and Chirag were partners in a firm sharing Profits & Losses in the ratio of 5:3:2. The firm decided to dissolve on June 30, 2024. The following balances were extracted from the firm's books:

(a) Boman's Loan to the firm: ₹60,000

(b) Supplier's Account (Trade Payables): ₹95,000

(c) Seema's Loan (Wife of Chirag): ₹45,000

(d) Capital Balances after all adjustments: Alia ₹1,50,000; Boman ₹90,000; Chirag ₹60,000.

The firm's assets were sold and realised ₹5,50,000.

You are required to show the amounts and order of payments from the realised assets as per Section 48 of the Indian Partnership Act, 1932, at the time of the firm's dissolution.

Answer

First :₹1,40,000 is paid to Outside Parties ₹95,000 to Suppliers + ₹45,000 to Seema. Second: ₹60,000 is paid to Boman for his Loan. Third: The Capital Balances are paid to the partners: Alia ₹1,50,000, Boman ₹90,000, and Chirag ₹60,000. Fourth: The Surplus of ₹50,000 is paid to the partners in their profit-sharing ratio: Alia ₹25,000, Boman ₹15,000, and Chirag 10,000. (3)

Working Notes:

1. Order of Payments:

Payment Rank	Payee/Liability	Amount (₹)	Cumulative Payment (₹)	Balance Available (₹)
First	**Outside Debts (Section 48(b)(i))**			
	Supplier's Account	95,000	95,000	4,55,000
	Seema's Loan (Third-party debt)	45,000	1,40,000	4,10,000
Second	**Partner's Loan (Section 48(b)(ii))**			
	Boman's Loan	60,000	2,00,000	3,50,000
Third	**Partner's Capital (Section 48(b)(iii))**			
	Alia's Capital	1,50,000	3,50,000	2,00,000
	Boman's Capital	90,000	4,40,000	1,10,000
	Chirag's Capital	60,000	5,00,000	50,000

2. Distribution of Surplus :
The Surplus remaining after paying all liabilities and capital is ₹50,000. This surplus represents the Profit on Realisation and must be distributed among the partners in their Profit Sharing Ratio (5 : 3 : 2) (Section 48(b)(iv)).

Partner	Profit Sharing Ratio	Share of Surplus (₹)	Calculation
Alia	5/10	25,000	50,000×105
Boman	3/10	15,000	50,000×103
Chirag	2/10	10,000	50,000×102
Total		50,000	

WN (1)

Answer the following questions: (4 x 6 = 24)

23. Varun and Vivek were partners in a firm sharing profits in the ratio of 3:2. The balance in their capital and current accounts as on 1st April, 2022 were as under:

Particulars	Varun(₹)	Vivek(₹)
Capital accounts	3,00,000 (Cr.)	2,00,000 (Cr.)
Current accounts	1,00,000 (Cr.)	28,000 (Dr)

The partnership deed provided that Varun was to be paid a salary of ₹5,000 p.m. whereas Vivek was to get a commission of ₹30,000 for the year. Interest on capital was to be allowed @ 8% p.a. whereas interest on drawings was to be charged @ 6% p.a. The drawings of Varun were ₹ 3,000 at the beginning of each quarter while Vivek withdrew ₹ 30,000 on 1st September, 2022. The net profit of the firm for the year, 2022-23, before making the above adjustments was ₹ 1,20,000. Prepare Profit and Loss Appropriation Account and Partners' Capital and Current Accounts.

Answer 🔑

Profit & Loss appropriation A/c
Of Varun and Vivek For the year ended on March 31, 2023

Dr Cr

Particulars	Amount	Particulars	Amount
To Partners Current A/c		By Profit & Loss A/c - Net Profit	1,20,000
Varun	78,508	By Interest on Drawings	
Vivek	42,992	Varun	450
		Vivek	1,050
	1,21,500		1,21,500

- As divisible profits are insufficient, so available profits are distributed in ratio of appropriations i.e 42:23

P & L appropriation (2)

Partner's capital A/c

Dr Cr

Particulars	Varun	Vivek	Particulars	Varun	Vivek
To Balance c/d	3,00,000	2,00,000	By Balance b/d	3,00,000	2,00,000
	3,00,000	2,00,000		3,00,000	2,00,000

Capital A/c (2)

Partner's Current A/c

Dr Particulars	Varun	Vivek	Particulars	Varun	Vivek Cr
To Balance b/d		28,000	By Balance b/d	1,00,000	
To Drawings	12,000	30,000	By Profit and Loss Appropriation A/c	78,508	42,992
To Interest on Drawings	450	1,050	By Balance c/d		16,058
To Balance c/d	1,66,058				
	1,78,508	59,050		1,78,508	59,050

Current A/c (2)

24. P Ltd. issued 10,000, 8% debentures of ₹ 100 each at a premium of 10% on 1-4-2022. It purchased Property, Plant & Equipment of the value of ₹2,50,000 and took over current liabilities of ₹ 40,000 and issued 8% debentures at a premium of 5% to the vendor. On the same date it took loan from the Bank for ₹ 1,00,000 and issued 8% debentures as Collateral Security. Record the relevant journal entries in the books of P Ltd. and prepare the extract of balance sheet on 31-3-2023. Ignore interest.

Answer 🔑

P. Ltd.
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr.(₹)
2022 April 1	Bank A/c	Dr.		11,00,000	
	To 8% Debenture Application & Allotment A/c (Application money received on 10,000 debentures @ ₹ 110 each)				11,00,000
Apr-01	8% Debenture Application & Allotment A/c	Dr.		11,00,000	
	To 8% Debentures A/c				10,00,000
	To Securities Premium Reserve A/c (Transfer of application money to Debentures A/c and Securities Premium Reserve A/c)				1,00,000

Journal (1)

Apr-01	Property, Plant and Equipment A/c	Dr.		2,50,000	
	To Current Liabilities A/c				40,000
	To Vendor's A/c (Purchase of assets and liabilities)				2,10,000
Apr-01	Vendor's A/c	Dr.		2,10,000	
	To 8% Debentures A/c				2,00,000
	To Securities Premium Reserve A/c (Issue of 2,000 debentures of ₹100 each at 5% premium calculated as follows: $\frac{2,10,000}{105}$ = 2,000 debentures)				10,000

Journal (1)

Apr-01	Bank A/c	Dr.		1,00,000	
	To Bank Loan A/c (Loan taken, secured by the issue of ₹ 1,00,000 debentures)				1,00,000
Apr-01	8% Debentures Suspense A/c	Dr.		1,00,000	
	To 8% Debentures A/c (Issue of debentures as collateral security)				1,00,000

Journal (1)

EXTRACT OF BALANCE SHEET OF P LTD.
as at 31st March, 2023

Particulars	Note No.	31st March, 2023	31st March, 2022
1. EQUITY AND LIABILITIES:		**₹**	**₹**
Shareholder's Funds:			
Reserve and Surplus	1	1,10,000	
Non-Current Liabilities:			
Long-term Borrowings	2	13,00,000	
Current Liabilities		**40,000**	
II. ASSETS:			
Non-Current Assets:			
Property, Plant & Equipment		**2,50,000**	

Balance sheet (1.5)

Notes to Accounts :

		₹
(1) Reserve and Surplus:		
Securities Premium		1,10,000
(2) Long-term Borrowings:		
8% Debentures	13,00,000	
Less: Debenture Suspense A/c	(1,00,000)	12,00,000
Bank Loan (On Collateral Security of 8% Debentures of ₹1,00,000)		1,00,000
		13,00,000

notes to accounts (1.5)

25.a. X Ltd. was set up with an authorised capital of Rs.2,00,00,000; divided into equity and preference shares of Rs.10 each and Rs.100 each respectively. The ratios of equity and preference shares are 4:1. Shares are payable 40% on application and rest on allotment. All money was received except the allotment money on 50,000 equity shares. Pass journal entries.

Answer ⚩

Date	Particulars	LF	Amount (Dr)	Amount (Cr)
	Bank A/c Dr		80,00,000	
	To Equity Share Application A/c			64,00,000
	To Preference Share Application A/c			16,00,000
	(Being application money received on 16,00,000 equity			
	and 40,000 preference shares)			
	Equity Share Application A/c Dr		64,00,000	
	Preference Share Application A/c Dr		16,00,000	
	To Equity Share Capital A/c			64,00,000
	To Preference Share Capital A/c			16,00,000
	(Being money transferred to equity share capital and			
	preference share capital)			
	Equity Share Allotment A/c Dr		96,00,000	
	Preference Share Allotment A/c Dr		24,00,000	
	To Equity Share Capital A/c			96,00,000
	To Preference Share Capital A/c			24,00,000
	(Being money due on equity and preference shares)			
	Bank A/c Dr		1,17,00,000	
	Calls in arrears A/c Dr		3,00,000	
	To Equity Share Allotment A/c			96,00,000
	To Preference Share Allotment A/c			24,00,000
	(Being allotment money received on all but 50,000			
	equity shares)			

Each entry carries 1.5 m (6)

(OR)

25.b. Sagar Ltd. was registered with an authorised capital of Rs. 1,00,00,000 divided into 1,00,000. Equity Shares of Rs.100 each. The company offered for public subscription 60,000 Equity Shares. Applications for 56,000 shares were received and an allotment was made to all the applicants. All the calls were made and were duly received except the second and final call of Rs. 20 per share on 700 shares. Prepare Balance Sheet of the company showing the different types of share capital.

Answer ⚿

Balance sheet of Sagar Ltd.
as at 31st March 2015 (An Extract)

Particulars	**Note No.**	**(Rs.)**
1. Equity and liabilities		
I. Shareholders' Funds Share Capital	1	55,86,000
II. **Assets** **Current Assets** Cash and Cash Equivalents	2	55,86,000

Balance sheet (3)

Notes to Accounts

1. Share Capital		**(Rs.)**
Authorised Capital 1,00,000 Equity Shares of Rs 100 each		1,00,00,000
Issued Capital 60,000 Equity Shares of Rs 100 each		60,00,000
Subscribed Capital		
Subscribed and fully paid - up: 55,300 Equity Shares of Rs 100 each		55,30,000
Subscribed but not Full paid-up 700 Equity Shares of Rs. 100 each;	70,000	
Less: Calls-in-Arrears (700*20)	(14,000)	56,000
		55,86,000
2. **Cash and Cash Equivalents:** Cash at Bank		55,86,000

It is noted that when number of shares applied are less than the number of shares offered to public for subscription it is called case of under subscription. In this case accounting entries are made on the basis of shares applied since allotment is made in full to all the applicants.

Notes (3)

26.a. Robin, Tanish and Lakshit were partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on 31st March, 2022 was as under:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Account :			Plant and Machinery	30,000
Robin	30,000		Premises	20,000
Tanish	30,000		Investment	10,000
Lakshit	20,000	80,000	Goodwill	5,000
Contingency Reserve		8,000	Patent	6,000
Employee Provident Fund		4,000	Stock	13,000
Sundry Creditors		10,000	Sundary Debtors	6,000
			Cash at Bank	10,000
			Advertisement Suspense A/c	2,000
		1,02,000		1,02,000

Lakshit died on 31-5-2022. The agreement between the executor of Lakshit and the partners stated that; Goodwill of the firm was to be valued at 2½ times of the average profits of last four years. The profits of four years were: 2018-19 ₹13,000; 2019-20 ₹12,000, 2020-21 ₹16,000 and 2021-22 ₹15,000. The patents are to be valued at 8,000, Machinery at ₹25,000 and Premises ₹25,000. The share of profit of Lakshit should be calculated on the basis of the profit of last year.. Calculate Lakshit's share of:

(a) profit for the period till the time of his death.

(b) goodwill.

(c) profit or loss on revaluation of assets and liabilities.

(d) accumulated profits and losses. Also pass necessary journal entries for the above settlement along with amount payable to Lakshit's executor.

Answer ⚩

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Profit and Loss Suspense A/c	Dr.		500	
	To Lakshit's Capital A/c				500
	(Being Lakshit's share of profit transferred to his account)				
	Robin's Capital A/c	Dr.		4,375	
	Tanish's Capital A/c	Dr.		2,625	
	To Lakshit's Capital A/c				7,000
	(Being Lakshit's share of goodwill adjusted through capital accounts)				

Journal (1)

Revaluation A/c Dr.		2,000	
To Robin's Capital A/c			1,000
To Tanish's Capital A/c			600
To Lakshit's Capital A/c			400
(Being profit on revalutaion transferred to partner's capital account)			
Contingency Reserve A/c Dr.		8,000	
To Robin's Capital A/c			4,000
To Tanish's Capital A/c			2,400
To Lakshit's Capital A/c			1,600
(Being profit on revaluation transferred to partner's capital account)			
Robin's Capital A/c Dr.		2,500	
Tanish's Capital A/c Dr.		1,500	
Lakshit's Capital A/c Dr.		1,000	
To Goodwill A/c			5,000
(Being goodwill written off)			

Journal (2)

	Robin's Capital A/c Dr.		1,000	
	Tanish's Capital A/c Dr.		600	
	Lakshit's Capital A/c Dr.		400	
	To Advertisement Suspense A/c			2,000
	(Being advertisement suspense is written off)			
	Lakshit's Capital A/c Dr.		28,100	
	Lakshit's Executor's A/c			28,100
	(Being amount due to Lakshit transferred to his executor's amount)			

Journal (2)

Working Note 1 :

$$\text{Lakshit's share in profit } = ₹\,15{,}000 \times \frac{2}{12} \times \frac{2}{10} = ₹\,500$$

Working Note 2 :

$$\text{Firm's Goodwill } = \frac{13000 + 12000 + 16000 + 15000}{4} \times 2.5 = 35{,}000$$

Lakshit's Share of Goodwill $35{,}000 \times \frac{2}{10} = ₹\,7{,}000$

Working Note 3 :

Dr. Revalutaion A/c Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery		5,000	By Patents	2,000
To Profit transferred to :			By premises	5,000
Robin's Capital A/c	1,000			
Tanish's Capital A/c	600			
Lakshit's Capital A/c	400	2,000		
		7,000		7,000

WN (1)

(OR)

26.b. Following is the Balance Sheet of Luna, Nora and Elena as on 31" March, 2022 who shared profits in the ratio 3: 2 :1. They decided to dissolve their firm.

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital Accounts :		Bank		69,500
Luna	1,70,000	Accruced Interest		3,500
Nora	1,40,000	Debtors	72,000	
Elena	1,20,000	Less : Provision for		
Investment Fluctuation Reserve	24,000	doubtful debts	(8000)	64,000
Loan	32,000	Stock		70,000
Employees Provident Fund	42,000	Investment		75,000
Bills Payable	18,000	Furniture		98,000
Sundry Creditors	26,000	Machinery		1,32,000
		Goodwill		60,000
	5,72,000			5,72,000

Agreed terms of dissolution were as follows:

(i) Sundry Creditors agreed to take over an unrecorded asset as full and final payment.

(ii) Nora took over half the stock at 10% discount and also agreed to settle the Bills Payable.

(iii) Remaining stock realised 55% of the book value.

(iv) ₹7,000 of Debtors proved bad.

(v) Other assets realised:

Machinery: ₹1,15,050

Furniture: ₹76,000

Accrued Interest :Full amount

Goodwill: 24,000.

(vi) Investments were sold in the market at a loss of 10%.

(vii) Firm had to pay ₹6,300 for outstanding rent which was not provided for in the books.

(viii) Realisation expenses were ₹3,000 paid by Elena.

Prepare Realisation A/c and Partners' Capital Accounts.

Answer ⚿

Dr. Realisation A/c Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets :			By Provision for Debtors		8,000
Accrued Interest	3,500		By Investment Fluctuation Reserve		24,000
Debtors	72,000		By Loan		32,000
Stock	70,000		By Employees Provident Fund		42,000
Investment	75,000		By Bills Payable		18,000
Furniture	98,000		By Sundry Creditors		26,000
Machinery	1,32,000		By Nora's Capital A/c (Stock)		31,500
Goodwill	60,000	5,10,500	By Bank :		

Realisation A/c (2)

To Elena's Capital A/c (Realisation Expenses)		3,000	Stock	19,250	
To Nora's Capital A/c (B/P)		18,000	Debtors	65,000	
To Bank :			Machinery	1,15,050	
Outstanding rent	6,300		Furniture	76,000	
Loan	32,000		Accrued interest	3,500	
Employees Provident Fund	42,000	80,300	Goodwill	24,000	
			Investment	67,500	3,70,300
[redacted]					
			By Loss transferred to (Bal. Fig.) :		
			Luna's Capital A/c		30,000
			Nora's Capital A/c		20,000
			Elena's Capital A/c		10,000
		6,11,800			6,11,800

Realisation A/c (1)

Dr. Partners' Capital A/c Cr.

Particulars	Luna (₹)	Nora (₹)	Elena (₹)	Particulars	Luna (₹)	Nora (₹)	Elena (₹)
To Realisation A/c	—	31,500	—	By Balance b/d	1,70,000	1,40,000	1,20,000
To Realisation A/c	30,000	20,000	10,000	By Realisation A/c	—	18,000	3,000
To Bank A/c (Bal. Fig.)	1,40,000	1,06,500	1,13,000				
	1,70,000	1,58,000	1,23,000		1,70,000	1,58,000	1,23,000

Capital A/c (3)

Section B

Answer all questions: **(4 x 1 = 4)**

27. A firm made credit Revenue from Operations is ₹10,00,000 during the year. If the trade receivables turnover ratio is 10 times, closing trade receivables are 1/3rd of opening trade receivables. Closing trade receivable will be:

a) 1,00,000 b) 50,000 c) 1,50,000 d) 2,00,000

Answer

b) 50,000 (1)

Answer Explanation

Trade Receivables Turnover Ratio = Credit Revenue from operations/ Average Trade Receivables

10 = 10,00,000/Average Trade Receivables

Average Trade Receivables = 1,00,000

Let Opening Trade Receivables = X

Closing Trade Receivables = 1/3 X

(X + 1/3X) / 2 = 1,00,000

4/3X = 2,00,000

X = 1,50,000

Closing Trade Receivables = 1/3 x 1,50,000 = 50,000

28.a. The ……………. of a business firm is measured by its ability to satisfy its short-term obligations as they become due.

a) Activity b) Liquidity c) Debt d) Profitability

Answer ⚷

b) Liquidity (1)

(OR)

28.b. When Current Ratio is 4: 1, Current Assets are Rs.60,000and Quick Ratio is 2.5: 1, the amount of 'Inventory' will be:

a) Rs.22,500 b) Rs.37,500 c) Rs.15,000 d) Rs.25,000

Answer ⚷

a) Rs.22,500 (1)

29.a. Which of the following items will be classified as a cash flow from Financing Activities for a non-finance company?

a) Interest paid on a long-term loan
b) Purchase of marketable securities
c) Refund of tax on operating profit
d) Sale of a fixed asset

Answer ⚷

a) Interest paid on a long-term loan (1)

(OR)

29.b. Which of the following classifications are correctly matched as per AS 3 (Revised) in the Cash Flow Statement?

(i) Purchase of marketable securities

(ii) Issuance of share capital

(iii) Payment of dividends

(iv) Sale of fixed assets

a) (i) Operating, (ii) Financing, (iii) Investing, (iv) Investing
b) (i) Investing, (ii) Financing, (iii) Financing, (iv) Investing
c) (i) Financing, (ii) Operating, (iii) Investing, (iv) Financing
d) (i) Investing, (ii) Operating, (iii) Financing, (iv) Operating

Answer ⚷

b) (i) Investing, (ii) Financing, (iii) Financing, (iv) Investing (1)

30. From the following information, you are required to calculate Cost of material consumed.

Opening inventory of materials ₹30,00,000;
Opening stock-in-trade ₹8,00,000;
Material purchased ₹1,00,00,000;
Purchase of stock-in trade ₹60,00,000;
Closing inventory of material ₹10,00,000 and
Closing inventory of stock ₹6,00,000.

a) ₹1,20,00,000 b) ₹80,00,000 c) ₹60,00,000 d) None of these

Answer ⚷

a) ₹1,20,00,000 (1)

Answer Explanation

Cost of Material Consumed= Opening Inventory + Materials Purchased- Inventory of Material

=30,00,000 + 1 ,00,00,000-10,00,000=Rs.1,20,00,000

Answer the following questions: **(2 x 3 = 6)**

31.a. From the information extracted from the Statement of Profit and Loss for the years ended 31st March, 2024 and 31st March, 2025.Prepare a Comparative Statement of Profit and Loss:

Particulars	2024-25	2023-24
Revenue from operations	300% of cost of material consumed	200% of cost of material consumed
Cost of materials consumed	₹2,40,000	₹2,00,000
Other expenses	20% of cost of material consumed	10% of cost of material consumed
Tax rate	50%	50%

Answer

Comparative Statement of Profit and Loss A/c

...for the year ended 31st March 2024 and 31st March,2025

Particulars	2023–2024 (₹)	2024–2025 (₹)	Absolute Change	Change %
Revenue from operations	4,00,000	7,20,000	3,20,000	80
Expenses				
Cost of materials consumed	2,00,000	2,40,000	40,000	20
Other expenses	20,000	48,000	28,000	140
Total Expenses	2,20,000	2,88,000	68,000	30.91
Profit before tax	1,80,000	4,32,000	2,52,000	140
(–) Tax @ 50%	(90,000)	(2,16,000)	(1,26,000)	140
Profit after tax	90,000	2,16,000	1,26,000	140

Comparative statement (3)

(OR)

31.b. Prepare a Common Size Statement of Profit and Loss for the year ended March 31, 2025, from the following data:

Particulars	31st March, 2025 (₹)
Revenue from Operations	25,00,000
Cost of Materials Consumed	15,00,000
Other Income	5,00,000
Employee Benefit Expenses	2,50,000
Finance Costs	1,25,000
Other Expenses	1,25,000

The Tax Rate is 40%.

Answer

Common Size Statement of Profit and Loss
For the year ended March 31, 2025

Particulars	Amount (₹)	Percentage of Revenue from Operations (%)
I. Revenue from Operations	25,00,000	100
II. Other Income	5,00,000	20
III. Total Revenue (I + II)	30,00,000	120
IV. Expenses:		
Cost of Materials Consumed	15,00,000	60
Employee Benefit Expenses	2,50,000	10
Finance Costs	1,25,000	5
Other Expenses	1,25,000	5
Total Expenses	20,00,000	80
V. Profit Before Tax (III - IV)	10,00,000	40
VI. Less: Tax (40% of V)	4,00,000	16
VII. Profit After Tax (V - VI)	6,00,000	24

Common size statement (2)

Working Notes
Calculation of Percentages :

$$\text{Percentage} = \left(\frac{\text{Amount}}{\text{RevenuefromOperations}}\right) \times 100$$

Revenue from Operations (Base) = ₹25,00,000

Particulars	Calculation	Percentage (%)
Other Income	(₹5,00,000/₹25,00,000)×100	20
Cost of Materials Consumed	(₹15,00,000/₹25,00,000)×100	60
Employee Benefit Expenses	(₹2,50,000/₹25,00,000)×100	10
Finance Costs	(₹1,25,000/₹25,00,000)×100	5
Other Expenses	(₹1,25,000/₹25,00,000)×100	5
Profit Before Tax	(₹10,00,000/₹25,00,000)×100	40
Tax	(40% of 40%)	16
Profit After Tax	(40%-16%)	24

WN (1)

32. Following Extracted information of V Ltd. is available on 31st March 2022:

Particulars	2022	2021
Share capital	5,00,000	3,00,000
Securities Premium	50,000	-
Bank Overdraft at the rate of 8% p.a	1,20,000	-

Additional information:

a) Bank overdraft was availed on 1st December 2021. Interest on Bank Overdraft was paid on 31st March 2022.

Find out Cash Flow from Financing Activities

Answer ⚿

Cash flow from Financing Activities

Particulars	Amount
Proceeds from Issue of Share Capital	2,00,000
Securities Premium	50,000
Bank Overdraft	1,20,000
Interest on Bank Overdraft	(3,200)
Cash flow from Financing Activities	3,66,800

Cash flow statement (3)

Answer the following questions: (1 x 4 = 4)

33.a. i) Calculate the Gross Profit Ratio from the following information: (SAME AS Q 33b.) but marks reduced. Revenue from Operation Rs.28,00,000; Purchase Rs.14,00,000; Carriage Inward Rs.1,00,000. Wages Rs.2,00,000; Opening inventory Rs.2,80,000 and Closing inventory Rs.4,40,000.

ii) Revenue from Operation Rs.80,00,000; Gross Profit 25%; Current Assets Rs.15,00,000 and Current Liabilities Rs.10,00,000. Calculate Working Capital Turnover Ratio.

Answer ⚿

Gross Profit Ratio = (Gross profit/ Revenue from operation) X 100 Gross Profit = Revenue from Operation – Cost of Revenue from operation Cost of Revenue from operation = Opening Inventory + Purchases + Carriage Inward + Wages - Closing inventory 2,80,000 + 14,00,000 + 1,00,000 + 2,00,000 – 4,40,000 = 15,40,000 (1)

Gross Profit = 28,00,000 - 15,40,000 = 12,60,000 Gross Profit Ratio = (12,60,000/ 28,00,000) X 100 = 45% (1)

Working Capital Turnover Ratio = Cost of revenue from operations/ Working Capital Cost of revenue from operations = Revenue from operation – Gross profit 80,00,000 – 20,00,000 = 60,00,000 (1)

Working Capital = Current Assets – Current Liabilities 15,00,000 – 10,00,000 = 5,00,000 Working Capital Turnover Ratio = 60,00,000/5,00,000 = 12 times (1)

(OR)

33.b. i) Total Assets Rs.25,00,000; Current Liabilities Rs.3,80,000; Long term Borrowing and Provision Rs.4,20,000. Calculate Proprietary Ratio.

ii) Cost of goods sold Rs.12,00,000. 80% of the purchases are on credit. Calculate the Trade Payable Turnover Ratio if

	31st March 2024	31st March 2023
Inventory	Rs.2,00,000	Rs.1,20,000
Trade Payable	Rs.95,000	Rs.75,000

Answer ⚷

Proprietary Ratio= Shareholders Fund/ Total Assets Shareholders fund = Total Assets -Current Liabilities - Long term Borrowing and Provision (1)

25,00,000 - 3,80,000 - 4,20,000 = 17,00,000 17,00,000/ 25,00,000 = 0.68:1 (1)

Trade Payable Turnover Ratio = Net Credit Purchase / Average Trade Payable Cost of goods sold = Opening Inventory + Purchases - Closing inventory 12,00,000 = 1,20,000 + Purchases – 2,00,000 Purchases = 12,80,000 Credit Purchase = 80% of 12,80,000 = 10,24,000 (1)

Average Trade payable = (Opening Trade payable + Closing Trade payable)/2 = (75,000 + 95,000)/2 = 85,000 Trade Payable Turnover Ratio = Net Credit Purchase / Average Trade Payable 10,24,000/ 85,000 = 12.05 times (1)

Answer the following question: **(1 x 6 = 6)**

34. From the balance sheet and information given below, prepare cash flow statement:

Balance Sheet

as at 31st March, 2020

Particulars	31st March 2020 (₹)	31st March 2019 (₹)
I. EQUITY AND LIABILITIES		
Creditors	35,200	32,000
Tanvir's Loan	—	20,000
Loan from Bank	40,000	32,000
Capital	1,22,400	1,00,000
Total	1,97,600	1,84,000
II. ASSETS		
Cash	5,600	8,000
Debtors	40,000	24,000
Stock	20,000	28,000
Land	40,000	32,000
Machinery	44,000	64,000
Building	48,000	28,000
Total	1,97,600	1,84,000

During the year, machine costing Rs.8,000 (Accumulated Depreciation Rs. 2,400) was sold for Rs.4,000. The provisions for depreciation against machinery as on 31st March, 2019 and 31st March, 2020 were Rs.20,000 and Rs.32,000 respectively. Net profit for the year amounting to Rs. 36,000.

Answer ⚿

Cash Flow Statement
for the year ended 31st March, 2020

Particulars		Amount (₹)
I. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items		36,000
(+) Non-cash and Non-operating Expenses		
Depreciation on Machinery	14,400	
Loss on Sale of Machinery	1,600	16,000
Operating Profit before Working Capital Changes		52,000
(+) Increase in Current Liabilities and Decrease in Current Assets		
Creditors	3,200	
Stock	8,000	11,200
(–) Decrease in Current Liabilities and Increase in Current Assets		
Debtors	(16,000)	(16,000)
Cash Flow from Operating Activities		47,200

Cash flow statement (2.5)

II.	Cash Flow from Investing Activities		
	Proceeds from Sale of Machinery	4,000	
	Purchase of Land	(8,000)	
	Purchase of Building	(20,000)	
	Cash Used in Investing Activities		(24,000)
III.	Cash Flow from Financing Activities		
	Payment of Tanvir's Loan	(20,000)	
	Loan from Bank	8,000	
	Drawings	(13,600)	
	Cash used in Financing Activities		(25,600)
IV.	Net Increase in Cash and Cash Equivalents (I + II + III)		(2,400)
	(+) Cash and Cash Equivalent at the Beginning of the year		8,000
V.	Cash and Cash Equivalent at the End of the year		5,600

Cash flow statement (2)

Working Notes :
1.

Dr. Machinery A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d (64,000 + 20,000)	84,000	By Bank (Sale)	4,000
		By Provision for Depreciation	2,400
		By Profit and Loss (Loss on sale)	1,600
		By Balance c/d (44,000 + 32,000)	76,000
	84,000		84,000

WN (0.5)

Dr. Provision for Depreciation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	2,400	By Balance b/d	20,000
To Balance c/d	32,000	By Depreciation A/c	14,400
	34,400		34,400

WN (0.5)

Calculation of Drawings	Amt (₹)
Capital at the beginning	1,00,000
(+) Net Profit	36,000
	1,36,000
(–) Capital at the end	1,22,400
Drawings	13,600

WN (0.5)