

- Fixed capital accounts always show a credit balance while fluctuating capital accounts may show credit or debit balance.
- B's Old Share = $\frac{3}{8}$
B's new share = $\frac{2}{8}$
B's Sacrifice = $\frac{3}{8} - \frac{2}{8} = \frac{1}{8}$

3.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	P's Current A/c To Q's Current A/c (Interest on capital omitted in the books in the previous year, now adjusted)	Dr.	6,000	6,000

Working Note:

Statement Showing Adjustment			
	P	Q	Total
Interest on Capital @12% p.a.	24,000	36,000	60,000
Less: Profit wrongly distributed	<u>(30,000)</u>	<u>(30,000)</u>	<u>(60,000)</u>
Net Effect	<u>6,000</u>	<u>6,000</u>	<u>NIL</u>

4.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 Jan. 1	Bank A/c (600 x 95) To 12% Debenture Application and Allotment A/c (Application money received)	Dr.	57,000	57,000
Jan. 1	12% Debenture Application and Allotment A/c Discount on Issue of Debentures A/c	Dr. Dr.	57,000 2,500	

	To 12% Debentures A/c			50,000
	To Bank A/c			9,500
	(Debentures allotted on pro-rata basis)			

5. The maximum amount of discount at which these shares can be re-issued is ₹ 5 per share.
6. (a) Person of unsound mind,
(b) Insolvent persons
- 7.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	9% Debentures A/c (500 x 10) Dr.		50,000	
	To Debentureholders A/c (500 x 94)			47,000
	To Discount on Issue of Debentures A/c			3,000
	(Amount payable to debentureholders on conversion)			
	Debentureholders A/c Dr.		47,000	
	To Equity Share Capital A/c			37,600
	To Securities Premium A/c			9,400
	(9% debentures converted into equity shares)			

Working Note:

Number of equity shares to be issued = $47,000/125 = 376$ shares

8.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2017 Jan 31	Kavi's Capital A/c Dr.		81,000	
	To Ravi's Capital A/c			18,000
	To Kumar's Capital A/c			18,000
	To Guru's Capital A/c			45,000
	(Adjustment of Goodwill on Guru's retirement)			

Working Note:

Goodwill Distribution Table

Particulars	Kavi	Ravi	Kumar	Guru
A. Before Retirement (3 : 2 : 2 : 1)	1,35,000	90,000	90,000	45,000
B. After Retirement (3 : 1 : 1)	2,16,000	72,000	72,000	-
C. Gain/ (Loss) (B- A)	81,000	(18,000)	(18,000)	(45,000)

9.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Machinery A/c Dr To Nisha Ltd. A/c (Machinery purchased from Nisha Ltd.)		1,78,000	1,78,000
	Nisha Ltd. A/c Dr.. Discount on Issue of Debentures A/c To Equity Share Capital A/c To 9% Debentures A/c To Bills Payable A/c To Securities Premium A/c (Payment made to Nisha Ltd.)		1,78,000 2,000	1,00,000 20,000 50,000 10,000

Working Notes:

Purchase Consideration

= Equity Shares + Debentures + Bills of Exchange

= (10,000 x ₹ 110) + (200 x ₹ 90) + ₹ 50,000

= ₹ 1,10,000 + ₹ 18,000 + ₹ 50,000

= ₹ 1,78,000

10.

**Ganesh Ltd.
Balance Sheet
As at.....**

Particulars	Note No.	Amount (₹) Current year	Amount (₹) Previous year
EQUITY & LIABILITIES			
1. Shareholders' Fund			
a) Share Capital	1	<u>6,09,96,000</u>	

Note 1:

Particulars	Amount (₹)
(1) Share Capital	
Authorised Capital :	
1,00,00,000 equity shares of ₹10 each	10,00,00,000
Issued Capital	
61,00,000 equity shares of ₹10 each	6,10,00,000
Subscribed Capital	
Subscribed and fully paid	
60,98,000 shares of ₹10 each	6,09,80,000
Subscribed but not fully paid	
2,000 equity shares of 10 each	20,000
Less: Calls in arrears (2,000 X 2)	<u>4,000</u>
	<u>(16,000)</u>
	<u>6,09,96,000</u>

Values :

1. Providing employment opportunities to the local youth.
2. Promotion of development in tribal areas.

11. (a) Calculation of Hidden Goodwill:

 Tina's share = $\frac{1}{4}$

Tina's Capital = ₹4,00,000

(a) Total capital of the new firm = ₹4,00,000 X 4 = ₹16,00,000

(b) Existing total capital of Madhu, Neha and Tina

= ₹ 4,00,000 + ₹ 6,00,000 + ₹ 4,00,000 = ₹ 14,00,000

Goodwill of the firm = ₹ 16,00,000 - ₹ 14,00,000 = ₹ 2,00,000

(b) Calculation of New Profit Sharing ratio :

Madhu's new share = $\frac{3}{8}$
 Neha's new share = $\frac{5}{8} - \frac{1}{4} = \frac{3}{8}$
 Tina's share = $\frac{1}{4}$ i.e. $\frac{2}{8}$
 New Ratio = 3 : 3 : 2

(c)
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 Apr 1	Tina's Current A/c To Neha's Current A/c (Goodwill adjusted on Tina's admission)	Dr.	50,000	50,000

Goodwill Distribution Table

Particulars	Madhu	Neha	Tina
A. Before Admission (3 : 5)	75,000	1,25,000	-
B. After Admission (3 : 3 : 2)	75,000	75,000	50,000
C. Gain/ (Loss) (B - A)	-	(50,000)	50,000

12.
Ashok's Capital A/c

Dr.			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 Dec 31	Drawings A/c	15,000	2016 April 1	Balance b/d	90,000
Dec 31	Interest on Drawings A/c	1,500	Dec 31	Interest on Capital A/c	8,100
Dec 31	Ashok's Executor's A/c	3,01,600	Dec 31	P & L Suspense A/c	40,000
			Dec 31	Babu's Capital A/c	90,000
			Dec 31	Chetan's Capital A/c	90,000
		3,18,100			3,18,100

Working Note:

Interest on Capital = ₹ 90,000 x $\frac{12}{100}$ x $\frac{9}{12}$ = ₹ 8,100

Share of profit = $25/100 \times ₹ 4,00,000 \times 4/10 = ₹ 40,000$

Goodwill Distribution Table

Particulars	Ashok	Babu	Chetan
A. Before Death (4 : 3 : 3)	1,80,000	1,35,000	1,35,000
B. After Death (3 : 3) or (1 : 1)	-	2,25,000	2,25,000
C. Gain/ (Loss) (B - A)	(1,80,000)	90,000	90,000

13.

Revaluation A/c

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
Claim for Workmen Compensation A/c	5,000	Loss on Revaluation transferred to	
Fixed Assets A/c	25,000	Partners' Capital A/c:	
		A	9,000
		B	6,000
		C	9,000
		D	<u>6,000</u>
	30,000		30,000

Partners' Capital A/c

Dr.					Cr.				
Particulars	A	B	C	D	Particulars	A	B	C	D
Revaluation A/c	9,000	6,000	9,000	6,000	Balance b/d	2,00,000	2,50,000	2,50,000	3,10,000
C's Capital A/c	13,500	13,500	---	---	A's Capital A/c	---	---	13,500	13,500
D's Capital A/c	13,500	13,500	---	---	B's Capital A/c	---	---	13,500	13,500
Partners' Current A/c	---	---	72,000	2,33,000	Partners' Current A/c	2,28,000	77,000	---	---
Balance c/d	3,92,000	2,94,000	1,96,000	98,000					
	4,28,000	3,27,000	2,77,000	3,37,000		4,28,000	3,27,000	2,77,000	3,37,000

Revaluation A/c			
Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
Sundry Creditors	90,000	Fixed Assets	8,00,000
Partners' Capital A/c:		Current Assets	3,00,000
A	3,92,000	Partners' Current A/c:	
B	2,94,000	A	2,28,000
C	1,96,000	B	<u>77,000</u>
D	<u>98,000</u>		3,05,000
Claim for Workmen Compensation A/c	30,000		
Partners' Current A/c:			
C	72,000		
D	<u>2,33,000</u>		
	14,05,000		14,05,000

Working Note:
Goodwill Distribution Table

Particulars	A	B	C	D
A. Before Change (3 : 2 : 3 : 2)	81,000	54,000	81,000	54,000
B. After Change (4 : 3 : 2 : 1)	1,08,000	81,000	54,000	27,000
C. Gain/ (Loss) (B- A)	27,000	27,000	(27,000)	(27,000)

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	A's Capital A/c Dr.		27,000	
	B's Capital A/c Dr.		27,000	
	To C's Capital A/c			27,000
	To D's Capital A/c			27,000
	(Goodwill adjusted)			

14.

Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
2015 April 1	Bank A/c (8,000 x 940) To 9% Debenture Application & Allotment A/c (Application money received)	Dr.	75,20,000	75,20,000
April 1	9% Debenture Application & Allotment A/c Loss on Issue of Debentures A/c To 9 % Debentures A/c To Premium on Redemption of Debentures A/c (Transfer of application money to debenture account issued at discount of 6%, redeemable at premium of 5%)	Dr. Dr.	75,20,000 8,80,000	80,00,000 4,00,000
Sept. 30	Debenture Interest A/c To Debenture holders A/c To TDS Payable A/c (Interest payable on 9% debentures and tax deducted at source @ 10%)	Dr.	3,60,000	3,24,000 36,000
Sept. 30	Debenture holders A/c TDS Payable A/c To Bank A/c (Interest paid to debentures and TDS deposited)	Dr.Dr.	3,24,000 36,000	3,60,000
2016 March 31	Debenture Interest A/c To Debenture holders A/c To TDS Payable A/c (Interest payable on 9% debentures and tax deducted at source @ 10%)	Dr.	3,60,000	3,24,000 36,000
March 31	Debenture holders A/c TDS Payable A/c To Bank A/c (Interest paid to debentures and TDS deposited)	Dr. Dr.	3,24,000 36,000	3,60,000
March 31	Profit & Loss A/c To Debenture Interest A/c	Dr.		

March 31	(Interest on debentures transferred to statement to P & L)		7,20,000	7,20,000
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15.
Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
i.	Realisation A/c To Cash/ Bank A/c (Dissolution expenses paid)	Dr.	800	800
ii.	Realisation A/c To Prabhu's Capital A/c (Dissolution expenses paid by partner)	Dr.	800	800
iii.	Realisation A/c To Geeta's Capital A/c (Dissolution expenses paid by Geeta and compensated by firm)	Dr.	10,000	10,000
iv.	Realisation A/c To Janki's Capital A/c (Dissolution expenses paid by Janki and compensated by firm)	Dr.	5,000	5,000
	Janki's Capital A/c To Mohan's Capital A/c (Mohan paid dissolution expenses on behalf of Janki)	Dr.	5,500	5,500
v.	Realisation A/c To Kavita's Capital A/c (Remuneration given to Kavita)	Dr.	9,000	9,000
	Kavita's Capital A/c To Realisation A/c (Furniture taken over by Kavita as remuneration)	Dr.	9,000	9,000

vi.	No Entry			
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16.

Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	General Reserve A/c To C's Capital A/c To D's Capital A/c (General Reserve distributed among partners)	Dr.	10,000	8,000 2,000
	Cash A/c To E's Capital A/c (Cash received as capital and goodwill)	Dr.	1,20,000	1,20,000
	E's Capital A/c To C's Capital A/c To D's Capital A/c (Goodwill adjusted on admission)	Dr.	20,000	16,000 4,000
	C's Capital A/c D's Capital A/c To Cash A/c (Half of goodwill amount withdrawn by C and D)	Dr. Dr.	8,000 2,000	10,000
	Revaluation A/c To Debtors A/c (Decrease in the value of debtors)	Dr.	2,000	2,000
	Provision for Bad and Doubtful Debts A/c To Revaluation A/c [2,000 - 4% of (36,000 - 2,000)] (Provision for bad debts decreased)	Dr.	640	640
	Revaluation A/c To Stock A/c To Furniture A/c To Plant & Machinery A/c (Decrease in assets recorded)	Dr.	14,000	2,000 4,000 8,000

Investments A/c To Revaluation A/c (Increase in investments recorded)	Dr.	7,000	7,000
Revaluation A/c To Outstanding Repairs A/c (Increase in liabilities recorded)	Dr.	2,300	2,300
C's Capital A/c D's Capital A/c To Revaluation A/c (Loss on revaluation transferred to Partner's Capital A/c)	Dr. Dr.	8,528 2,132	10,660

Working Notes:

1. Old Ratio = 4 : 1

C's new share = $4/5 - (1/4 \times 4/5) = 3/5 = 12/20$

D's new share = $1/5 - (1/4 \times 1/5) = 3/20$

E's share = $1/4 = 5/20$

New Ratio = 12 : 3 : 5

2. Goodwill for $\frac{1}{4}$ share = ₹20,000

Goodwill of the firm = ₹20,000 \times 4/1 = ₹80,000

Goodwill Distribution Table

Particulars	C	D	E
A. Before Admission (4 : 1)	64,000	16,000	-
B. After Admission (12 : 3 : 5)	48,000	12,000	20,000
C. Gain/ (Loss) (B- A)	(16,000)	(4,000)	20,000

OR

Journal

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	General Reserve A/c	Dr.	60,000	

To Sameer's Capital A/c To Yasmin's Capital A/c To Saloni's Capital A/c (General Reserve distributed among old partners)			24,000 18,000 18,000
Sameer's Capital A/c Yasmin's Capital A/c Saloni's Capital A/c To Profit and Loss A/c (Accumulated losses divided among partners)	Dr. Dr. Dr.	20,000 15,000 15,000	50,000
Revaluation A/c To Debtors A/c (Decrease in the value of debtors)	Dr.	4,000	4,000
Provision for bad and doubtful debts A/c To Revaluation A/c [6,000 - 5% of (90,000 - 4,000)] (Provision for bad debts decreased)	Dr.	1,700	1,700
Revaluation A/c To Creditors A/c (Unrecorded creditors recorded through revaluation account)	Dr.	20,000	20,000
Revaluation A/c To Patents A/c To Stock A/c To Machinery A/c To Building A/c (Decrease in assets recorded)	Dr.	90,000	60,000 5,000 15,000 10,000
Sameer's Capital A/c Yasmin's Capital A/c Saloni's Capital A/c To Revaluation A/c (Loss on revaluation transferred to Partners' Capital A/c)	Dr. Dr. Dr.	44,920 33,690 33,690	1,12,300
Yasmin's Capital A/c Saloni's Capital A/c To Sameer's Capital A/c (Goodwill adjusted on Sameer's retirement)	Dr. Dr.	1,62,000 54,000	2,16,000
Sameer's Capital A/c To Sameer's Loan A/c (Balance of Sameer's capital transferred to			

Sameer's Loan A/c	Dr.	4,76,680	4,76,680
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Working Note:
Goodwill Distribution Table

Particulars	Sameer	Yasmin	Saloni
A. Before Retirement (4 : 3 : 3)	2,16,000	1,62,000	1,62,000
B. After Retirement (3 : 2)	-	3,24,000	2,16,000
C. Gain/ (Loss) (B- A)	(2,16,000)	1,62,000	54,000

17.

**VXN Ltd.
Journal**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (50,000 x 4) To Equity Share Application A/c (Application money received)	Dr.	2,00,000	2,00,000
	Equity Share Application A/c To Equity Share Capital A/c (50,000 x 2) To Securities Premium A/c (50,000 x 2) (Application money transferred)	Dr.	2,00,000	1,00,000 1,00,000
	Bank A/c Calls in Arrears A/c (200 x 6) To Equity Share Allotment A/c (50,000 x 3) To Securities Premium A/c (50,000 x 3) To Calls in Advance A/c (400 x 8) (Allotment money received except on 200 shares and calls in advance received)	Dr. Dr.	3,02,000 1,200	1,50,000 1,50,000 3,200
	Equity Share Allotment A/c To Equity Share Capital A/c (50,000 x 3) (Share allotment money transferred)	Dr.	1,50,000	1,50,000
	Equity Share Capital A/c Securities Premium A/c To Shares Forfeiture A/c (800 - 400)	Dr. Dr.	1,000 600	400

To Calls in Arrears A/c (200 shares forfeited)			1,200
<hr/>			
Bank A/c	Dr.	2,47,400	
Calls in Arrears A/c (100 x 5)	Dr.	500	
Calls in Advance A/c (400 x 5)	Dr.	2,000	
To Equity Share First Call A/c (49,800 x 4)			1,99,200
To Calls in Advance A/c (300 x 3)			900
To Securities Premium A/c (49,800 x 1)			49,800
(First call money and calls in advance received, advance received earlier adjusted)			
<hr/>			
Equity Share First call A/c			
To Equity Share Capital A/c (49,800 x 4)	Dr.	1,99,200	
(First call money transferred to share capital account)			1,99,200
<hr/>			
Equity Share Capital A/c			
Securities Premium A/c			
To Shares Forfeiture A/c			
To Calls in Arrears A/c (400 + 100)	Dr.	900	
(100 shares forfeited)	Dr.	100	
			500
			500
<hr/>			
Bank A/c			
Calls in Advance A/c (700 x 3)			
To Equity Share Second & Final Call A/c (49,700 x 1)	Dr.	1,47,000	
To Securities Premium A/c (49,700 x 2)	Dr.	2,100	
(Second and final call received and advance received earlier adjusted)			49,700
			99,400
<hr/>			
Equity Share Second & Final Call A/c			
To Equity Share Capital A/c (49,700 x 1)	Dr.	49,700	
(Second call money transferred to share capital account)			49,700
<hr/>			
Bank A/c (300 x 9)			
Shares Forfeiture A/c (300 x 1)			
To Equity Share Capital A/c (300 x 10)	Dr.	2,700	
(Forfeited shares reissued)	Dr.	300	
			3,000
<hr/>			
Shares Forfeiture A/c			
To Capital Reserve A/c (500 + 400 - 300)	Dr.	600	
(Gain on reissue on forfeited shares transferred to capital reserve account)			600

Working Notes:
i. Calculation of Amount Credited to Share Forfeiture A/c (Gopal)

Particulars	Amount Received (₹)	Amount not Received (₹)
Share Application	200 x 2 = 400	—
Share Allotment	—	200 x 3 = 600
Securities Premium	200 x 2 = 400	200 x 3 = 600
	800	1,200

ii. Calculation of Amount Credited to Share Forfeiture A/c (Krishna)

Particulars	Amount Received (₹)	Amount not Received (₹)
Share Application	100 x 2 = 200	—
Share Allotment	100 x 3 = 300	—
Share First Call	—	100 x 4 = 400
	500	400
Securities Premium	100 x 2 = 200 100 x 3 = 300	100 x 1 = 100
	500	100

OR

**JJK Ltd.
Journal**

Date	Particulars	L. F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c (1,50,000 x 2) Dr. To Equity Share Application A/c (Application money received)		3,00,000	3,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c To Equity Share Allotment A/c (Application money transferred)		3,00,000	1,00,000 90,000 1,10,000
	Bank A/c Dr.		88,900	

Calls in Arrears A/c (1,000 + 100) To Equity Share Allotment A/c (Allotment money received)	Dr.	1,100	90,000
Equity Share Allotment A/c To Equity Share Capital A/c (50,000 x 4) (Share allotment money transferred)	Dr.	2,00,000	2,00,000
Equity Share Capital A/c To Shares Forfeiture A/c To Calls in Arrears A/c (Shares forfeited)	Dr.	3,600	2,500 1,100
Bank A/c (49,400 x 4) To Equity Share First & Final Call A/c (First call money received)	Dr.	1,97,600	1,97,600
Equity Share First & Final Call A/c To Equity Share Capital A/c (49,400 x 4) (First and final call money transferred to share capital account)	Dr.	1,97,600	1,97,600
Bank A/c (600 x 11) To Equity Share Capital A/c (600 x 10) To Securities Premium A/c (600 x 1) (Forfeited shares reissued)	Dr.	6,600	6,000 600
Shares Forfeiture A/c To Capital Reserve A/c (Gain on reissue on forfeited shares transferred to capital reserve account)	Dr.	2,500	2,500

Working Notes:
i. Analysis Table

Shares Issued	Shares Applied	Shares Allotted	Application Money Received (₹)	Application Money Due (₹)	Excess	
					Adjusted Allotment (₹)	Refund (₹)
50,000	45,000	-	90,000	-	-	90,000
	80,000	40,000	1,60,000	80,000	80,000	-
	25,000	10,000	50,000	20,000	30,000	-
	1,50,000	50,000	3,00,000	1,00,000	1,10,000	90,000

ii. Amount not received by Deepak

Particulars		
Shares Applied	80,000	1,000
Shares Allotted	40,000	500
	Amount	
	(₹)	
Amount received on application (1,000 x 2)	2,000	
Less: Amount due on application (500 x 2)	(1,000)	
	<hr/>	
Excess money received on application	1,000	
Less: Amount due on allotment (500 x 4)	(2,000)	
	<hr/>	
Calls in Arrears	(1,000)	

iii. Amount not received by Raju

Particulars		
Shares Applied	25,000	250
Shares Allotted	10,000	100
	Amount	
	(₹)	
Amount received on application (250 x 2)	500	
Less: Amount due on application (100 x 2)	(200)	
	<hr/>	
Excess money received on application	300	
Less: Amount due on allotment (100 x 4)	(400)	
	<hr/>	
Calls in Arrears	(100)	

iv. Calculation of Amount Credited to Share Forfeiture A/c (Deepak and Raju)

Particulars	Amount Received (₹)	Amount not Received (₹)
Share Application	2,000 + 500 = 2,500	—
Share Allotment	—	1,100

PART B (Financial Statements Analysis)

18. The maturity period for a short term investment from the date of its acquisition should not be more than three months or ninety days to be qualified as cash equivalents.
19. The primary purpose of the statement of cash flows is to provide information about cash receipts and payments, and their net change resulting from the operating, investing, and financing activities of a company during the period.
20. The process of critical evaluation of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm, is known as 'Analysis of Financial Statements'.

Objectives of Financial Analysis:

- Assessing the earning capacity or profitability of the firm as a whole as well as its different departments so as to judge the financial health of the firm.
- Assessing the managerial efficiency by using financial ratios to identify favourable and unfavourable variations in managerial performance.

21. Proprietary Ratio = Shareholders' Fund/ Total Assets

Transactions	Effect on Proprietary Ratio	Reasons
(i)	Decrease	No change in Shareholders' funds but total assets will increase by ₹ 2,00,000. Let's say Shareholders fund is 8,00,000 and Total Assets is 10,00,000. If ₹ 2,00,000 loan obtained from bank. Hence shareholders' fund would be 8,00,000 and total assets would be 12,00,000. Hence ratio would be 0.67:1.
(ii)	No change	No change in total assets and Shareholders' funds. As one asset is used to purchase another. Hence total assets remain constant.
(iii)	Decrease	Both shareholders' funds and total assets are decreased by the same amount. Let's say Shareholders fund is 8,00,000 and Total Assets is 10,00,000. If preference shares of 1,00,000 are redeemed. Hence new shareholders' fund would be 7,00,000 and total assets would be 9,00,000. Hence ratio would be 0.78 : 1.
(iv)	Increase	Shareholders' funds and total assets both are increased. Let's say Shareholders fund is 8,00,000 and Total Assets is 10,00,000. If equity shares of 4,00,000 are issued for purchase of machinery. Hence new shareholders' fund would be 12,00,000 and total assets would be 14,00,000. Hence ratio would be 0.86: 1.

22. Values:
 a. Transparency
 b. Consistency

Particulars	Heads	Sub-heads
Capital Reserve	Shareholders' Funds	Reserves and Surplus
Calls-in-Advance	Current Liabilities	Other Current Liabilities
Loose Tools	Current Assets	Inventories
Bank Overdraft	Current Liabilities	Short-term Borrowings

23.

SRS Ltd.
Cash Flow Statement
for the year ended 31st March, 2016

Particulars	Details (₹)	Amount (₹)
A. Cash Flows from Operating Activities:		
Net Profit before tax & extraordinary items (note 1)	1,75,000	
Adjustment for Non cash and non-operating items		
Goodwill written off	25,000	
Depreciation on machinery (note 3)	55,000	
Interest on debentures	21,000	
Loss on sale of machinery	<u>5,000</u>	
Operating profit before working capital changes	2,81,000	
Changes in Working Capital:		
Less: Increase in Inventories	(25,000)	
Net Cash generated from Operating Activities		2,56,000
B. Cash flows from Investing Activities:		
Purchase of machinery	(3,55,000)	
Sale of machinery	15,000	
Purchase of non current investments	<u>(25,000)</u>	
Net Cash used in Investing Activities		(3,65,000)
	1,00,000	

C. Cash flows from Financing Activities:	50,000	
Issue of share capital	(21,000)	
Issue of 12% debentures	(62,500)	
Interest on debentures paid	37,500	
Dividend paid		
Bank overdraft raised		
Net Cash flow from Financing Activities		1,04,000
		(5,000)
D. Net decrease in cash & cash equivalents (A+B+C)	35,000	
	26,500	
Add: Opening balance of cash & cash equivalents		61,500
Current Investments		
Cash and Cash Equivalents	20,000	
	36,500	
Closing Balance of cash & cash equivalents		56,500
Current Investments		
Cash and Cash Equivalents		

Working Notes:

- Calculation of Net Profit before tax:**

Net profit as per statement of Profit & Loss	75,000
Add: Proposed Dividend	<u>1,00,000</u>
Net Profit before tax & extraordinary items	<u>1,75,000</u>

PART B
(Computerized Accounting)

- 18.** A database report is a report created from a culmination of queried data visualized for the purposes of analysis, data discovery, and decision-making.
- 19.** A query is a request for data results, and for action on data. You can use a query to answer a simple question, to perform calculations, to combine data from different tables, or even to add, change, or delete table data.
- 20. Flexibility:**
An important consideration before sourcing an accounting software is flexibility, viz. data entry and the availability and design of various reports expected from it. Also, it should offer some flexibility between the users of the software, the switch over between the accountants (users), operating systems and the hardware.

Cost of Installation and Maintenance:

The choice of the software obviously requires consideration of organisation ability to afford the hardware and software. Sometimes, certain software which appears cheap to buy, involves heavy maintenance and alteration costs. Conversely, the accounting software which appears

initially expensive to buyers, may require least maintenance and free upgrading and negligible alteration costs.

21.

- a. Sales Account : A sales account contains the record of all sales transactions. This includes both cash and credit sales.
- b. Purchase Account : The purchases account is a general ledger account in which is recorded the inventory purchases of a business.
- c. Direct Income : Direct income is one which is earned directly by way of operating activities.
- d. Indirect Income: Indirect income is one which is earned by way of non-operating activities.

22.

- I. Insert CD in the system.
- II. Select C:, D:, or E: drive from my computer OR Start>run>type the filename E:\install.exe .
- III. The default directories of application, data and configuration will open in a window. Change the setting if you wish by providing the desired file name and drive name.
- IV. Click on install. The installation process will start and a message of successful installation will appear after its completion. The CD can be removed as the application is successfully installed.

23. Conditional formatting is a format change, such as background cell shading or font colour that is applied to a cell when a specified condition for the data in the cell is true.

Conditional formatting is often applied to worksheets to find:

1. Data that is above or below a certain value.
2. Duplicate data values.
3. Cells containing specific text.
4. Data that is above or below average.
5. Data that falls in the top ten or bottom ten values.

Benefits of using conditional formatting:

1. Helps in answering questions which are important for taking decisions
2. Guides with help of using visuals
3. Helps in understanding distribution and variation of critical data.