

Part A

Accounting for Not-for-Profit Organisations, Partnership Firms and Companies

1. The other two financial statements prepared by not-for-profit organisations are:

- Receipts and Payments Account
- Balance Sheet

OR

Income and Expenditure Account is prepared on an accrual basis.

2. T is admitted for 1/5th share

S's sacrifice = $(1/5 \times 1/3) = 1/15$

B's sacrifice = $(1/5 \times 1/3) = 1/15$

J's sacrifice = $(1/5 \times 1/3) = 1/15$

Therefore, the sacrificing ratio of S, B, and J is $\frac{1}{5} : \frac{1}{5} : \frac{1}{5}$ or 1 : 1 : 1.

Note: In the absence of information it is assumed that sacrificing ratio will be same as old ratio.

3.

In the books of
Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1.	Realisation A/c Dr. To Sundry Assets A/c (Assets transferred to realisation account)		2,00,000	2,00,000
2.	A's Capital A/c (₹1,00,000 - 20%) Dr. To Realisation A/c (50% of assets taken over by partner A at 20% discount)		80,000	80,000
3.	Bank A/c (₹1,00,000 x 40%) + 30% Dr. To Realisation A/c (40% of assets sold at 30% profit)		52,000	52,000
4.	No Entry			

4.

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Unrecorded Asset A/c Dr. To Revaluation A/c (Unrecorded assets recorded through revaluation account)			

5. Reserve capital is the part of authorised capital which is not called by the company.

OR

Following are the sources available for redemption of debentures:

- Fresh issue of shares and debentures
- Utilisation of Capital
- Utilisation of Profits
- Conversion of Debentures into Shares/ New Debentures
- Proceeds from Sale of Fixed Assets
- Purchase of Own Debentures

6. Two situations in which interest on capital is generally provided are:

- When profit-sharing is equal but capital contributed by partners are unequal.
- When profit-sharing is unequal but capital contributed by partners are equal.

OR

Basis	Fixed Capital Account	Fluctuating Capital Account
Credit Balance	Partner's capital account will always show credit balance	Partner's capital account may either show credit or debit balance.

7. Purposes for which securities premium can be utilised other than writing off preliminary expenses of the company are:

- To issue bonus shares
- To write off share or debenture issue expenses like commission paid or discount.
- To provide for the premium payable of redemption of preference shares or debenture.

OR

In the books of ...
Balance Sheet
as at 31st March, 2019

Particulars	Note No.	Amount Current year (₹)	Amount Previous year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds:			
a. Share Capital	1	7,32,000	

Notes to Accounts:

Particulars	Amount (₹)
I. Share capital	
Authorised share capital	
10,000 equity shares of ₹100 each	10,00,000
Issued capital	
8,000 equity shares of ₹100 each	8,00,000
Subscribed and fully paid up capital	
7,000 equity shares of ₹100 each fully paid	7,00,000
Subscribed but not fully paid-up capital	
200 equity shares of ₹100 each fully called up	20,000
Less: Calls-in-arrears (200 × ₹ 20)	<u>(4,000)</u>
	16,000
Add: Share forfeiture A/c (200 shares × ₹ 80)	<u>16,000</u>
	32,000
	<u>7,32,000</u>

- 8.** Goodwill = Average Profit x No. of Years Purchase
 = ₹35,000 x 2 Years
 = ₹70,000

Working Notes:
a. Calculation of Adjusted Normal Profit

Year	Adjustment (₹)	Adjusted Normal Profit (₹)
2014 - 15	20,000 - 5,000	15,000
2015 - 16	40,000 + 10,000	50,000
2016 - 17	40,000	40,000
		<hr/> 1,05,000

b. Calculation of Average Profit

$$\begin{aligned}
 \text{Average Profit} &= \frac{\text{Total Adjusted Normal Profit}}{\text{No. of Years}} \\
 &= \frac{₹1,05,000}{3 \text{ Years}} \\
 &= ₹35,000
 \end{aligned}$$

9. Calculation of Amount to be Credited to Income and Expenditure Account

Particulars	Amount (₹)
Amount received during the year	1,20,000
Add: Subscription outstanding as on 31 st March 2018	12,500
Subscription received in advance as on 31 st March 2017	8,000
Less: Subscription outstanding as on 31 st March 2017	(7,000)
Subscription received in advance as on 31 st March 2018	(9,500)
Amount to be Credited to Income and Expenditure Account	<hr/> 1,24,000

10.
**In the books of XYZ
Journal**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2017 Mar 31	Statement of Profit and Loss Dr. To Debenture Redemption Reserve A/c (Debenture redemption reserve created equal to 25% of the face value of debentures)		6,25,000	6,25,000
April 1	Debenture Redemption Investment A/c Dr. To Bank A/c (Debenture redemption investments purchased equal to 15% of face value of debentures)		3,75,000	3,75,000
2018 Mar 31	Bank A/c Dr. To Debenture Redemption Investment A/c (Debenture redemption investments sold)		3,75,000	3,75,000

Mar 31	9% Debentures A/c Dr. Premium on Redemption of Debentures A/c Dr. To Debentureholders A/c (Debentures due for redemption at a premium of 10%)		25,00,000 2,50,000	27,50,000
	Debentureholders A/c To Bank A/c (Debentureholders paid)		27,50,000	27,50,000
	Debenture Redemption Reserve A/c To General Reserve A/c (Debenture redemption reserve transferred to general reserve)		6,25,000	6,25,000

Working Note:

- Amount transferred to DRR = ₹25,00,000 x (25% x ₹25,00,000) = ₹ 6,25,000
- Amount invested in debenture redemption investment =
₹ 25,00,000 x (15% x 25,00,000) = ₹3,75,000

11.
In the books of ...
Journal

(i) When the amount of goodwill premium is retained in the business

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To G's Capital A/c (G brought in the amount of capital and goodwill premium)		24,000	24,000
	G' Capital A/c Dr. To V's Capital A/c To S's Capital A/c (Amount of premium brought in by G distributed between V and S in their sacrificing ratio)		4,000	2,500 1,500

(i) When the amount of goodwill premium is fully withdrawn

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To G's Capital A/c (G brought in the amount of capital and goodwill premium)		24,000	24,000
	G's Capital A/c Dr. To V's Capital A/c To S's Capital A/c (Amount of premium brought in by G distributed between V and S in their sacrificing ratio)		4,000	2,500 1,500
	V's Capital A/c Dr. S's Capital A/c Dr. To Bank A/c (Amount of goodwill withdrawn by sacrificing partners)		2,500 1,500	4,000

Working Note 1: Calculation of New Profit Sharing Ratio

V : S :: 5 : 3

G is admitted for 1/5 th share

Total Share of V and S after G's Admission = $1 - 1/5 = 4/5$

New Share of V, S, and G is:

V = $4/5 \times 5/8 = 20/40$

S = $4/5 \times 3/8 = 12/40$

G = 1/5 or 8/40

Working Note 2: Calculation of Total Goodwill of the firm

Goodwill for 1/5th share = ₹4,000

Total Goodwill = ₹4,000 x (5/1) = ₹20,000

Working Note 3: Goodwill Distribution Table

Particulars	V	S	G
I. Before Admission (5 : 3)	12,500	7,500	—
II. After Admission (20 : 12 : 8)	10,000	6,000	4,000
Net Effect (I - II)	2,500 (Cr)	1,500 (Cr)	4,000 (Dr)

12.

In the books of ...
Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Revaluation A/c Dr. To Patents A/c To Furniture A/c To Plant A/c (Assets revalued)		24,000	8,000 6,000 10,000
	Workmen Compensation Fund A/c Dr. To Claim for Workmen Compensation A/c To A's Capital A/c To B's Capital A/c To C's Capital A/c (Workmen compensation fund transferred to claim account and balance distributed amongst old partners)		10,000	7,000 1,000 1,000 1,000
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Revaluation A/c (Loss on revelation distributed among old partners)		8,000 8,000 8,000	24,000
	General Reserve A/c Dr. Profit and Loss A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (General reserve and balance in profit and loss account is transferred to old partners' capital account)		9,000 6,000	5,000 5,000 5,000
	A's Capital A/c Dr. To A's Executor Capital A/c (Capital account transferred to A's executor account)		38,000	38,000

13.

Statement of Adjustment

Particulars	A	B	C
I. Incorrect Distribution (3 : 2 : 1)	40,000	26,667	13,333
II. Correct Distribution			
Interest on Capital	3,000	2,000	1,000
Partner's Salary	—	18,000	—
Commission	—	—	3,700
Balance Profit Distributed in PSR (2 : 2 : 1)	20,920	20,920	10,460
	23,920	40,920	15,160
Adjustment (I - II)	16,080 (Dr.)	14,253 (Cr.)	1,827 (Cr.)

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	A's Capital A/c Dr. To B's Capital A/c To C's Capital A/c (Adjustment entry passed)		16,080	14,253 1,827

OR

Dr.		Revaluation A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
Provision for Doubtful Debts A/c	2,000	Partners' Capital A/c:			
Stock A/c	1,000	T	1,575		
Furniture A/c	150	N	1,575		3,150
	3,150				3,150

Dr.				Partners' Capital A/c				Cr.			
Particulars	T	N	M	Particulars	T	N	M				
Revaluation A/c	1,575	1,575	-	Balance b/d	30,000	15,000	-				
T's Capital A/c	-	-	2,250	General Reserve A/c	1,000	1,000	-				
N's Capital A/c	-	-	2,250	Bank A/c	-	-	20,000				
Balance c/d	31,675	16,675	15,500	M's Capital A/c	2,250	2,250	-				
	33,250	18,250	20,000		33,250	18,250	20,000				

Balance Sheet as at 31st March, 2018

Capital and Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	18,000	Cash at Bank (1,000 + 20,000)	21,000
Capitals		Debtors	40,000
T	31,675	Less: PFDD at 5% (2,000)	38,000
N	16,675	Stock	5,000
M	15,500	Furniture	2,850
	63,850	Freehold Property	15,000
	81,850		81,850

Working Note 1: Calculation of New Profit Sharing Ratio

T : N :: 1 : 1

M is admitted for 1/4th share

Total Share of T and N after M's Admission = $1 - 1/4 = 3/4$

New Share of T, N, and M is:

T = $3/4 \times 1/2 = 3/8$

S = $3/4 \times 1/2 = 3/8$

G = $1/4$ or $2/8$

Working Note 2: Calculation of Total Goodwill of the firm

Goodwill for 1/4th share = ₹ 4,500

Total Goodwill = ₹ 4,500 x (4/1) = ₹ 18,000

Working Note 3: Goodwill Distribution Table

Particulars	T	N	M
I. Before Admission (1 : 1)	9,000	9,000	—
II. After Admission (3 : 3 : 2)	6,750	6,750	4,500
Net Effect (I - II)	2,250 (Cr)	2,250 (Cr)	4,500 (Dr)

14.

Dr.

Profit and Loss Appropriation A/c for the year ended 31st March, 2018

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
<u>Interest on Capital A/c:</u>		Net Profit (4,00,000 - 12,000)	3,88,000
A's Current A/c (WN) 40,500			
B's Current A/c 45,000			
C's Current A/c 54,000	1,39,500		
A's Current A/c (Salary) 2,00,000	2,00,000		
<u>Profit transferred to:</u>			
A's Current A/c 14,550			
B's Current A/c 14,550			
C's Current A/c 19,400	48,500		
	3,88,000		3,88,000

Dr. Partners' Current A/c Cr.

Particulars	A	B	C	Particulars	A	B	C
Balance b/d	20,000	10,000	15,000	Interest on Capital	40,500	45,000	54,000
Drawings	40,000	75,000	55,000	Salary	2,00,000	—	—
Balance c/d	1,95,050	—	3,400	Profit and Loss	14,550	14,550	19,400
				Appropriation A/c	—	25,450	—
				Balance c/d	—	25,450	—
	<u>2,55,050</u>	<u>85,000</u>	<u>73,400</u>		<u>2,55,050</u>	<u>85,000</u>	<u>73,400</u>

Working Note:

Calculation of A's Interest on Capital

Interest on Capital = (₹ 4,00,000 × 9%) + (₹ 2,00,000 × 9% × 3/12) = ₹ 40,500

15.

Dr. Receipts and Payments A/c Cr. for the year ended 31st March, 2018

Receipts	Amount (₹)	Payments	Amount (₹)
<u>Opening Balances:</u>			
Cash 70,000		Wages and Salaries	55,000
Bank <u>3,00,000</u>	3,70,000	Investment in 9% Debentures of XYZ Ltd.	2,40,000
<u>Subscription:</u>		Health Journals	5,000
2016 - 17 40,000		Stationery	12,500
2017 - 18 <u>3,75,000</u>		Insurance Premium	6,760
2018 - 19 <u>20,000</u>	4,35,000	Courier Charges	800
Donation for Gym	1,64,000	Municipal Taxes	9,570
Admission Fee	14,000	Machinery Purchased	38,000
Life Membership Fee	45,000	<u>Closing Balances</u>	
Locker Rent	11,000	Cash 43,000	
Sale of Old Newspaper	300	Bank <u>6,30,410</u>	6,73,410
Interest on Bank Balance	1,740		
	<u>10,41,040</u>		<u>10,41,040</u>

16.

Dr.		Realisation A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
Debtors	48,400	Provision for Doubtful Debts	2,400		
Stock in Trade	16,000	Creditors	11,500		
Furniture	2,000	Loan	3,500		
Sundry Assets	34,000	<u>Michael's Capital A/c:</u>			
<u>Michael's Capital A/c:</u>		Furniture	2,600		
Creditors	10,000	Debtors	<u>34,400</u>		37,000
<u>John's Capital A/c:</u>		<u>Jackson's Capital A/c:</u>			
Loan	3,500	Stock in Trade	14,000		
Expenses	<u>600</u>	Sundry Assets	<u>28,800</u>		42,800
Bank (Creditors)	1,500	<u>John's Capital A/c:</u>			
		Sundry Assets			1,800
		Bank (Debtors)			4,200
		<u>Partners' Capital A/c:</u>			
		Michael	7,680		
		Jackson	2,560		
		John	<u>2,560</u>		12,800
	<u>1,16,000</u>				<u>1,16,000</u>

Dr.				Cr.			
Particulars	Michael	Jackson	John	Particulars	Michael	Jackson	John
Realisation A/c	37,000	42,800	1,800	Balance b/d	50,000	25,000	14,000
Realisation A/c (loss)	7,680	2,560	2,560	Realisation A/c	10,000	—	4,100
Bank A/c	15,320	—	13,740	Bank A/c	—	20,360	—
	<u>60,000</u>	<u>45,360</u>	<u>18,100</u>		<u>60,000</u>	<u>45,360</u>	<u>18,100</u>

Dr.		Bank A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
Balance b/d	6,000	Realisation A/c	1,500		
Realisation A/c	4,200	Michael's Capital A/c	15,320		
Jackson's Capital A/c	20,360	John's Capital A/c	13,740		
	<u>30,560</u>		<u>30,560</u>		

OR

Dr.		Revaluation A/c	Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)	
Machinery A/c	3,000	Freehold Premises A/c	8,000	
Furniture A/c	840	Stock A/c	3,300	
Provision for Bad Debts A/c	1,500			
Partners' Capital A/c:				
N	2,980			
S	993			
B	<u>1,987</u>			
	5,960			
	<u>11,300</u>		<u>11,300</u>	

Dr.				Partners' Capital A/c	Cr.			
Particulars	N	S	B	Particulars	N	S	B	
B's Capital A/c	5,250	1,750	—	Balance b/d	30,000	30,000	28,000	
B's Loan A/c	—	—	40,987	N's Capital A/c	—	—	5,250	
Balance c/d	33,730	31,243	—	S's Capital A/c	—	—	1,750	
				General Reserve	6,000	2,000	4,000	
				Revaluation A/c	2,980	993	1,987	
	<u>38,980</u>	<u>32,993</u>	<u>40,987</u>		<u>38,980</u>	<u>32,993</u>	<u>40,987</u>	
S's Current A/c	—	15,000	—	Balance b/d	33,730	31,243	—	
Balance c/d	48,730	16,243	—	N's Current A/c	15,000	—	—	
	<u>48,730</u>	<u>31,243</u>	<u>—</u>		<u>48,730</u>	<u>31,243</u>	<u>—</u>	

Balance Sheet as at 31st March, 2017

Capital and Liabilities	Amount (₹)	Assets	Amount (₹)
<u>Capitals</u>		Freehold Premises	48,000
N	48,730	Machinery	27,000
S	<u>16,243</u>	Furniture	11,160
Bills Payable	12,000	Stock	25,300
Sundry Creditors	18,000	Sundry Debtors	20,000
N's Current A/c	15,000	Less: Provision	<u>(2,500)</u>
B's Loan A/c	40,987	Cash	7,000
		S's Current A/c	15,000
	<u>1,50,960</u>		<u>1,50,960</u>

Working Note 1: Goodwill Distribution Table

Particulars	N	S	B
I. Before Retirement (3 : 1 : 2)	10,500	3,500	7,000
II. After Retirement (3 : 1)	15,750	5,250	—
Net Effect (I - II)	5,750 (Dr)	1,750 (Dr)	7,000 (Cr)

Working Note 2: Adjustment of Capital in New PSR

Total Adjusted Capital of N and S = ₹33,730 + ₹31,243 = ₹ 64,973

N's Adjusted Capital = ₹64,973 × $\frac{3}{4}$ = ₹48,730

S's Adjusted Capital = ₹64,973 × $\frac{1}{4}$ = ₹16,243

Note: In case of retirement of partner, we prepare revaluation account and not realisation account.

17.

**In the books of Royal Ltd.
Journal**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Equity Share Application A/c (Amount received on application)		18,00,000	18,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c To Bank A/c (Money received on application adjusted against share capital, share allotment, securities premium and excess money refunded)		18,00,000	3,00,000 5,00,000 6,00,000 4,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Allotment A/c (Amount received on share allotment except for 4,000 shares)		98,000 2,000	1,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment money transferred to share capital account)		7,00,000	7,00,000
	Equity Share Capital A/c (4,000 × 5) Dr. To Shares Forfeiture A/c To Calls in Arrears A/c (Shares forfeited on non payment of allotment money)		20,000	18,000 2,000
	Bank A/c Dr.		9,50,000	

Calls in Arrears A/c To Equity Share First and Final Call A/c (Amount received on share allotment except for 4,000 shares)	Dr.	30,000	9,80,000
Equity Share First and Final Call A/c To Equity Share Capital A/c (Allotment money transferred to share capital account)	Dr.	9,80,000	9,80,000
Equity Share Capital A/c (6,000 x 10) To Shares Forfeiture A/c To Calls in Arrears A/c (Shares forfeited on non payment of first and final call money)	Dr.	60,000	30,000 30,000
Bank A/c (10,000 x 11.5) To Share Capital A/c To Securities Premium A/c (Forfeited shares reissued at Rs. 11.5 per share)	Dr.	1,15,000	1,00,000 15,000
Share Forfeiture A/c To Capital Reserve A/c (Gain on reissue of forfeited shares transferred to capital reserve account)	Dr.	48,000	48,000

Working Notes:
i. Analysis Table

Shares Issued	Shares Applied	Shares Allotted	Application Money Received (₹)	Application Money Due (₹)	Securities Premium (₹)	Excess	
						Adjusted at Allotment (₹)	Refund (₹)
2,00,000	1,00,000	-	4,00,000	—	—	—	4,00,000
	3,50,000	2,00,000	14,00,000	3,00,000	5,00,000	6,00,000	—
	4,50,000	2,00,000	18,00,000	3,00,000	5,00,000	6,00,000	4,00,000

ii. Amount not received from Raghu

Particulars		
Shares Applied	3,50,000	7,000
Shares Allotted	2,00,000	4,000
	Amount (₹)	
Amount received on application (7,000 x 4)	28,000	
Less: Amount due on application (4,000 x 4)	(16,000)	
Excess money received on application	12,000	
Less: Amount due on allotment (4,000 x 3.5)	(14,000)	
Calls in Arrears	(2,000)	

iii. Calculation of Amount Credited to Share Forfeiture A/c (Raghu)

Particulars	Amount Received (₹)	Amount not Received (₹)
Share Application	4,000 x 1.5 = 6,000	—
Excess Money on Application	3,000 x 4 = 12,000	—
Allotment Money	—	(4,000 x 3.5) - 12,000 = 2,000
	18,000	2,000

iv. Amount not received from Nandan (Calls in Arrears)

Particulars		
Shares Applied	3,50,000	10,500
Shares Allotted	2,00,000	6,000
6,000 x 5 = ₹ 30,000		

v. Calculation of Amount Credited to Share Forfeiture A/c (Nandan)

Particulars	Amount Received (₹)	Amount not Received (₹)
Share Application	6,000 x 1.5 = 9,000	—
Share Allotment	6,000 x 3.5 = 21,000	—
Share First and Final Call	—	6,000 x 5 = 30,000
	30,000	30,000

OR

In the books of Saral Ltd. Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Bank A/c (24,000 x 20) Dr. To Equity Share Application A/c (Amount received on application)		4,80,000	4,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Money received on application transferred to share capital account)		4,80,000	4,80,000
	Bank A/c (22,500 x 30) Dr. Calls in Arrears A/c (1,500 x 30) Dr. To Equity Share Allotment A/c (Amount received on share allotment except for 1,500 shares)		6,75,000 45,000	7,20,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment money transferred to share capital account)		7,20,000	7,20,000
	Bank A/c (20,000 x 25) Dr. Calls in Arrears A/c (4,000 x 25) Dr. To Equity Share First Call A/c (Amount received on share first call except for 4,000 shares)		5,00,000 1,00,000	6,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call money transferred to share capital account)		6,00,000	6,00,000
	Bank A/c (18,000 x 25) Dr. Calls in Arrears A/c (6,000 x 25) Dr. To Equity Share Second and Final Call A/c (Amount received on share first call except for 6,000 shares)		4,50,000 1,50,000	6,00,000
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Second and final call money transferred to share capital account)		6,00,000	6,00,000
	Equity Share Capital A/c (4,000 x 100) Dr. To Share Forfeiture A/c (WN) To Calls in Arrears A/c (Shares forfeited)		4,00,000	1,55,000 2,45,000
	Bank A/c (4,000 x 95) Dr. Share Forfeiture A/c (4,000 x 5) Dr. To Equity Share Capital A/c (Forfeited shares reissued at ₹ 95 per share)		3,80,000 20,000	4,00,000

	Share Forfeiture A/c To Capital Reserve A/c (Gain on reissue of forfeited shares transferred to capital reserve account)	Dr.		1,35,000	1,35,000
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Working Note:

Calculation of amount credited to share forfeiture account

Particulars	Amount Received (₹)	Amount not Received (₹)
Share Application	4,000 x 20 = 80,000	—
Share Allotment	2,500 x 30 = 75,000	1,500 x 30 = 45,000
Share First Call	—	4,000 x 50 = 2,00,000
	1,55,000	2,45,000

Part B
Option 1
Analysis of Financial Statements

18. Operating activities are the principal revenue generating activities of a business entity.

19. Two objectives of preparing cash flow statements are:

- a. To calculate inflow and outflow of cash during a particular period under various heads.
- b. To assess the ability of an enterprise to generate cash and the needs to utilise those cash flows.

20.

Sr. No.	Items	Headings	Sub-Headings
i.	Bank Overdraft	Current Liabilities	Short-term Liabilities
ii.	Subsidy Reserve	Shareholders' Fund	Reserves and Surplus - Other
iii.	Capital Redemption Reserve	Shareholders' Fund	Reserves and Surplus
iv.	Mining Rights	Non-current Assets	Fixed Assets - Intangibles
v.	Patents	Non-current Assets	Fixed Assets - Intangibles
vi.	Debit Balance in Statement of P&L	Shareholders' Fund	Reserves and Surplus
vii.	Debenture Redemption Reserve	Shareholders' Fund	Reserves and Surplus
viii.	Provision for Tax	Current Liabilities	Short-term Provisions

OR

Importance of Financial Analysis for:

- a. Finance Manager - Financial manager focuses on the facts and relationships related to managerial performance, corporate efficiency, financial strength and weakness and, credit worthiness of the company. It helps in constant review of financial operation and to analyse causes of major deviations which further help in taking corrective actions.
- b. Top Management - Top management is interested in every aspect of the financial analysis. It is their overall responsibility to see that the resources are used most efficiently and the firm's financial condition is sound. It helps the management in measuring the success of company's operations, appraising the individual's performance, and evaluating the system of internal control.

21.

**Comparative Balance Sheet
as on 31st March 2016 and 31st March 2017**

Particulars	Note No	31 st March 2016 (₹)	31 st March 2017 (₹)	Absolute Change (₹)	Percentage Change (%)
I. Equity and Liabilities					
1. Shareholders' Fund					
a. Share Capital		25,00,000	25,00,000	—	—
b. Reserves and Surplus		10,00,000	6,00,000	(4,00,000)	(40.00)
2. Non-current Liabilities					
a. Long-term Borrowings		15,00,000	16,00,000	1,00,000	6.67
3. Current Liabilities		4,50,000	5,00,000	50,000	11.11
Total		54,50,000	52,00,000	(2,50,000)	(4.59)
II. Assets					
1. Non-current Assets					
a. Fixed Assets		25,00,000	35,00,000	10,00,000	40.00
b. Non-current Investments		15,00,000	10,50,000	(4,50,000)	(30.00)
2. Current Assets		14,50,000	6,50,000	(8,00,000)	(55.17)
Total		54,50,000	52,00,000	(2,50,000)	(4.59)

22. Proprietary Ratio = $\frac{\text{Shareholders' Fund}}{\text{Total Assets}}$
 $= \frac{₹34,30,000}{₹18,10,000}$
 $= 1.9 \text{ times}$

Working Notes:

a. Calculation of Total Assets

Particulars	Amount (₹)
Plant and Machinery	10,00,000
Land and Building	6,00,000
Motor Car	8,00,000
Furniture	1,50,000
Stock	4,50,000

Debtors	90,000
Cash at Bank	3,40,000
Total Assets	34,30,000

b. Calculation of Shareholders' Fund

Particulars	Amount (₹)
Total Assets	34,30,000
Less: Non-current Liabilities	(10,00,000)
Current Liabilities	(6,20,000)
Shareholders' Fund	18,10,000

OR

Debt to Equity Ratio is 0.5 : 1

Let Long-term Debt be ₹ 50,000

Shareholders' Fund = ₹ 1,00,000

Debt to Equity Ratio = $\frac{\text{₹ 50,000}}{\text{₹ 1,00,000}} = \frac{0.5}{1} = 0.5 : 1$

i. Purchase of fixed assets on a credit of 3 months - No change

Reason: Purchase of fixed asset on credit of 3 months will result in increase of fixed asset and current liabilities (creditors for fixed assets). This transaction will have no effect in long-term debt and shareholders' fund.

ii. Issue of new shares for cash - Decrease

Reason: Issue of equity shares for cash will result in increase of shareholders' fund and increase in current asset (cash and cash equivalents). There is no impact on long-term debts.

iii. Purchased machinery and paid to vendors by issue of equity shares - Decrease

Reason: Purchased machinery and paid to vendors by issue of equity shares will result in increase of shareholders' fund and increase in fixed assets. There is no impact on long-term debts.

iv. Obtained 8% long-term loan - Increase

Reason: Obtaining 8% long-term loan will increase long-term debts and current assets (cash and cash equivalents). There is no impact on shareholders' funds.

23.

**Cash Flow Statement
for the year ended 31st March, 2018**

	Particulars	Amount (₹)	Amount (₹)
	Cash Flow from Operating Activities		
	Net profit before tax and extraordinary items		1,98,000
	<u>Adjustment for Non-cash and Non-operating items:</u>		
	Add: Depreciation	6,000	
	Profit on Sale of Machinery	<u>(42,000)</u>	<u>(36,000)</u>
	Operating Profit before Working Capital Changes		1,62,000
	Add: Increase in Trade Payables	26,000	
	Add: Decrease in Inventories	<u>56,000</u>	<u>82,000</u>
	Less: Decrease in Other Current Liabilities	(14,000)	
	Less: Increase in Trade Receivables	<u>(2,10,000)</u>	<u>(2,24,000)</u>
	Net Cash Flows from (or used in) Operating Activities		20,000
	Cash Flow from Investing Activities		
	Purchase of Machinery	(1,32,000)	
	Sale of Machinery	<u>56,000</u>	
	Net Cash Flows from (or used in) Investing Activities		(76,000)
	Cash Flow from Financing Activities		
	Proceeds from Issue of Share Capital	70,000	
	Net Cash Flows from (or used in) Financing Activities		70,000
	Net Increase or Decrease in Cash and Cash Equivalent		14,000
	Add: Cash and Cash Equivalent in the Beginning of the Period		70,000
	Cash and Cash Equivalent at the End of the Period		84,000

Working Note: 1

Dr. Machinery A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/d	3,60,000	Accumulated Depreciation A/c	28,000
Profit and Loss A/c	42,000	Bank A/c	56,000
Bank A/c (Bal. fig.)	1,32,000	Balance c/d	4,50,000
	<u>5,34,000</u>		<u>5,34,000</u>

Working Note: 2

Dr. Accumulated Depreciation A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
Machinery A/c	28,000	Balance b/d	80,000
Balance c/d	58,000	Depreciation A/c (charged)	6,000

	86,000		86,000
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Part B Option 2

18. A parameter query prompts the user to enter parameters or criteria through an input box for selecting a set of records. A parameter query is useful when there is a need to repeat the same query with criteria.
19. Label is a text or special character assigned to a row or column or descriptive information. These cannot be treated mathematically.
20. Graph - A Graph is a pictorial presentation of data which has at least two dimensional relationships. Three advantages of graph are:
 - a. Graphical data is easy to compare.
 - b. Graphs present large and complicated data in a compact and illustrative manner.
 - c. Graphs are visually appealing and required less explanation.
21. Four advantages expected by the user for paying a high price for a chosen server database are:
 - a. It gives the flexibility to choose the front end application.
 - b. Scalability to handle rapidly expanding number of users.
 - c. Ease of handling huge amounts of data.
 - d. Server databases are designed in such a way that they provide flawless performance and also ensure optimum speed.

OR

Voucher - A voucher is a source document that is used by company that supports to prepare invoice.

Three types of voucher are:

- a. Debit or Payment Voucher - This voucher is used to record payment in cash or cheque.
 - b. Credit or Receipt Voucher - This voucher is used to record receipts in cash or cheque.
 - c. Non-cash Voucher - This voucher is used for non-cash transactions. These vouchers are used as documentary evidence.
22. Sequential Codes - In these codes numbers and/or letters are assigned in consecutive order. These codes are applied primarily to source documents such as cheques, invoices etc. This code facilitates document searches. This process enables in either identification of missing codes (numbers) relating to a particular document or a relevant document can be traced.

Mnemonic Code - These codes consist of alphabets or abbreviations as symbols to codify a piece of information. SJ for Sales Journal, HQ for Head Quarters are examples of mnemonic codes.

OR

Steps to construct bank reconciliation statements using accounting software tally:

Step 1	Go to 'Gateway of Tally > Banking > Bank Reconciliation'
Step 2	Select the required bank which has to be reconciled from the 'List of Bank'
Step 3	On the 'Bank Reconciliation' screen, press 'B: Bank Statement' or 'Alt + B'
Step 4	Specify the 'Directory', where you have saved the downloaded bank statement
Step 5	In case you need to change the 'File Type', you can press 'Backspace' to select the appropriate 'File Type' for the bank statement to be imported
Step 6	Once you've selected the required 'File Type', select the required bank statement file from the 'List of Files', and reconciliation will happen automatically. Once the reconciliation happens, a 'Success!!' notification will be displayed with details like 'Total Entries in Bank Statement', number of entries reconciled and 'Additional Bank Entries'
Step 7	Now press any key and the Bank Reconciliation Statement with Imported bank statement details will appear. Now the screen will show the reconciled list of entries from the bank statement under 'Amounts not reflected in Company Books'
Step 8	Begin the reconciliation process for entries under amounts not reflected in company books by verifying with the Bank Statements obtained from the bank or the Bank book maintained by you.

- 23.** Conditional Formatting - It means a format change, such as background cell shading or font Colour that is applied to a cell when a specific condition for the data in the cell is true.

Conditional formatting is often applied to worksheets to find:

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

Benefits of using conditional formatting are:

- It helps in answering questions by highlighting the cell or ranges of cells, emphasising unusual values, etc.
- It guides with help of using visuals.
- It helps in understanding distribution and variation of critical data.