

# INDIAN SCHOOL MUSCAT

## FINAL TERM EXAMINATION

11<sup>th</sup> NOVEMBER 2018

SET C

### CLASS XII

#### Marking Scheme –ACCOUNTANCY

PART A: ACCOUNTING FOR PARTNERSHIP FIRMS,NOT-FOR-PROFIT ORGANISATIONS AND COMPANIES																																																																		
1	NO DRR required.					1																																																												
2	No Interest on capital can be provided. OR Two conditions when interest on partners’ capital is provided. (i)When profit sharing is equal but capitals contributed by partners’ capital are unequal. (ii)When profit sharing is unequal but capitals contributed by partners are equal.					1																																																												
3	Claim is invalid. OR IOD = Rs.810					1																																																												
4	In case of dissolution of partnership, the firm continue to do business but with a changed agreement. In case of dissolution of partnership firm, the firm ceases to exist, the assets of the firm are realised and its liabilities are discharged.					1																																																												
5	Legacy- Amount received by an organization from a deceased person. Honorarium- It is an expense payable to a person for the specific service rendered by him. The person receiving honorarium is not a regular employee.					1																																																												
6	Debenture is a document given by a company as evidence of a debt to the holder usually arising out of a loan and most commonly secured by a charge. OR Interest on Debenture is a charge against profit.					1																																																												
7	<table><tr><th colspan="6">Income and Expenditure Account For the year ended 31<sup>st</sup> March 2018</th></tr><tr><td>Expenditure</td><td>✓</td><td>✓</td><td>Income</td><td>✓</td><td>✓</td></tr><tr><td></td><td></td><td></td><td>By Subscription</td><td>1,25,900</td><td></td></tr><tr><td></td><td></td><td></td><td>Less: O/s as on 31.3.2011</td><td>9,750</td><td></td></tr><tr><td></td><td></td><td></td><td>Add: Advance as on 31.3.2011</td><td>4,500</td><td></td></tr><tr><td></td><td></td><td></td><td>Add: O/s as on 31.3.2012</td><td>8,470</td><td></td></tr><tr><td></td><td></td><td></td><td>Less: Advance as on 31.3.2012</td><td>7,640</td><td>1,21,480</td></tr><tr><th colspan="6">Balance Sheet (Extract) as on 31-03-2018</th></tr><tr><td colspan="2">Liabilities</td><td>(`)</td><td colspan="2">Assets</td><td>(`)</td></tr><tr><td>Subscription received in advance</td><td></td><td>7,640</td><td>Subscription Outstanding</td><td></td><td>8,470</td></tr></table>					Income and Expenditure Account For the year ended 31 <sup>st</sup> March 2018						Expenditure	✓	✓	Income	✓	✓				By Subscription	1,25,900					Less: O/s as on 31.3.2011	9,750					Add: Advance as on 31.3.2011	4,500					Add: O/s as on 31.3.2012	8,470					Less: Advance as on 31.3.2012	7,640	1,21,480	Balance Sheet (Extract) as on 31-03-2018						Liabilities		(`)	Assets		(`)	Subscription received in advance		7,640	Subscription Outstanding		8,470	3
Income and Expenditure Account For the year ended 31 <sup>st</sup> March 2018																																																																		
Expenditure	✓	✓	Income	✓	✓																																																													
			By Subscription	1,25,900																																																														
			Less: O/s as on 31.3.2011	9,750																																																														
			Add: Advance as on 31.3.2011	4,500																																																														
			Add: O/s as on 31.3.2012	8,470																																																														
			Less: Advance as on 31.3.2012	7,640	1,21,480																																																													
Balance Sheet (Extract) as on 31-03-2018																																																																		
Liabilities		(`)	Assets		(`)																																																													
Subscription received in advance		7,640	Subscription Outstanding		8,470																																																													
8	<table><tr><th colspan="3">Balance sheet of XYZ Ltd. as at</th></tr><tr><td>Particular</td><td>Note No.</td><td>✓</td></tr><tr><td>Equity and Liabilities</td><td></td><td></td></tr><tr><td>(1) Shareholders funds</td><td></td><td></td></tr></table>					Balance sheet of XYZ Ltd. as at			Particular	Note No.	✓	Equity and Liabilities			(1) Shareholders funds			3																																																
Balance sheet of XYZ Ltd. as at																																																																		
Particular	Note No.	✓																																																																
Equity and Liabilities																																																																		
(1) Shareholders funds																																																																		

		Share capital	1	2,79,600		
		Note No 1:				
		1. Share Capital				
		Authorised Share Capital 50,000 Shares of ` 10 each Issued Share Capital 30,000 Shares of ` 10 each Subscribed Share Capital Subscribed and fully paid 27,800 Shares of ` 10 each Subscribed and not fully paid 2,000 Shares of ` 10 each 2,000 Less: calls in arrears (400)	2,78,000      1600	<u>5,00,000</u> <u>3,00,000</u>     2,79,600		
9	Summer Ltd. Sol:					3
	Date	Particulars	L.F	Debit	Credit	
	31 <sup>st</sup> March 2016	Surplus in statement of P/L A/c Dr D.R.R A/c (Being transfer of profits equal to 25%of the nominal value of debenture issued)		10,00000	10,00000	
	30 <sup>th</sup> April 2016	Debenture Redemption investment A/c Dr To Bank A/c (Being investment made)		6,00000	600000	
	2017 March 31	Bank A/c Dr To Debenture redemption investment A/c (Being investment encashed)		600000	600000	
	2017 March 31 <sup>st</sup>	8% Debenture A/c Dr To Debenture holders A/c (Being amount due for Redemption)		40,00000	40,00000	
	31 <sup>st</sup> March	Debenture holders A/c Dr To Bank A/c (Being payment made to Debenture holders)		40,00000	40,00000	
	31 <sup>st</sup> March	D.R.R A/c Dr To General Reserve A/c ( Being Amount transferred to General Reserve)		10,00000	10,00000	
	OR					
Define Debenture Issued as Collateral Security with an example.						
10	a)	Bank a/c Dr.  To 12% debentures application & allotment a/c (application money received) 12% debentures application & allotment a/cDr. Loss on issue of debentures a/c Dr.		1,96,000   1,96,000 14,000	1,96,000	3

		To 12% debentures a/c			2,00,000																															
		To premium on redemption a/c (Transfer of application money to debentures a/c, issued at a discount of 2% and redeemable at a premium of 5%)			10,000																															
	b)	Bank a/c Dr.		2,10,000																																
		To 12% debentures application & allotment a/c (application money received)			2,10,000																															
		12% debentures application & allotment a/cDr.		2,10,000																																
		Loss on issue of debentures a/c Dr.		20,000																																
		To 12% debentures a/c			2,00,000																															
		To Securities premium reserve a/c			10,000																															
		To premium on redemption a/c (transfer of application money to debentures a/c, issued at a premium of 5% and redeemable at a premium of 10%)			20,000																															
11	Goodwill :54,000							4																												
12	Interest on Drawings Nair: ` 350 Seerat : ` 420 Adjustment Journal entry Seerat's Capital A/c Dr 189 To Nair's Capital 35 To Hina's Capital 154 ( Being adjustment entry for rectification) Value : Compassion, Concern for people in need							4																												
13	Divisible profit as per Profit and loss Appropriation account = ` 1,80,000 Deficiency = ` 32,000 born by R and S ` 16,000 each.							6																												
14	<b>Calculation of amount of discount to be written off each year:</b> <table><tr><th>Year ended</th><th>Debentures Outstanding (₹)</th><th>Ratio</th><th>Discount to be Written off (₹)</th></tr><tr><td>31st March, 2017</td><td>1,00,000</td><td>5</td><td>6,000 × 5/15 = 2,000</td></tr><tr><td>31st March, 2018</td><td>80,000</td><td>4</td><td>6,000 × 4/15 = 1,600</td></tr><tr><td>31st March, 2019</td><td>60,000</td><td>3</td><td>6,000 × 3/15 = 1,200</td></tr><tr><td>31st March, 2020</td><td>40,000</td><td>2</td><td>6,000 × 2/15 = 800</td></tr><tr><td>31st March, 2021</td><td>20,000</td><td>1</td><td>6,000 × 1/15 = 400</td></tr><tr><td></td><td></td><td>15</td><td></td></tr></table>							Year ended	Debentures Outstanding (₹)	Ratio	Discount to be Written off (₹)	31st March, 2017	1,00,000	5	6,000 × 5/15 = 2,000	31st March, 2018	80,000	4	6,000 × 4/15 = 1,600	31st March, 2019	60,000	3	6,000 × 3/15 = 1,200	31st March, 2020	40,000	2	6,000 × 2/15 = 800	31st March, 2021	20,000	1	6,000 × 1/15 = 400			15		6
Year ended	Debentures Outstanding (₹)	Ratio	Discount to be Written off (₹)																																	
31st March, 2017	1,00,000	5	6,000 × 5/15 = 2,000																																	
31st March, 2018	80,000	4	6,000 × 4/15 = 1,600																																	
31st March, 2019	60,000	3	6,000 × 3/15 = 1,200																																	
31st March, 2020	40,000	2	6,000 × 2/15 = 800																																	
31st March, 2021	20,000	1	6,000 × 1/15 = 400																																	
		15																																		

Discount on Issue of Debentures Account will be as follows:						
Dr. DISCOUNT ON ISSUE OF DEBENTURES ACCOUNT Cr.						
Date	Particulars	₹	Date	Particulars	₹	
2016 April 1	To 9% Debentures A/c	6,000	2017 March 31	By Statement of Profit and Loss (Finance Cost)	2,000	
			March 31	By Balance c/d	4,000	
		6,000			6,000	
2017 April 1	To Balance b/d	4,000	2018 March 31	By Statement of Profit and Loss (Finance Cost)	1,600	
			March 31	By Balance c/d	2,400	
		4,000			4,000	
2018 April 1	To Balance b/d	2,400	2019 March 31	By Statement of Profit and Loss (Finance Cost)	1,200	
			March 31	By Balance c/d	1,200	
		2,400			2,400	
2019 April 1	To Balance b/d	1,200	2020 March 31	By Statement of Profit and Loss (Finance Cost)	800	
			March 31	By Balance c/d	400	
		1,200			1,200	
2020 April 1	To Balance b/d	400	2021 March 31	By Statement of Profit and Loss (Finance Cost)	400	
		400			400	

15

## MPFL

Income and expenditure A/c For the year ended 31-12-2016

Expenditure	(`)	(`)	Income	(`)	(`)
To General exp		3,200	By Subscription	28,200	
To Newspapers		1,850	(+) O/s on 31.12.2006	2,300	
To Electricity		3,000	(-) O/s on 31.12.2005	(2,000)	
To Salary	3,600		(-) advance for 2007	(500)	28,000
(+) O/s salary	600	4,200	By sale of old newspapers		1,250
To Rent	6,500		By Int. received on FD	450	
(-) Prepaid	500	6,000	(+) Accrued Int.	450	900
To Postage charges		300	By Govt. grant		12,000
To Loss on sale of furniture		1,300			
To Surplus		22,300			
		<b>42,150</b>			<b>42,150</b>

## Balance Sheet as at 01-01-2016 (Opening )

Liabilities			Assets		
Capital fund		38,350	Furniture		12,000
			Books		5,000
			Subscription o/s		2,000
			Cash in bank		15,550
			Cash at hand		4,000
		<b>38,350</b>			<b>38350</b>

6

	Balance Sheet as on 31-12-2016 (Closing )						
	Capital Fund	38,550		Furniture	12,000		17,500
	(+) surplus	22,300	60,850	(-) sale	(5,000)		
	Subscription received in advance		500	(+) Purchase	10,500		
	Salary O/s		600	Books	5,000		12,000
				(+) Purchase	7,000		
				Fixed Deposit	18,000		18,450
				(+) Int. due	450		
				Subscription O/s			2,300
				Prepaid Rent			500
				Cash at Bank			8,200
				Cash in hand			3,000
			<b>61,950</b>				<b>61,950</b>
	OR						
	Deficit = ` 7,000; Capital Fund = ` 69,500; Closing Balance Sheet Total = ` 4,97,500						
16	Pompus Ltd.					8	
	Date	Particulars	L.F	Dr ( ` )	Cr.( ` )		
		Bank A/c Dr. To Share Application A/c (Being application money received)		2,76,000	2,76,000		
		Share Application A/c Dr. To Share Capital A/c To Bank A/c To Share Allotment (Being application money adjusted)		2,76,000	1,50,000 36,000 90,000		
		Share Allotment A/c Dr. To Share Capital A/c To SPR (Being allotment money due )		2,50,000	100,000 1,50,000		
		Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c To calls in Advance (Being allotment money received)		157,200 6,000	1,60,000 3200		
		Share First Call A/c Dr. To Share Capital A/c (Being first call due )		100,000	100,000		
		Bank A/c Dr. Calls in arrears A/c Dr. Calls in Advance a/c Dr To Share First Call A/c (Being first call money received)		95,400 3,000 1600	100,000		
		Share Second Call A/c Dr. To Share Capital A/c (Being Second call due )		100,000	100,000		
		Bank A/c Dr. Calls in arrears A/c Dr.		95,400 3,000			

	Calls in Advance a/c To Share First Call A/c (Being first call money received)	Dr		1600	100,000	
<b>OR</b>						
Date	Particulars		L.F	Dr ( ` )	Cr.( ` )	
	Bank A/c To Share Application and allotment A/c (Being application money received)	Dr.		30,00,000	30,00,000	
	Share Application and allotment A/c To Share Capital A/c To SPR To Bank A/c To Share First Call (Being application money adjusted)	Dr.		30,00,000	9,00,000 3,00,000 6,00,000 12,00,000	
	Share First Call A/c To Share Capital A/c To SPR (Being first call due )	Dr.		15,00,000	12,00,000 3,00,000	
	Bank A/c Calls in arrears A/c To Share First Call A/c (Being first call money received)	Dr. Dr.		2,90,000 10,000	3,00,000	
	Share Second Call A/c To Share Capital A/c (Being Second call due )	Dr.		9,00,000	9,00,000	
	Bank A/c Calls in arrears a/c To Share Second call A/c (Being Second call due )	Dr. Dr.		8,40,000 60,000	9,00,000	
	Share Capital A/c SPR a/c To Share Forfeiture A/c To Calls in Arrears A/c (Being A shares forfeited for non payment of first call and Second call)	Dr. Dr.		100,000 10,000	40,000 50,000	
	Share Capital A/c To Share Forfeiture A/c To Calls in Arrears A/c (Being B shares forfeited for non payment of first call and Second call)	Dr.		100,000	70,000 30,000	
	Bank a/ c (2000*160) To Share Capital A/c To SPR (Being 2000 shares re-issued )	Dr.		320,000	2,00,000 1,20,000	
	Share Forfeiture A/c To Capital Reserve A/c (Being Share Forfeiture amount transferred	Dr.		1,10,000	1,10,000	

## Realisation a/c

Particulars	Amount	Particulars	Amount
To other assets	117000	By PBDD	1200
To Furniture	11000	By Bank Loan	11500
To Drs	124200	By Crs	16000
To stock	17800	By X capital (8000+117200)	125200
To X's Capital	16000	By Y capital (17000+72000)	89000
To Z's Capital (11500+2300)	13800	By Z's Capital	29600
To Cash	2700	By Cash	2100
		By Loss X 11160 Y 11160 Z 5580	27900
	302500		302500

## Partners capital a/c

Particular	X	Y	Z	Particulars	X	Y	Z
Adv sus	8000	8000	4000	Bal b/d	127500	110000	17000
Prel exp	2000	2000	1000	P/I	8000	8000	4000
Real a/c	125200			Contingency	2000	2000	1000
Real a/c		89000		Real a/c	16000		13800
Real a/c			29600				
Real a/c	11160	11160	5580				
Cash a/c	7140	9840		Cash a/c			4380
	153500	120000	40180		153500	120000	40180

## Cash a/c

Particulars	Amount	Particulars	Amount
To bal b/d	13200	By Real	2700
To real	2100	By X's Cap	7140
To Z's Cap	4380	By Y's Cap	9840
	19680		19680

## OR

Date	Particulars	I/f	DR	CR
1	Realisation a/c Dr To S. Assets a/c (Being Assets transferred)		2,26,000	2,26,000
2	S.Liabilities a/c Dr To Realisation a/c (Being liabilities transferred)		1,20,000	1,20,000
3	PBDD a/c Dr IFF a/c Dr To Realisation a/c (Being special reserves transferred)		4,000 8,000	12,000

	4	Realisation a/c Dr To Cash a/c (Being liabilities paid off)		74,500	74,500	
	5	Realisation a/c Dr To Prashant's capital a/c (Being liab paid off by Prashant)		41,000	41,000	
	6	Cash a/c Dr To Realisation a/c (Being assets sold)		2,12,000	2,12,000	
	7	Rajesh capital a/c Dr To Realisation a/c (Being investments taken over)		7,000	7,000	
	8	Realisation a/c Dr To Prashant's capital a/c To Rajesh capital a/c (Being profit trfed)		29,500	17,700 11,800	
	9	Prashant's capital a/c Dr Rajesh capital a/c Dr To Cash a/c (Being cash given)		95,900 23,600	1,19,500	
	10	Realisation a/c Dr To Prashant capital a/c To Rajesh capital a/c (Being accumulated loss written off)		8,000	4,800 3,200	
PART - B (Financial Statement Analysis)						
18	Financing activities					1
19	Cash Inflow - Investing activities 10,000					1
20	Major and Sub heads					4
		Items	Major Head	Sub Head		
		1)Stores and Spares	Current Assets	Inventories		
		2)Debenture due for redemption in the current year	Current liabilities	Other current liabilities		
		3)Capital Reserve	Share Capital	Reserves & Surplus		
		4)Investment in preference shares	Non-Current Assets	Non Current investments		
		5)Interest accrued but not due on borrowing	Current liabilities	Other current liabilities		
		6)Proposed dividend	Current liabilities	Short term provisions		
		7)Goodwill	Non Current Assets	Tangible Assets		
		8)Sundry Creditors	Current Liabilities	Trade Payables		
21	Operating Profit Ratio: Operating Profit /Revenue from Operation *100 =18% $\frac{36000}{200,000}$ Net profit ratio = Net profit/ Revenue from operation *100 Net profit= Revenue from operation Net profit = gross profit - indirect expenses + other income Indirect expenses = 15,000 + 26,000+ 5,000 + 12,000 = 58,000 Other income = Income from rent + Commission received $= 2,500 + 2,000 = 4,500$					4



	Net profit = 75,000 - 58,000 + 4,500 = 21,500 Net profit ratio = 21,500 / 2,00,000 = 10.75%						
22		Particulars	31-03-2016	31-03-2017	Absolute change in figures	Percentage change in figures	4
		Revenue from operations	10,00,000	12,50,000	2,50,000	25%	
		Add: Other income	50,000	50,000	-----	.....	
		Total Income	10,50,000	13,00,000	2,50,000	23.8	
		Less: Expenses					
		Cost of materials consumed	6,00,000	7,20,000	1,20,000	20	
		Other expenses	40,000	38,000	(2,000)	(5)	
		Total Expenses	6,40,000	7,58,000	1,18,000	18.43	
		Profit before Tax	4,10,000	5,42,000	1,32,000	32.19	
23	Net Cash from operating activities: 30,000 Net cash used in investing activities: (7,60,000) Net cash flow from financing activities: 7,60,000						6

### SET –II (CODE B) Additional questions

7

Medicines Consumed

Particulars	(`)	(`)
Payment made		23,00,000
Add : Opening Stock	3,00,000	
Advance as on 01-04-2011	20,000	
Closing Creditors	3,05,000	6,25,000
		<b>19,25,000</b>
Less : Closing Stock	5,00,000	
Advance as on 31-12-2012	30,000	
Opening Creditors	2,10,000	7,40,000
		<b>21,85,000</b>

3

9

Ans :

Books of Sunshine Ltd.

Journal

Date	Particulars	L/F	Dr. Amt.	Cr. Amt.
	Machinery a/c Dr To Moonlight Ltd. (Being machinery purchased)		10,00,000	10,00,000
	Moonlight Ltd. a/c Dr To Equity Share Capital a/c To Securities Premium Reserve (Being the issue of 80,000 fully paid equity share at a premium of 25%)		10,00,000	8,00,000 2,00,000

Working Note

No. of shares = `10,00,000/ `125 = 80,000 shares

(1.5 x 2 = 3)

3

14

Ans :

Date	Prticulars	J/F	Amount	Date	Particulars	J/F	Amount
2013 Apr 1	To 10 % Debentures A/C		81,000	2014 Mar 31	By Statement of Profit & Loss		27,000

	2014 Apr 1	To Balance b/d	<b>81,000</b> 54,000	2015 Mar 31	By Balance c/d	54,000 <b>81,000</b>	
	2015 Apr 1	To Balance b/d	<b>54,000</b> 27,000 <b>27,000</b>	2016 Mar 31	By Statement of Profit & Loss By Balance c/d By Statement of Profit & Loss By Balance c/d	27,000 27,000 <b>54,000</b> 18,000 9,000 <b>27,000</b>	
(1.5+1.5+1.5=4.5 marks) Working Notes :- 1.5 marks							
	Year ended	Debentures Outstanding	Ratio	Discount amount written off			
	31 March 2013	9,00,000	3	3/9x 81000 = 27,000			
	31 March 2014	9,00,000	3	3/9x 81000 = 27,000			
	31 March 2015	6,00,000	2	2/9x 81000 = 18,000			
	31 March 2016	3,00,000	1	1/9x 81000 = 9,000			
17	Date	Particulars	F	Dr. (₹)	Cr.(₹)		8
		Realisation Account Dr. To Land & Building Account To Furniture Account To Machinery Account To Debtors Account Individual Assets accounts closed by transferring their balances to Realisation )		2,76,500	1,00,000 50,000 90,000 36,500		
		Creditors Account Dr. Outstanding Expenses Account Dr. To Realisation Account (Individual External Liabilities Accounts closed by transferring their balances to Realisation Account)		45,000 17,000	62,000		
		Bank Account Dr. To Realisation Account ( Assets realized and debtors collected)		1,66,900	1,66,900		
		Realisation Account Dr. To Bank Account (Creditors paid at a discount of 5% and payment of outstanding expenses)		59,750	59,750		
		Realisation Account Dr. To F's Capital Account (Remuneration paid to F for undertaking dissolution process)		5,000	5,000		
		E's Capital Account Dr. F's Capital Account Dr. G's Capital Account Dr. To Realisation Account		44,940 44,940 22,470	1,12,350		

		(Loss on Realisation transferred to partners' Capital Accounts)					
		E's Capital Account Dr.		4,000			
		F's Capital Account Dr.		4,000			
		G's Capital Account Dr.		2,000			
		To Profit & Loss Account (Profit & Loss Account transferred to partners' Capital Accounts)				10,000	
		Bank Account Dr.		24,970			
		To G's Capital Account ( Final payment received from G)				24,970	
		E's Capital Account Dr.		81,060			
		F's Capital Account Dr.		56,060			
		To Bank Account ( Final payment made to E and F)				1,37,120	

### SET -III (CODE C) Additional questions

18	Any two of the followings: (i) Royalties (ii) Commission Received (iii) Sale of Scrap <span style="float: right;">(<math>\frac{1}{2} \times 2 = 1</math>)</span>					1
19	It will be taken as purchase of Goodwill of ` 1,50,000 and will be shown under Cash from Investing Activities as an outflow of cash.					1
20	Sl No	Items	Main Head	Sub Head		3
	(i)	Sundry Creditors	Current Liabilities	Trade Payables		
	(ii)	Provision for Tax	Current Liabilities	Short-Term Provisions		
	(iii)	Preliminary Expenses	Shareholders' Funds	To be subtracted from Reserves & Surplus		
	(iv)	Loose Tools	Current Assets	Inventories		
	(v)	Interest accrued on Investments	Current Assets	Other Current Assets		
	(vi)	Goodwill	Non-Current Assets	Intangible Assets		
	(vii)	Investment in Preference Shares	Non Current Asset	Non Current Investment		
	(viii)	Capital Reserve	Share Capital	Reserves and Surplus		
21	Interest Coverage Ratio= Net Profit before Interest and Tax/ Interest on Long Term Debts Net Profit after Tax = ` 6,00,000      Tax Rate = 40 % Net Profit before tax = $100/(100 - \text{Tax}) \times \text{Net Profit after tax} = 100/ 60 \times 6,00,000 = 10,00,000$ Net Profit before Interest & Tax = Net Profit before tax + Interest on Long Term Debts = $10,00,000 + 4,80,000 = 14,80,000$ Interest Coverage Ratio= Net Profit before Interest and Tax / Interest on Long Term Debts					4

	<div>(1)</div> <div>= 14,80,000 / 4,80,000 = 3.08 Times (1)</div> <div>Significance of Interest Coverage Ratio: It reveals the number of times Interest on Long Term Debts is covered by the profits available. A higher ratio ensures safety of interest on Long Term Debts. (1)</div> <div>The Interest coverage ratio will improve if the company decides to redeem ` 5,00,000 debentures assuming that Net Profit after interest and the tax rate will be same. (1)</div>																																																																			
22	<div>Statement of Profit and Loss</div> <div>For the years ended 31<sup>st</sup> March, 2017 and 2018</div> <table><tr><th>Particulars</th><th>2016-17</th><th>2017-18</th><th>Absolute Change</th><th>Change in %</th></tr><tr><td>Revenue from Operations</td><td>25,00,000</td><td>40,00,000</td><td>15,00,000</td><td>60</td></tr><tr><td>Expenses</td><td></td><td></td><td></td><td></td></tr><tr><td>(a)Employee Benefit Expenses</td><td>1,25,000</td><td>2,00,000</td><td>75,000</td><td>60</td></tr><tr><td>(b)Other Expenses</td><td>5,90,000</td><td>6,80,000</td><td>90,000</td><td>15.25</td></tr><tr><td>Total Expense</td><td>7,15,000</td><td>8,80,000</td><td>1,65,000</td><td>23.07</td></tr><tr><td>Profit before Tax</td><td>17,85,000</td><td>31,20,000</td><td>13,35,000</td><td>74.78</td></tr><tr><td>Less : Taxes @ 35%</td><td>6,24,750</td><td>10,92,000</td><td>4,67,250</td><td>74.78</td></tr><tr><td>Profit after Tax</td><td>11,60,250</td><td>20,28,000</td><td>8,67,250</td><td>74.78</td></tr></table>	Particulars	2016-17	2017-18	Absolute Change	Change in %	Revenue from Operations	25,00,000	40,00,000	15,00,000	60	Expenses					(a)Employee Benefit Expenses	1,25,000	2,00,000	75,000	60	(b)Other Expenses	5,90,000	6,80,000	90,000	15.25	Total Expense	7,15,000	8,80,000	1,65,000	23.07	Profit before Tax	17,85,000	31,20,000	13,35,000	74.78	Less : Taxes @ 35%	6,24,750	10,92,000	4,67,250	74.78	Profit after Tax	11,60,250	20,28,000	8,67,250	74.78	4																					
Particulars	2016-17	2017-18	Absolute Change	Change in %																																																																
Revenue from Operations	25,00,000	40,00,000	15,00,000	60																																																																
Expenses																																																																				
(a)Employee Benefit Expenses	1,25,000	2,00,000	75,000	60																																																																
(b)Other Expenses	5,90,000	6,80,000	90,000	15.25																																																																
Total Expense	7,15,000	8,80,000	1,65,000	23.07																																																																
Profit before Tax	17,85,000	31,20,000	13,35,000	74.78																																																																
Less : Taxes @ 35%	6,24,750	10,92,000	4,67,250	74.78																																																																
Profit after Tax	11,60,250	20,28,000	8,67,250	74.78																																																																
23	<div>Elvis Limited</div> <div>Cash Flow Statement for the year ended 31st March, 2017</div> <table><tr><th>Particulars</th><th>Amount`</th><th>Amount`</th></tr><tr><td><b>I - CASH FLOW FROM OPERATING ACTIVITIES</b></td><td></td><td></td></tr><tr><td>Surplus: Balance in the Statement of Profit &amp; Loss</td><td>1,20,000</td><td></td></tr><tr><td>Adjustment for Non- Cash and Non-Operating Items</td><td></td><td></td></tr><tr><td>Depreciation</td><td>65,000</td><td></td></tr><tr><td>Loss on sale of Machinery</td><td>3,000</td><td></td></tr><tr><td>Interest on Debentures</td><td>28,800</td><td></td></tr><tr><td></td><td>96,800</td><td></td></tr><tr><td>Operating Profit before changes in working capital</td><td>2,16,800</td><td></td></tr><tr><td>Add: Decrease in Current Assets and Increase in Current Liabilities</td><td></td><td></td></tr><tr><td>Inventories</td><td>40,000</td><td></td></tr><tr><td>Outstanding Rent</td><td>20,000</td><td></td></tr><tr><td>Creditors</td><td>20,000</td><td></td></tr><tr><td></td><td>80,000</td><td></td></tr><tr><td>Less: Increase in Current Assets and Decrease in Current Liabilities</td><td></td><td></td></tr><tr><td>Bills Payable</td><td>(80,000)</td><td></td></tr><tr><td><b>Cash Flow from Operating Activities</b></td><td></td><td>2,16,800</td></tr><tr><td><b>II- CASH FLOW FROM INVESTING ACTIVITIES</b></td><td></td><td></td></tr><tr><td>Purchase of Machinery</td><td>(2,40,000)</td><td></td></tr><tr><td>Sale of Machinery</td><td>32,000</td><td></td></tr><tr><td>Purchase of Shares in XYZ Limited</td><td>(80,000)</td><td></td></tr><tr><td><b>Cash Flow from Investing Activities</b></td><td></td><td>(2,88,000)</td></tr></table>	Particulars	Amount`	Amount`	<b>I - CASH FLOW FROM OPERATING ACTIVITIES</b>			Surplus: Balance in the Statement of Profit & Loss	1,20,000		Adjustment for Non- Cash and Non-Operating Items			Depreciation	65,000		Loss on sale of Machinery	3,000		Interest on Debentures	28,800			96,800		Operating Profit before changes in working capital	2,16,800		Add: Decrease in Current Assets and Increase in Current Liabilities			Inventories	40,000		Outstanding Rent	20,000		Creditors	20,000			80,000		Less: Increase in Current Assets and Decrease in Current Liabilities			Bills Payable	(80,000)		<b>Cash Flow from Operating Activities</b>		2,16,800	<b>II- CASH FLOW FROM INVESTING ACTIVITIES</b>			Purchase of Machinery	(2,40,000)		Sale of Machinery	32,000		Purchase of Shares in XYZ Limited	(80,000)		<b>Cash Flow from Investing Activities</b>		(2,88,000)	
Particulars	Amount`	Amount`																																																																		
<b>I - CASH FLOW FROM OPERATING ACTIVITIES</b>																																																																				
Surplus: Balance in the Statement of Profit & Loss	1,20,000																																																																			
Adjustment for Non- Cash and Non-Operating Items																																																																				
Depreciation	65,000																																																																			
Loss on sale of Machinery	3,000																																																																			
Interest on Debentures	28,800																																																																			
	96,800																																																																			
Operating Profit before changes in working capital	2,16,800																																																																			
Add: Decrease in Current Assets and Increase in Current Liabilities																																																																				
Inventories	40,000																																																																			
Outstanding Rent	20,000																																																																			
Creditors	20,000																																																																			
	80,000																																																																			
Less: Increase in Current Assets and Decrease in Current Liabilities																																																																				
Bills Payable	(80,000)																																																																			
<b>Cash Flow from Operating Activities</b>		2,16,800																																																																		
<b>II- CASH FLOW FROM INVESTING ACTIVITIES</b>																																																																				
Purchase of Machinery	(2,40,000)																																																																			
Sale of Machinery	32,000																																																																			
Purchase of Shares in XYZ Limited	(80,000)																																																																			
<b>Cash Flow from Investing Activities</b>		(2,88,000)																																																																		

	III- CASH FLOW FROM FINANCING ACTIVITIES				
	Issue of 9 % Debentures	80,000			
	Interest on Debentures	(28,800)	51,200		
	<b>Cash Flow from Financing Activities</b>				
	Net Cash Flow		(20,000)		
	Add: Opening Balance of Cash and Cash Equivalents		<u>80,000</u>		
	Closing Balance of Cash and Cash Equivalents		<b>60,000</b>		

\*\*\*\*\*