INDIAN SCHOOL MUSCAT

CLASS: 12

PRE – BOARD EXAMINATION

ACCOUNTANCY (055)

SET – A

	PART – A **(Accounting for Not-For-Profit-Organizations, Partnership Firms and Companies)**	
1.	Goodwill of the firm on the basis of 2 years' purchase of average profit of the last 3 years is ₹25,000. Find average profit. (a) ₹50,000 (b) ₹25,000 (c) ₹10,000 (d) ₹12,500 **Ans: (d) ₹12,500**	1
2.	The persons who have entered into partnership are individually known as: a) Partners b) Firm c) Association d) None of these **Ans: Partners**	1
3.	Surplus or Deficit Balance of Income and Expenditure Account is transferred to ______. **Ans: Capital fund**	1
4.	A, B and C decided that interest on capital will be provided to each partner @ 5% p.a. But after one year, C wants that no interest on capital is to be provided to any partner. State how C can do this. **Ans:** **By not having a partnership deed.**	1
5.	According to the Partnership Act, 1932, the interest payable to the deceased partner on the amount left by him will be: (a) 6%p.a. b) 10%p.a. (c) 12%p.a. d) 16% p.a. **Ans: (a) 6%**	1
6.	Debenture Redemption Investment (DRI) should be made of an amount at least equal to ______ of the ________ of the debentures to be redeemed during the year ending 31st March of the next year. **Ans: 15% , nominal value**	1
7.	Loss or Discount on issue of debenture is written off from : (a) Securities Premium Reserve (b) Statement of profit or loss (c) Securities Premium Reserve (if it exists) and thereafter from Statement of Profit and Loss (d) None of the above. **Ans: (c) Securities Premium Reserve (if it exists) and thereafter from Statement of Profit and Loss**	1
8.	State whether the following statement is true or false: Goodwill can be defined as the present value of anticipated profits. **Ans: True**	1
9.	In case of retirement, when the firm pays an amount in excess of total amount due to the retiring partner, then excess amount is treated as _______ **Ans: Hidden Goodwill**	1
10	If a share of ₹10 issued at a premium of ₹3 on which full amount has been called and ₹8 has been (including	1

.	premium) paid on it, is forfeited, the share capital account is debited with: (a) ₹13 (b) ₹10 (c) ₹8 (d) ₹6 **Ans: (b) ₹10**	
11.	Share Allotment Account is a/an : (a) Personal Account (b) Liability Account (c) Nominal Account (d) Income Account **Ans: (a) Personal Account**	1
12.	State any two grounds on the basis of which court may order for the dissolution of the firm. **Ans:** **a) A partner becomes a person of unsound mind.** **b) A partner is found to be guilty of misconduct.**	1
13.	Balance Sheet of a firm shows workmen compensation reserve of ₹50,000. There is a workmen compensation liability of ₹10,000. State the ratio and amount of workmen compensation reserve that will be distributed to the partners. **Ans: ₹40,000 to all partners in OPS**	1
14.	There are 300 members of a Club each paying ₹500 per annum. Subscriptions received during the year ₹1,00,000. Subscriptions received in advance in the beginning of the year is ₹25,000 and at the end of the year ₹10,000. Calculate Subscriptions outstanding at the end of the year. **Ans:** **Table showing Calculations of Subscription**	3

Particulars	Amount
Subscriptions received during the year	**1,00,000**
Add: Subscriptions received in advance in the beginning	**25,000**
	1,25,000
Less: Subscriptions received in advance at the end of the year	**10,000**
	1,15,000
Less: Subscriptions actually receivable during the year	**1,50,000**
Subscriptions outstanding at the end	**35,000**

15.	VKR Ltd. issued 975, 9% Debentures of ₹ 500 each on 4-3-2016. Pass necessary journal entries for the issue of debentures in the following situations: (i) When debentures were issued at a premium of 10%, redeemable at a premium of 6%. (ii) When debentures were issued at a par, redeemable at 9% premium. OR 'Aishwarya Ltd.' issued 7,000, 10% Debentures of ₹ 1,000 each at a discount of 10%, redeemable at a premium of 5% after 4 years. According to the terms of issue ₹ 300 was payable on application and balance on allotment of debentures. Record necessary entries regarding issue of 10% debentures. **Ans:** **(i)**	4

Books of VKR Ltd.
Journal entries

Date	Particulars	l/f	Dr	Cr
1	**Bank a/c Dr** **To debenture application and allotment a/c**		**5,36,250**	 **5,36,250**
2	**Debenture application and allotment a/c Dr** **Loss on issue a/c Dr** **To 9% debentures** **To SPR a/c** **To Premium on redemption**		**5,36,250** **29,250**	 **4,87,500** **48,750** **29,250**

(ii)

Books of VKR Ltd.

Journal entries

Date	Particulars	l/f	Dr	Cr
1	Bank a/c Dr To Deb app and allot a/c		4,87,500	 4,87,500
2	Deb app & allot a/c Loss on issue a/c To 9% Deb a/c To Premium on red of deb a/c		4,87,500 43,875	 4,87,500 43,875

OR

Books of Aishwarya Ltd.

Journal entries

Date	Particulars	l/f	Dr	Cr
1	Bank a/c Dr To Deb app a/c		21,00,000	 21,00,000
2	Deb app a/c Dr To 10% deb a/c		21,00,000	 21,00,000
3	10% deb allot a/c Dr Loss on issue a/c Dr Discount a/c Dr To 10% deb a/c To Premium a/c		42,00,000 3,50,000 7,00,000	 49,00,000 3,50,000
4	Bank a/c Dr To deb allot a/c		42,00,000	 42,00,000

16. A, B and C were partners. Their capitals were ₹30,000, ₹20,000 and ₹10,000 respectively. According to the partnership deed, they were entitled to an interest on capital @5%p.a. in addition, B was also entitled to draw a salary of ₹500 per month. C was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to B. The net profits for the year were ₹30,000, distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio of 2:2:1. Pass the necessary adjustment entry showing the workings clearly. 4

Ans:

Statement Showing Adjustment

Particulars	A		B		C		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Profit wrongly credited	15,000		10,000		5,000			30,000
IOC		1,500		1,000		500	3,000	
Salary B				6,000			6,000	
Comm C						1,350	1,350	
Div profit		7,860		7,860		3,930	19,650	
	5640(dr)			4860(cr)		780(cr)		

Adjustment entry

A's Capital a/c Dr 5,640
To B's Capital a/c 4,860
To C's Capital a/c 780

17. Complete the following Journal Entries. 4

Date	Particulars	LF	Amount	Amount
2018 Apr 1	 Sundry assets a/c Dr ____________ a/c Dr To Sundry Liabilities a/c To Shiv Shankar Ltd. (Being Shiv Shankar Ltd. was taken over by Parvati for the purchase consideration of 18,20,000)		 25,00,000 _________	 7,80,000 18,20,000
	Shiv Shankar Ltd______ Dr		18,20,000	

	______________________ Dr To _______________ To 8% Debentures a/c (For paying Shiv ShankarLtd. By issuing a bill of 20,000 and the balance was paid by issue of 8% debentures of 100 each at a discount of 10%)		___________	20,000 __________

OR

S. Singh Limited obtained a loan of ₹.5,00,000 from State Bank of India @ 10% interest. The company issued ₹.7,50,000, 10% debentures of ₹.100 each in favour of State Bank of India as collateral security. Pass necessary journal entries for the above transactions:

a) When company decided not to record the issue of 10% Debentures as collateral security.

b) When company decided to record the issue of 10% Debentures as collateral security.

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Date	Particulars	L.F.	Amount	Amount
2018 April 1	Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To Shiv Shankar Ltd. (Being Shiv Shankar Ltd. was taken over by Parvati Ltd. for a purchase consideration of ₹18,20,000)		25,00,000 1,00,000	 7,80,000 18,20,000

April 1	Shiv Shankar Ltd. Dr. Discount on issue of Debentures A/c Dr. To Bills Payable A/c To 8% Debentures A/c (For paying Shiv Shankar Ltd. by issuing a bill of ₹ 20,000 and the balance was paid by issue of 8% Debentures of ₹ 100 each at a discount of 10%)		18,20,000 2 ,00,000	 20,(20,00,(

2 + :

OR

(i) **Journal**

Date	Particulars	L. F.	Dr. Amount (₹)	Cr. Amoun
	Bank Account Dr. To Bank Loan Account (Being loan obtained from State Bank of India @ 10 % p.a. interest, against collateral security of 7,500 10 % debentures of ₹100 each)		5,00,000	1 5,00,(

(ii)

Date	Particulars	L. F.	Dr. Amount (₹)	Cr. Amo (₹)
	Bank Account Dr. To Bank Loan Account (Being loan obtained from State Bank of India @ 10 % p.a. interest, against collateral security of 7,500 10 % debentures of ₹100 each)		5,00,000	5,00,(
	Debenture Suspense Account Dr. 10 %Debentures Account (Being 10 % Debentures issued as collateral security in favour of State Bank of India)		7,50,000	7,50,(

18. On 1st April, 2019 and existing firm had assets of ₹75,000 including cash of ₹5,000. The partners' capital accounts showed a balance of ₹60,000 and reserves constituted the rest. Of the normal rate of return is 20% and the goodwill of the firm is valued at ₹24,000 at 4 years purchase of super profits, Find the average profits of the firm. 4

Ans: Normal Profit = ₹15,000
Super profit = ₹6,000
Average Profit = ₹21,000

19. Following Receipts and Payments Account was prepared from the cash book of Delhi Charitable Trust for the year ending 31st March 2018: 6

Receipts and Payments Account
For the year ending on 31st March 2018

Receipts	Amount(₹)	Payments	Amount(₹)
To Balance b/d		By Charity	11,500
Cash in hand	11,500	By Rent and taxes	3,200
Cash at bank	12,600	By Salary	6,000
To Donation	9,000	By Printing	600
To Subscriptions	42,800	By Postage	300
To Legacies	18,000	By Advertisement	4,500
To Interest on investment	4,500	By Insurance	2,000
To sale of old newspapers	200	By Furniture	21,600
		By Investment	23,000
		By Balance c/d	

		Cash in hand Cash at Bank	9,900 16,000
	98,600		98,600

Prepare Income and Expenditure Account for the year ended March 31, 2018 and a Balance Sheet as at that date after the following adjustments:

(i) It was decided to treat one-third of the amount received on account of donation as income.

(ii) Insurance premium was paid in advance ₹500

(iii) Interest on investment ₹1,100 accrued was not received.

(iv) Rent ₹600, salary ₹900 and advertisement expenses ₹1,000 outstanding as on March 31,2018.

(v) The capital fund as on 31st March 2017 was ₹24,100.

Ans:

Income and Expenditure a/c: Surplus : ₹21,500

Balance sheet as at 31st March 2018: ₹72,100

20. A and B were partners in a firm sharing profits in the ratio of 3:2. On 31.03.2011, the Balance Sheet of the firm was as follows: 6

Balance Sheet of A and B

(as at 31st March 2011)

Liabilities	₹	Assets	₹
Capitals A 3,00,000 B 2,00,000 Sundry creditors	 5,00,000 1,17,000	Building Furniture Debtors Stock Cash	2,40,000 1,75,000 80,000 75,000 47,000
	6,17,000		6,17,000

The firm dissolved on 1.4.2011 and the assets and liabilities were settled as follows:

a) Building was taken over by creditors as their full and final payment.

b) Furniture was taken over by B for cash payment at 5% less than the book value.

c) Debtors were collected by a debt collection agency at a cost of ₹5,000.

d) Stock realized ₹70,500

e) B agreed to bear all realization expenses. For this service B is paid ₹500. Actual expenses of realization amount to ₹1,000.

Pass necessary journal entries for dissolution of the firm.

Ans:

In the Books of...(Firm)

Journal Entries

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2011 1 April	Realisation A/c	Dr		5,70,000	
	To Building A/c				2,40,000
	To Furniture A/c				1,75,000
	To Debtors A/c				80,000
	To Stock A/c				75,000
	(Being assets transferred to Realisation A/c)				
	Sundry Creditors A/c	Dr.		1,17,000	
	To Realisation A/c				1,17,000
	(Being creditors transferred to Realisation A/c)				
	Cash A/c	Dr.		1,66,250	
	To Realisation A/c				1,66,250
	(Being furniture sold for cash to B)				
	Cash A/c (₹ 75,000 + ₹ 70,500)	Dr.		1,45,500	
	To Realisation A/c				1,45,500
	(Being Debtors collected & Stock sold for cash)				
	Realisation A/c	Dr.		500	
	To B's Capital A/c				500
	(Being agreed amount paid to B)				
	A's Capital A/c	Dr.		85,050	
	B's Capital A/c	Dr.		56,700	
	To Realisation A/c				1,41,750
	(Being the loss on realisation transferred to Partners' Capital A/cs)				
	A's Capital A/c	Dr.		2,14,950	
	B's Capital A/c	Dr.		1,43,800	
	To Cash A/c				3,58,750
	(Being final payment made to partners)				

OR

Shirish, Harit and Asha were partners in a firm sharing profits in the ratio of 5:4:1. Shirish died on 30th June. 2018. On this date their Balance Sheet was as follows:

Balance Sheet of Shirish, Harit and Asha

As at 31st March, 2018

Liabilities	Amount	Assets	Amount
Capitals		Plant & machinery	5,60,000
Shirish 1,00,000		Stock	90,000
Harit 2,00,000		Debtors	10,000
Asha 3,00,000	6,00,000	Cash	40,000
Profit & Loss a/c	80,000		
Bills Payable	20,000		
	7,00,000		7,00,000

According to the partnership deed, in addition to deceased partners' capital, his executor is entitled to:

(i) Share in profits in the year of death on the basis of average of last two years' profit. Profits for the year 2016-2017 was ₹60,000.

(ii) Goodwill of the firm was to be valued at 2 years' purchase of average of last two years' profits.

Prepare Shirish's Capital Account to be presented to his executor.

Ans:

Particulars	**Amount(₹)**	**Particulars**	**Amount(₹)**
To Shirish's Executor a/c	**2,18,750**	**By Balance c/d** **By Profit & loss a/c**	**1,00,000** **40,000**
		By Profit & loss suspense	

		a/c	**8,750**
		By Harit's Capital a/c	**56,000**
		By Asha's Capital a/c	**14,000**
	2,18,750		**2,18,750**

21. Anshika Ltd. issued applications for 2,00,000 equity share of ₹10 each, at a premium of ₹4 per share. The amount was payable as follows: 8

On application ₹6(including ₹2 premium)
On allotment ₹7(including ₹2 premium)
Balance on first and final call

Applications for 3,00,000 shares were received. Allotment was made to all the applicants on pro-rata basis. Mehak to whom 400 shares were allotted, failed to pay allotment and call money. Khusbhoo who had applied for 300 shares failed to pay call money. These shares were forfeited after final call. 400 of the forfeited shares (including all share of Khusbhoo) were reissued @ ₹8 per share as fully paid up. Pass necessary journal entries in the books of Anishka Ltd. for the above transactions by opening calls in arrears and calls in advance account wherever necessary.

OR

Khyati Ltd. issued a prospectus inviting applications for 80,000 shares of ₹10 each payable as follows:
₹2 on application
₹3 on allotment
₹2 on first call
₹3 on final call.

Applications were received for 1,20,000 equity shares. It was decided to adjust the excess amount received on account of over subscription till allotment only.
Hence allotment was made as under:
1) To applicants for 20,000 shares – in full
2) To applicants for 40,000 shares – 10,000 shares
3) To applicants for 60,000 shares – 50,000 shares

Allotment was made and all shareholders paid except Tammana, who had applied for 2,400 shares out of the group (3) could not pay allotment money. Her shares were forfeited immediately, after allotment. Another shareholder Chaya, who was allotted 500 shares out of the group (2) failed to pay first call. 50% of Tamanna's shares were reissued to Satnam as ₹7 paid up for payment of ₹9 per share.
Pass necessary journal entries in the books of Khyati Ltd. for the above transactions by opening calls in arrears and calls in advance account wherever necessary.
Ans:

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Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Bank A/c	Dr.		18,00,000	
	To Equity Share Application A/c				18,00,000
	(Being application money received on 3,00,000 shares)				
	Equity Share Application A/c	Dr.		18,00,000	
	To Equity Share Capital A/c				8,00,000
	To Securities Premium Reserve A/c				4,00,000
	To Equity Share Allotment A/c				6,00,000
	(Being 2,00,000 shares allotted, excess amount transferred to allotment)				
	Equity Share Allotment A/c	Dr.		14,00,000	
	To Equity Share Capital A/c				10,00,000
	To Securities Premium Reserve A/c				4,00,000
	(Being allotment due on 2,00,000 shares)				
	Bank A/c	Dr.		7,98,400	
	Calls in Arrears A/c	Dr.		1,600	
	To Equity Share Allotment A/c				8,00,000
	(Being allotment money received on 199,600 shares)				
	Equity Share First and Final Call A/c	Dr.		2,00,000	
	To Equity Share Capital A/c				2,00,000
	(Being share 1st call due on 2,00,000 shares)				

	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share First and Final Call A/c (Being first call received on 199,400 shares)		1,99,400 600	2,00,000	1
	Equity Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Calls in Arrears A/c To Share Forfeited A/c (Being forfeiture of 600 shares executed)		6,000 800	2,200 4,600	1
	Bank A/c Dr. Equity Share Forfeited A/c Dr. To Equity Share Capital A/c (Being 400 shares reissued @ ₹ 8, as fully called up)		3,200 800	4,000	1
	Equity Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to Capital Reserve)		2,400	2,400	1

OR

Date	Particulars	L.F.	Amount	Amount	
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,20,000 shares)		2,40,000	2,40,000	½
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Being 80,000 shares allotted and excess amount transferred to allotment and then refunded)		2,40,000	1,60,000 50,000 30,000	1
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being share allotment due on 80,000 shares)		2,40,000	2,40,000	½
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c (Being allotment money received)		1,84,800 5,200	1,90,000	1
	Equity Share Capital A/c Dr . To Equity Share Forfeited A/c To Calls in Arrears A/c (Being forfeiture of 2000 shares executed)		10,000	4,800 5,200	1
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being share first call due on 78,000 shares)		1,56,000	1,56,000	1
	Bank A/c Dr. Call in arrear A/c Dr. To Equity Share First Call A/c (Being first call received on 77,500 shares)		1,55,000 1,000	1,56,000	1

Bank a/c	Dr	9,000	
To Equity Share Capital a/c			7,000
To Securities Premium Reserve a/c			2,000
(Being shares reissue)			
Equity Share capital a/c	Dr	2,400	
To Capital Reserve a/c			2,400

(Being profit trfed)

22. W and R are partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet as on 31st March, 2016 was as follows: 8

Balance Sheet of W and R as on 31-3-2016

Liabilities	₹	Assets	₹
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding Salary	3,000	Stock	20,000
General Reserve	5,000	Furniture	40,000
Capitals :		Plant & Machinery	40,000
W 60,000			
R 40,000	1,00,000		
	1,30,000		**1,30,000**

On the above date, C was admitted for 1/6th share in the profits on the following terms:

(i) C will bring ₹ 30,000 as his capital and ₹ 10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.

(ii) Debtors ₹ 1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.

(iii) Outstanding salary will be paid off.

(iv) Stock will be depreciated by 10%, furniture ₹. 500 and plant and machinery by 8%.

(v) Investments ₹ 2,500 not mentioned in the balance sheet were to be taken into account

(vi) A creditor of ₹ 2,100 not recorded in the books was to be taken into account.

Prepare Revaluation a/c, Partners' Capital a/c and the balance sheet

Ans:

Loss on revaluation a/c : W's capital – 3,3,75

R's Capital – 2,250

OR

Ativ, Meha and Nupur were partners sharing profits and losses in the ratio of 5:3:2. On 31-3-2016, their Balance Sheet was as under:

Liabilities	₹	Assets	₹
Trade Creditors	26,500	Bank	25,000
Employees' Provident Fund	23,500	Debtors	30,000
Ativ's Capital		Stock	55,000
Meha's Capital	1,00,000	Fixed Assets	1,20,000
Nupur's Capital	50,000	Advertisement Expenditure	10,000
	40,000		
	2,40,000		**2,40,000**

Ativ retired on 1-4-2016. For this purpose, following adjustments were agreed upon:

(i) Goodwill of the firm was to be valued at 2 years' purchase of the average profits of 3 completed years preceding the date of retirement. The profits for previous years were:

2013-14 --- ₹ 55,000; 2014-15 --- ₹ 65,000; 2015-16 --- ₹ 60,000.

(ii) Fixed Assets were to be increased by ₹ 25,000.

(iii) Stock was overvalued by ₹ 5,000.

(iv) ₹ 20,000 were immediately paid to Ativ and the balance was transferred to his Loan Account.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Ans: Profit on revaluation – Ativ – 10,000 ; Meha – 6,000; Nupur – 4,000

Partners capital a/c – Meha- 17,000 ; Nupur – 18,000

Ativ's loan – 1.45,000

Balance Sheet – 2,30,000

PART- B
(Analysis of Financial Statements)

23. Provision for Provident Fund is shown in the Balance Sheet of a company under the head: 1

(a) Reserves and Surplus

(b) Non-Current Liabilities

(c) Short term Provisions

(d) Contingent Liabilities

Ans: (b) Non-Current Liabilities

24. Which of the following transactions will result into flow of cash? 1

(a) cash withdrawn from bank ₹20,000.

(b) Issued ₹20,000, 9% debentures for the vendors of machinery.

	(c) Received ₹19,000 from debtors (d) Deposited cheques of ₹10,000 into bank. **Ans: (c) Received ₹19,000 from debtors.**	
25.	________ establishes the relationship between proprietors' funds and the total assets. **Ans: Proprietary Ratio**	1
26.	When long term debts are increased and shareholders' funds remain unchanged, Debt to Equity Ratio will increase. **Ans: True**	1
27.	"Cash advances and loans' made by financial enterprises will be shown under which type of activity while preparing cash flow statement? Give reason in support of your answer. **Ans: Operating Activity** **Reason: Advances and loans made by financial enterprises is their main operating activity.**	1
28.	State any one limitations of Financial Statement Analysis. **Ans: (a) Historical records**	1
29.	When Accounting Income is more than taxable income. It is known as _______. **Ans: Deferred Tax Liability**	1
30.	A company's Inventory Turnover is 5 times. Inventory at the end is ₹20,000 more than that at the beginning. Revenue from operations are ₹8,00,000. Rate of Gross profit on cost is ¼; Current liabilities ₹2,40,000, Acid Test Ratio : 0.75. Calculate Current Ratio. **OR** i) The quick ratio of the company is 1.5:1. State with reason which of the following transactions would (a) Increase (b)Decrease or (c) Not change in the ratio (a) Paid rent 3,000 in advance (b) Trade receivable included a debtor Shri Ashok who paid his entire amount due ₹.9,700 (ii) From the following information, compute 'Proprietary ratio': ₹ Long term Borrowings 2,00,000 Long term Provisions 1,00,000 Current Liabilities 50,000 Non-Current assets 3,60,000 Current Assets 90,000	3

	$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$ $$\text{Current Ratio} = \frac{₹3,18,000}{₹2,40,000} = 1.325:1$$ **OR** **(i)** **(a)** **Decrease :** When Rent is paid in advance, cash decreases. Hence, there is a decrease in Q Asset which leads to a decrease in the Quick Ratio. Though Prepaid Rent increases, it ha effect on Quick Ratio. **(b)** **No Change :** When a debtor paid his entire dues, the Debtors decrease and Cash increase the same amount. Hence, the net effect is nil and there is no change in the Quick Ratio. **(ii)** $$\text{Proprietary Ratio} = \frac{\text{Shareholders' Funds}}{\text{Total Assets}}$$ $$= \frac{₹1,00,000}{₹4,50,000}$$ $= 0.22:1$ or 22.22% Total Assets = Current Assets + Non-Current Assets = ₹ 90,000 + ₹ 3,60,000 = ₹ 4,50,000 Shareholders' Funds = Total Assets – Long-term Borrowings – Long-term Provisions – Cur Liabil = ₹ 4,50,000 – ₹ 2,00,000 – ₹ 1,00,000 – ₹ 50,000 = ₹ 1,00,000		
31.	Following information was extracted from the Statement of Profit and Loss for the years ended 31st March, 2018 and 2019. Prepare Comparative Statement of Profit and Loss:	4

Particulars	Note No	31st March 2019	31st March 2018
Revenue from operations		10,00,000	8,00,000
Employee Benefit Expenses		5,00,000	4,00,000
Other Expenses		50,000	1,00,000
Tax rate		50%	50%

Ans: RFO – 25% ; Total expenses- 10%, Profit before tax- 50% , Profit after tax- 50%

OR

Prepare a Common Size Balance Sheet of X ltd. and Y ltd. The Balance Sheets of X Ltd. and Y Ltd. as at 31st March 2016are given below:

Particulars	Note No	X Ltd. (₹)	Y Ltd. (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		1,00,000	1,35,000
(b) Reserves and Surplus		50,000	65,000
2. Non-Current Liabilities			
(a) Long term Borrowings		75,000	62,500
3. Current Liabilities			
(a) Short-term provisions		25,000	37,500
Total		2,50,000	3,00,000
II. ASSETS			
1. Non-current Assets			
(a) Fixed Assets		1,00,000	1,75,000
2. Current Assets			
(a) Cash and Cash Equivalents		1,50,000	1,25,000
Total		2,50,000	3,00,000

Ans: Common Size Balance Sheet of X ltd. and Y ltd.

Particulars	**X Ltd. (₹)**	**Y Ltd. (₹)**
Share Capital	**40**	**45**
Reserves and surplus	**20**	**21.67**
Non-current liabilities	**30**	**20.83**
Current Liabilities	**10**	**12.50**
Non-Current Assets	**40**	**58.33**
Current Assets	**60**	**41.67**

32. From the following Balance sheets of DCX Ltd. and the additional information as at 31st March 2018, prepare a Cash Flow Statement: 6

Particulars	Note No.	31.03.2018(₹)	31.03.2017(₹)
I. Equity and Liabilities:			
(1) Shareholder's Fund			
(a) Share Capital		30,00,000	21,00,000
(b) Reserves and surplus		4,00,000	5,00,000
(2) Non-Current Liabilities:			
(a) Long term Borrowings		8,00,000	5,00,000
(3) Current Liabilities:			
(a) Trade Payables		1,50,000	1,00,000
(b) Short term Provisions		76,000	56,000
Total		44,26,000	32,56,000
II. Assets			
(1) Non-current Assets:			
(a) Tangible Assets		27,00,000	20,00,000
(b) Intangible Assets		8,00,000	7,00,000
(2) Current Assets:			
(a) Current Investments		89,000	78,000
(b) Inventories		8,00,000	4,00,000
(c) Cash and Cash Equivalents		37,000	78,000
Total		44,26,000	32,56,000

Notes to accounts:

Note No.	Particulars	31.03.2018(₹.)	31.03.2017(₹.)
1.	Reserves and Surplus: Surplus i.e. Balance in the Statement of Profit and Loss)	4,00,000	5,00,000
		4,00,000	5,00,000
2.	Long term Borrowings: 8% Debentures	8,00,000	5,00,000
		8,00,000	5,00,000
3.	Short term Provisions: Provision for tax	76,000	56,000
		76,000	56,000
4.	Tangible Assets: Machinery Less: Accumulated depreciation	 33,00,000 (6,00,000)	 25,00,000 (5,00,000)
		27,00,000	20,00,000

Additional information:

(i) During the year a machinery costing 8,00,000 on which accumulated depreciation was 3,20,000 was sold 6,40,000.

(ii) Debentures were issued on 1st April, 2017.

Ans:

32. **Cash Flow Statement of DCX Ltd.**

for the year ended 31^{st} March, 2018

	Particulars	Amount (₹)	Amount (₹)
A.	**Cash Flow from Operating Activities :**		
	Net Profit before tax	(24,000)	
	Add : Depreciation on Machinery	4,20,000	
	Add : Interest on Debentures	64,000	
	Less : Gain on sale of Machinery	(1,60,000)	
	Operating Profit before working capital changes	3,00,000	
	Add : Increase in Trade Payables	50,000	
	Less : Increase in Inventories	(4,00,000)	
	Cash generated from Operations before tax	(50,000)	
	Less **:** Tax Paid	(56,000)	
	Net Cash used in Operating Activities		(1,06,000)
B.	**Cash Flow from Investing Activities :**		
	Purchase of Machinery	(16,00,000)	
	Purchase of goodwill	(1,00,000)	
	Sale of Machinery	6,40,000	
	Net Cash used in Investing Activities		(10,60,000)
C.	**Cash Flow from Financing Activities :**		
	Issue of Shares	9,00,000	
	Issue of 9% Debentures	3,00,000	
	Interest paid on Debentures	(64,000)	
	Cash inflows from Financing Activities		11,36,000
	Net Decrease in Cash & Cash Equivalents		(30,000)
	Add : Opening Balance of Cash and Cash equivalents		
	Current Investments	78,000	
	Cash and cash equivalents	78,000	1,56,000
	Closing Balance of Cash and Cash Equivalents		
	Current Investments	89,000	
	Cash and cash equivalents	37,000	1,26,000

Working Notes :

Calculation of Net Profit before Tax :

Net Profit for the year	(1,00,000)
Add : Provision for tax	76,000
Net Profit before tax	(24,000)