



COMMON PRE-BOARD EXAMINATION 2023-24

Subject: ACCOUNTANCY (055)

Class XII



MARKING SCHEME

- | | | |
|----|--|---|
| 1 | (c) 10:5:6 | 1 |
| 2 | (d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). | 1 |
| 3 | (c) ₹ 400
OR
(d) 300 Debentures, ₹ 2,400 | 1 |
| 4 | (c) ₹ 90,000
OR
(a) Debited to Partners' Capital Accounts in Old Profit Sharing Ratio | 1 |
| 5 | (d) 6.5 months | 1 |
| 6 | (c) ₹ 10,00,000
OR
(d) Interest is not paid on debentures issued as Collateral Security | 1 |
| 7 | (d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A). | 1 |
| 8 | (c) ₹ 1,50,000
OR
(d) ₹ 1,08,000 | 1 |
| 9 | (a) ₹ 1,00,000 | 1 |
| 10 | (c) ₹ 625 | 1 |
| 11 | (c) (i), (ii) and (iii) | 1 |
| 12 | (b) ₹ 39,74,000 | 1 |
| 13 | (d) 250 shares | 1 |
| 14 | (c) ₹ 6,00,000; ₹ 3,60,000 and ₹ 2,40,000 | 1 |
| 15 | (a) 6% p.a.
OR
(a) $\frac{1}{6}$ th of the net profit before charging commission. | 1 |

16 (b) Book Value

1

17	Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
		Adil's Capital A/c Dr.		3,900	
		Cris's Capital A/c Dr.		3,300	
		To Bhavya's Capital A/c			7,200
		(Bhavya's share of goodwill adjusted in the Capital Accounts of gaining partners in their gaining ratios)			

(2 mark)

Calculation of Gaining Ratio: (1 mark)

Gain of a Partner = New Profit Share – Old Profit Share

Adil's Gain = $5/8 - 4/9 = (45 - 32) / 72 = 13/72$ Cris's Gain = $3/8 - 2/9 = (27 - 16) / 72 = 11/72$

Gaining Ratio = 13:11

Working Note:

Cris's Gain for 11/24 = ₹ 3,300

Adil's Gain for 13/24 = ₹ 3,300 × 24/11 × 13/24 = ₹ 3,900

Bhavya's Share of Goodwill = ₹ 3,300 + ₹ 3,900 = ₹ 7,200

18 Adjustment Entry

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Date	Particulars	LF	Dr. ₹	Cr. ₹
2023 Apr1	Mohan's Capital A/c Dr. To Ravi's Capital A/c (Being an adjustment entry passed)		38,000	38,000

(1 mark)

Adjustment Table

	Ravi (₹)	Mohan (₹)	Total (₹)
Amt. already credited (Profit ₹ 5,04,000 equally)	2,52,000	2,52,000	2,52,000
Amt. should have been credited IOC @ 12% p.a.	1,20,000	84,000	2,04,000
Salary	72,000	60,000	1,32,000
Share of Profit (₹ 5,04,000 - ₹ 1,32,000 in 7:5)	98,000	70,000	1,68,000
	2,90,000	2,14,000	5,04,000
Difference (Net Effect)	38,000 (Cr.)	38,000 (Dr.)	

(2 marks)

OR

Dr. Profit and Loss Appropriation Account for the year ended 31st March, 2023 Cr.

Particulars	₹	Particulars	₹
To Raj's Current A/c (₹ 1,60,000 × 3/8)	60,000	By Profit & Loss A/c (Net Profit)	1,60,000
Less: Deficiency	<u>6,000</u>		
To Rishab's Current A/c (₹ 1,60,000 × 3/8)	60,000		
Less: Deficiency	<u>4,000</u>		
To Pawan's Current A/c	40,000		
Add: Def. recovered	<u>10,000</u>		
	50,000		

	1,60,000		1,60,000
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Working Notes:

1. Calculation of New Profit Sharing Ratio

Let the profit be 1; Pawan's share of profit = $\frac{1}{4}$

Remaining share = $1 - \frac{1}{4} = \frac{3}{4}$

Raj's profit share = $\frac{3}{4} \times \frac{1}{2} = \frac{3}{8}$

Rishab's profit share = $\frac{3}{4} \times \frac{1}{2} = \frac{3}{8}$

NPSR of Raj, Rishab and Pawan = $\frac{3}{8}:\frac{3}{8}:\frac{1}{4} = 3:3:2$

2. Pawan's share in profit = ₹ 1,60,000 x $\frac{2}{8}$ = ₹ 40,000

Deficiency of Profit = ₹ 10,000 (i.e. ₹ 50,000 - ₹ 40,000)

Raj's share = ₹ 10,000 x $\frac{3}{5}$ = ₹ 6,000

Rishab's share = ₹ 10,000 x $\frac{2}{5}$ = ₹ 4,000

- 19 (i) When company decides not to record the issue of 10% Debentures as Collateral Security. 3

Journal

Date	Particulars		Dr. ₹	Cr. ₹
	Bank A/c Dr. To Bank Loan A/c (Loan taken from Bank of India)		10,00,000	10,00,000

(1 marks)

- (ii) When company decides to record the issue of 10% Debentures as Collateral Security.

Journal

Date	Particulars		Dr. ₹	Cr. ₹
(a)	Bank A/c Dr. To Bank Loan A/c (Loan taken from Bank of India)		10,00,000	10,00,000
(b)	Debenture Suspense A/c Dr. To 10% Debenture A/c (10% Deb. of ₹ 15,00,000 issued as collateral security)		15,00,000	15,00,000

(2 x 1 mark = 2 marks)

OR

Journal of Neon Ltd.

Date	Particulars		Dr. ₹	Cr. ₹
(i)	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Zenith Ltd. To Capital Reserve A/c (bal. fig.) (Purchase of business from Zenith Ltd.)		18,00,000	2,00,000 15,00,000 1,00,000
(ii)	Zenith Ltd. Dr. To Bank A/c (Part payment made by vendor)		3,00,000	3,00,000
(iii)	Zenith Ltd. Dr. To 10% Debenture A/c To Securities Premium A/c (Being 10,000; 10% Deb. of ₹100 each at a premium of 20%)		12,00,000	10,00,000 2,00,000

(3 entries x 1 mark = 3 marks)

20	Date	Particulars	L.F	Dr. (₹)	Cr. (₹)	3
	1.4.2022	N's Capital A/c Dr. To D's Capital A/c (Being goodwill adjusted at the time of change in profit sharing ratio)		26,667	26,667	

(1 mark)

Workings: (i) Calculation of gaining ratio and sacrificing ratio: (1 mark)

D's gain or sacrifice = $3/6 - 2/6 = 1/6$ (sacrifice)

S's gain or sacrifice = $2/6 - 2/6 = 0$

N's gain or sacrifice = $1/6 - 2/6 = -1/6$ (gain)

(ii) Calculation of goodwill: (1 mark)

Year Ended	Profit/ Loss	Adjustments	Normal Profit
31 st March, 2019	50,000	-	50,000
31 st March, 2020	1,20,000	-	1,20,000
31 st March, 2021	1,80,000	-	1,80,000
31 st March, 2022	(70,000)	50,000 – 10,000	
Total			(30,000)

Goodwill = Average Profits x No. of years Purchase

Average Profits = Total Normal Profits/Number of years = $3,20,000/4 = 80,000$

Goodwill = $80,000 \times 2 = ₹1,60,000$

A's share of goodwill = $1,60,000 \times 1/6 = ₹26,667$

21 An Extract of Balance Sheet of Apple Orchards Ltd. as at 4

	Note No.	Current Year
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	19,45,000

(1 mark)

Note to Accounts

Particulars	₹
1 Share Capital	
Authorised Capital	
50,000 Equity Shares of ₹ 100 each (½ mark)	50,00,000
Issued Capital	
20,000 Equity Shares of ₹ 100 each (½ mark)	20,00,000
Subscribed Capital	
Subscribed and Fully paid-up	18,50,000
18,500 Equity Shares of ₹ 100 each (½ mark)	
Subscribed but not fully paid-up	
1,000 Equity Shares of ₹ 100 each 1,00,000 (½ mark)	
Less: Calls-in-Arrears (1,000 x ₹ 20) 20,000 (½ mark)	80,000
Forfeited Shares (500 x ₹ 30) (½ mark)	15,000
	19,45,000

Date	Particulars	L/F	Dr. ₹	Cr. ₹
(i)	Realisation A/c Dr. To Cash/ Bank A/c (Being amount paid to creditor, Suraj) (WN2)		2,000	2,000
(ii)	Cash/ Bank A/c Dr. (WN 2) To Realisation A/c (Being Sale of half of the investment at a loss of 30%)		35,000	35,000
(iii)	Nimi's Loan A/c Dr. To Cash/ Bank A/c (Being loan by Nimi repaid)		50,000	50,000
(iv)	Nimi's Capital A/c Dr. Kalyan's Capital A/c Dr. Virat's Capital A/c Dr. To Realisation A/c (Being transfer of loss on realization)		10,000 10,000 10,000	30,000

(4 entries x 1 mark = 4 marks)

Working Note:

1. If an Asset (recorded or unrecorded) is given in payment of liability (recorded or unrecorded), then no entry is passed for such payment.

2. Book Value of half investment ($\text{₹ } 1,00,000 \times \frac{1}{2}$) = ₹ 50,000
Less: Loss on Sale (30% of ₹ 50,000) = ₹ 15,000
Sale Value of Investment = ₹ 35,000
No entry will be passed for 50% investment taken by Mahesh, a creditor.

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Journal of GST Ltd.

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Date	Particulars	LF	Dr. ₹	Cr. ₹
(i) (½ mark)	Bank A/c Dr. To Equity Share Application A/c (Appl. money received)		21,00,000	21,00,000
(ii) (1 mark)	Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Share allotted and amount transferred to share capital.)		21,00,000	14,00,000 7,00,000
(iii) (½ mark)	Equity Share Allotment A/c Dr. To Share Capital A/c (Allotment amount due)		21,00,000	21,00,000
(iv) (1 mark)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment a/c (Allotment money received except on 5,000 shares)		20,25,000 75,000	21,00,000
(v) (1 mark)	Share Capital A/c Dr. To Forfeited Shares A/c To Calls-in-Arrear A/c (Being shares forfeited)		1,25,000	50,000 75,000
(vi)	Bank A/c Dr.		60,000	

(1 mark)	To Shares Capital A/c To Securities premium A/c (2,000 shares reissued @ ₹ 30 fully paid up)			50,000 10,000
(vii) (1 mark)	Forfeited Shares A/c Dr. To Capital Reserve A/c (Gain on reissue transferred)		20,000	20,000

OR

(a) Journal of Prince Ltd.

Date	Particulars	LF	Dr. ₹	Cr. ₹
(i) (1 mark)	Share Capital A/c Dr. (5,000 x ₹ 10) Securities Premium A/c Dr. To Forfeited Shares A/c To Shares Allotment A/c (WN) To Shares First & Final Call A/c (5,000x₹3) (Shares forfeited for non-payment of ₹ 14 Allotment money and ₹ 3 First & Final Call money)		50,000 50,000	30,000 55,000 15,000
(ii) (1 mark)	Bank A/c Dr. (2,000 x ₹ 15) To Share Capital A/c (2,000 x ₹ 10) To Securities Premium A/c (2,000 shares reissued @ ₹ 15 per share as fully paid up)		30,000	20,000 10,000
(iii) (1 mark)	Forfeited Shares A/c Dr. To Capital Reserve A/c (Gain on reissue transferred)		12,000	12,000

Working Note:

Excess money paid at the time of application and adjusted against allotment (10,000 – 5,000) ₹ 3 = ₹ 15,000

Allotment money due on 5,000 shares = ₹ 70,000

Less: Adjusted = ₹ 15,000

Money not paid = ₹ 55,000

(b) Journal of Ganga Resorts Ltd.

Date	Particulars	LF	Dr. ₹	Cr. ₹
(i) (1 mark)	Share Capital A/c Dr. (10,000 x ₹ 20) To Forfeited Shares A/c (10,000 x ₹ 10) To Calls-in-Arrears A/c (10,000 x ₹ 10) (10,000 Shares forfeited for non-payment of First Call ₹ 5 and Final Call ₹ 5)		2,00,000	1,00,000 1,00,000
(ii) (1 mark)	Bank A/c Dr. (10,000 x ₹ 20) To Share Capital A/c (10,000 x ₹ 20) (10,000 shares reissued @ ₹ 20 per share as fully paid up)		2,00,000	2,00,000
(iii) (1 mark)	Forfeited Shares A/c Dr. (10,000 x ₹ 10) To Capital Reserve A/c (Gain on reissue transferred)		1,00,000	1,00,000

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Journal

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Date	Particulars	LF	Dr. ₹	Cr. ₹
(i)	Revaluation A/c Dr. To Patents A/c		27,000	17,000

(½ mark)	To Investment (₹ 50,000 - ₹ 40,000) (Decrease in assets accounted)			10,000
(ii) (½ mark)	Cash A/c Dr. To Bad Debts Recovered A/c (Debt written off now recovered)		8,000	8,000
(iii) (1 mark)	Sundry Creditors A/c Dr. Prepaid Insurance A/c Dr. Bad Debts Recovered A/c Dr. Stock A/c Dr. To Revaluation A/c (Decrease in creditors and increase in assets accounted)		3,000 10,000 8,000 2,000	23,000
(iv) (½ mark)	Pankaj's Current A/c Dr. Naresh's Current A/c Dr. To Revaluation A/c (₹ 27,000 - ₹ 23,000) (Loss on revaluation transferred to Partners' Current A/c)		2,400 1,600	4,000
(v) (½ mark)	Pankaj's Current A/c Dr. Naresh's Current A/c Dr. To Investment A/c (Half investment taken over by partners)		30,000 20,000	50,000
(vi) (1 mark)	General Reserve A/c Dr. To Provision for Doubtful Debts A/c (20% of ₹ 40,000) To Pankaj's Current A/c To Naresh's Current A/c (20% of Gen. Res. Transferred to PBDD and remaining distributed)		40,000	8,000 19,200 12,800
(vii) (½ mark)	Workmen Compensation Reserve A/c Dr. To Workmen Compensation Claim A/c To Pankaj's Current A/c To Naresh's Current A/c (Liability of WCC credited and surplus WCR transferred)		24,000	6,000 10,800 7,200
(viii) (½ mark)	Pankaj's Current A/c Naresh's Current A/c To Goodwill A/c (Existing Goodwill written off)		48,000 32,000	80,000
(ix) (½ mark)	Bank A/c Dr. To Saurabh's Capital A/c To Premium for Goodwill A/c (New partner's capital and goodwill)		1,07,000	83,000 24,000
(x) (½ mark)	Premium for Goodwill A/c Dr. Saurabh's Current A/c Dr. (₹ 40,000 - ₹ 24,000) To Pankaj's Current A/c To Naresh's Current A/c (PFG distributed in sacrificing ratio i.e. 1:1)		24,000 16,000	20,000 20,000

OR

Dr.		Revaluation Account		Cr.	
Particulars	₹	Particulars	₹		
To Prov. for Doubt. Debts A/c (10% of ₹ 21,000 i.e ₹ 2,100 - ₹ 1,400)	700	By Sundry Creditors A/c	2,500		
To Partners' Capital A/cs – Gain on Revaluation					
X 900					
Y 600					
Z <u>300</u>	1,800				
	2,500				2,500

(1½ marks)

Dr.				Partners' Capital Accounts				Cr.			
Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)				
To Profit & Loss	9,000	6,000	3,000	By Bal. b/d	90,000	60,000	30,000				
To Y's Capt. (Goodwill)	9,000	-	3,000	By Gen. Res.	12,000	8,000	4,000				
To Cash A/c	-	9,000	-	By Rev.- Gain	900	600	300				
To Y's Loan A/c	-	68,600	-	By WCR	4,500	3,000	1,500				
To Bal. c/d (WN2)	90,000	-	30,000	By X's Capt.	-	9,000	-				
				By Z's Capt.	-	3,000	-				
				By Cash (bal. fig.)	600	-	200				
	1,08,000	83,600	36,000		1,08,000	83,600	36,000				

(4½ maks)

Working Notes:

1. Y's share of Goodwill = ₹ 36,000 x 2/6 = ₹ 12,000 which is contributed by X and Z in their Gaining Ratio 3:1.

X's Contribution = ₹ 12,000 x ¾ = ₹ 9,000

Z's Contribution = ₹ 12,000 x ¼ = ₹ 3,000

2. Total Capital of the New Firm = ₹ 1,20,000, which will be in the ratio of 3:1, Thus

X's Capital in New Firm = ¾ of ₹ 1,20,000 = ₹ 90,000

Z's Capital in New Firm = ¼ of ₹ 1,20,000 = ₹ 30,000

25	Dr.	Shaan's Capital Account		Cr.		6
	Particulars	₹	Particulars	₹		
	To Shaan's Executor's A/c (Bal. Fig.)	34,700	By Balance c/d	12,000		
			By General Reserve A/c (₹ 12,000 x 2/6)	4,000		
			By Interest on Capital A/c (₹ 12,000 x 10/100 x 3/12)	300		
			By Profit & Loss Suspense (₹ 1,20,000 x 10/100 x 2/6)	4,000		
			By Rana's Capital A/c	10,800		
			By Rafi's Capital A/c	3,600		
		34,700		34,700		

(4 marks)

Dr.	Shaan's Executor's Account		Cr.
Particulars	₹	Particulars	₹
To Bank A/c (Bal. Fig.)	34,700	By Shaan's Capital A/c	34,700
	34,700		34,700

(1 mark)

Working Notes:

Calculation of Shaan's share of Goodwill

Total Profit of 3 years = ₹ 8,200 = ₹ 9,000 + ₹ 9,800 = ₹ 27,000

Firm's Goodwill = (₹ 27,000 x 2) – (20% of ₹ 54,000) = ₹ 54,000 - ₹ 10,800 = ₹ 43,200

Shaan's share of Goodwill = ₹ 43,200 x 2/6 = ₹ 14,400

Shaan's share of Goodwill ₹ 14,400 adjusting by debiting gaining partners in gaining ratio i.e. 3:1

Rana's contribution = ₹ 14,400 x $\frac{3}{4}$ = ₹ 10,800

Rafi's contribution = ₹ 14,400 x $\frac{1}{4}$ = ₹ 3,600

(1 mark)

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(a)

Journal of Sarah Ltd.

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Date	Particulars	LF	Dr. ₹	Cr. ₹
(i) (1 mark)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application money received)		66,00,000	66,00,000
(ii) (1 mark)	Debenture Appl. and Allot. A/c Dr. Loss on Issue of Debenture A/c Dr. To 8% Debenture A/c To Securities Premium A/c To Premium on Redemption of Deb. A/c (Deb. issued at 10% premium to be redeemed at 20% premium)		66,00,000 12,00,000	60,00,000 6,00,000 12,00,000

Dr.

Loss on Issue of Debenture Account

Cr.

Date	Particulars	₹	Date	Particulars	₹
2022 Oct1	To Premium on Redemption of Debentures A/c	12,00,000	2023 Mar31	By Securities Premium A/c	12,00,000
		12,00,000			12,00,000

(1 mark)

Journal of Sarah Ltd.

Date	Particulars	LF	Dr. ₹	Cr. ₹
2023 Mar31 (1 mark)	Interest on Debenture A/c Dr. To Debentureholders' A/c (Interest due on Debenture WN1)		3,40,000	3,40,000
(1 mark)	Debentureholders' A/c Dr. To Bank A/c (Payment of Interest)		3,40,000	340,000
(1 mark)	Statement of Profit & Loss (Finance Cost) Dr. To Interest on Debentures A/c (WN2)		4,40,000	4,40,000

Working Note:

1. Interest on Debentures paid:

On 30th September, 2022 = ₹ 25,00,000 x 8/100 x 6/12 = ₹ 1,00,000

On 31st March, 2023:

On ₹ 25,00,000 x 8/100 x 6/12	= ₹ 1,00,000
On ₹ 6,00,000 x 8/100 x 6/12	= ₹ 2,40,000
Total	= ₹ 3,40,000

2. Interest on Debenture transferred to Statement of Profit & Loss on 31st March, 2023
= ₹ 1,00,000 + ₹ 3,40,000 = ₹ 4,40,000.

27 (d) Provide information about the profitability of the business.

OR

(b) Current Ratio is also known as Acid Test Ratio.

28 (b) 3 times

29 (b) Amortisation of patent

OR

(d) Extra-ordinary Item under Cash Flow from Investing Activities as inflow.

30 (b) Inflow of ₹ 1,10,000

No	Items	Major Head	Sub Head
(i)	Accrued Income	Current Assets	Other Current Assets
(ii)	Capital Reserves		
(iii)	Patents being developed by the company	Non-Current Assets	Property, Plant and Equipment and Intangible Assets – Intangible Assets under Development
(iv)	Bank Overdraft	Current Liabilities	Short-term Borrowings
(v)	Premium on Redemption of Debentures	Non-Current Liabilities	Other Long-term Liabilities
(vi)	Shares in Listed Companies	Non-Current assets	Non-Current Investments

(Each item carries ½ mark)

32 (a) Equity = Equity Shareholders' Funds + Preference Share Capital
= ₹ 1,20,000 + ₹ 80,000 = ₹ 2,00,000 (**½ mark**)

Long Term Debt = Capital Employed – Equity
= ₹ 6,00,000 - ₹ 2,00,000 = ₹ 4,00,000 (**½ mark**)

Debt-Equity Ratio = Debt/ Equity = ₹ 4,00,000 / ₹ 2,00,000 = 2:1 (½ mark**)**

(b) Let Revenue from Operation = 100

Gross Profit = 20

Cost = 100 - 20 = 80

Cost 80 RFO 100
3,20,000 ← y

y (RFO) = (3,20,000 x 100) / 80 = ₹ 4,00,000 (**½ mark**)

Working Capital = Capital Employed – Non-current Assets
= ₹ 1,00,000 - ₹ 80,000 = ₹ 20,000 (**½ mark**)

$$\text{Working Capital Turnover Ratio} = \text{Revenue from Operations} / \text{Working Capital}$$

$$= ₹ 4,00,000 / ₹ 20,000$$

$$= 20 \text{ times } (\frac{1}{2} \text{ mark})$$

33 Common Size Statement of Profit & Loss for the years ended 31st March, 2022 and 2023 4

Particulars	Absolute Amounts		% of RFO	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
I. Revenue from Operation	5,00,000	4,00,000	100	100
II. Expenses:				
(a) Cost of Materials Consumed	3,50,000	2,40,000	70	60
(b) Other Expenses	1,30,000	1,10,000	26	27.50
Total Expenses	4,80,000	3,50,000	96	87.50
III. Profit before Tax (I-II)	20,000	50,000	4	12.50
IV. Tax @ 50%	10,000	25,000	2	6.25
V. Profit after Tax (III – IV)	10,000	25,000	2	6.25

(1 mark)

(1 mark)

(1 mark)

(1 mark)

OR

Comparative Balance Sheet of Aman India Ltd. as at 31st March, 2023 and 2022.

Particulars	31.12.2023	31.12.2022	Absolute Change	% Change
I. Equity and Liabilities				
1. Shareholders' Funds				
(a) Share Capital	2,80,000	1,80,000	1,00,000	55.56
(b) Reserves and Surplus	1,00,000	1,00,000	-	-
2. Non-current Liabilities				
Long Term Borrowings	80,000	20,000	60,000	300
3. Current Liabilities				
Trade Payables	50,000	30,000	20,000	66.67
Total	5,10,000	3,30,000	1,80,000	54.55
II. Assets				
1. Non-current assets				
(a) Property, Plant & Equipment and Intangible Assets				
(i) Property, Plant & Equipment	2,80,000	1,80,000	1,00,000	55.56
(ii) Intangible Assets	50,000	30,000	20,000	66.67
(b) Non-Current Investments	80,000	50,000	30,000	60
2. Current Assets				
(a) Inventories	70,000	30,000	40,000	133.33
(b) Cash and Cash Equivalents	30,000	40,000	(10,000)	(25)
Total	5,10,000	3,30,000	1,80,000	54.55

(2 marks)

(2 marks)

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Cash Flow from Investing Activities		₹
Proceeds from Sale of Machinery (WN 1)		1,20,000
Payment for Purchase of Machinery (WN 1)	($\frac{1}{2}$ mark)	(4,90,000)
Purchase of 12% Investments	($\frac{1}{2}$ mark)	(1,00,000)
Interest on Investments (WN 3)	($\frac{1}{2}$ mark)	45,000

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Cash Used in Investing Activities	(½ mark)	(4,25,000)
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Working Notes:

1. Dr.		Plant and Machinery Account		Cr.	
Particulars		₹	Particulars		₹
To Balance b/d		12,00,000	By Bank A/c (Sales)		1,20,000
To Bank A/c (Purchase)		4,90,000	By Statement of Profit & Loss		30,000
Bal. Fig.			By Accumulated Dep.		40,000
			By Balance c/d		15,00,000
		16,90,000			16,90,000

(½ mark)

2. Dr.		Accumulated Depreciation Account		Cr.			
Particulars		₹		Particulars		₹	
To Plant & Machinery A/c		40,000		By Balance b/d		1,80,000	
To Balance c/d		2,40,000		By Statement of Profit & Loss (Depreciation)		1,00,000	
		2,80,000				2,80,000	

(½ mark)

3.	Interest on 12% Investments	₹
	Interest on Opening Investments (₹ 3,00,000 x 12%)	36,000
	Interest on Additional Investments (₹ 1,00,000 x 12% x 9/12)	9,000
	Total	45,000

(ii)

Dr.		Provision for Tax Account		Cr.			
Particulars		₹		Particulars		₹	
To Bank A/c (Bal. Fig.)		1,10,000		By Balance c/d		70,000	
To Balance c/d		80,000		By Statement of Profit & Loss (Provision for the year)		1,20,000	
		1,90,000				1,90,000	

(2 marks)

Effect on Cash Flow Statement

It will affect the Cash Flow from Operating Activities as follows:

Provision for Tax made for the year i.e. ₹ 1,20,000 will be added to Net Profit. Thus, Net Profit before Tax and Extraordinary Items will increase by ₹ 1,20,000. (½ mark)

₹ 1,10,000 is the amount of tax paid during the year. It will be shown as Outflow for Tax Paid at the end of Cash Flow from Operating Activities. (½ mark)