**MODERN SCHOOL VAISHALI**
**CLASS XII 2017-18**
**HOTS QUESTIONS OF ACCOUNTANCY**
**PART-A**
**ACCOUNTING OF PARTNERSHIP AND COMPANIES**

**Q.1** Prachi, Komal and John were partners in a firm. They admitted Ajay their landlord as a partner in the firm. Ajay brought sufficient amount of capital and his share of goodwill premium. Ajay had given a loan of Rs.3,00,000 @ 12% p.a. interest, to the partnership firm before he became the partner. Now the accountant of the firm is emphasizing that the interest on loan should be paid @ 6% p.a. Is he right in doing so ? Give reason in support of your answer.

**Q.2** Karan, Nakul and Asha were partners in a firm sharing profits and losses in the ratio 3:2:1. At the time of admission of partner, the goodwill of the firm was valued at Rs. 2,00,000. The accountant of the firm passed the entry in the books of accounts and the reafter showed goodwill at Rs. 2,00,000 as an asset in the Balance Sheet. Was he correct in doing so? Why?

**Q.3** Differentiate between 'Capital Reserve' and 'Reserve Capital' and Profit & Loss account & Profit Loss Appropriation A/c.

**Q.4** Name the account to which the balance of Debentures Redemption Reserve' is transferred after the redeem of all debentures.

**Q.5** What is ESOP?

**Q.6** State any three purposes for which securities premium can be utilized.

**Q.7** Metcalf Ltd. Issued 50,000 shares of Rs. 100 each payable Rs. 20 on application; Rs. 30 on allotment Rs. 20 first call and the balance on final call . Shankar, a shareholder holding 5,000 shares did not pay the first call on the due date. The second call was made and Shankar paid the first call amount along with second call. All sums due were received. Pass journal entries.

**Q.8** Newbie Ltd. Was registered with an authorized capital of Rs. 5,00,000 divided into 50,000 equity shares of Rs. 10 each. Since the economy was in robust shape, the company decided to offer to the public for subscription 30,000 equity shares of Rs. 10 23 each at a premium of Rs. 20 per share. Applications for 28,000 shares were received and allotment was made to all applicants. All calls were made and duly received except the final call of Rs.2 per share on 200 shares. Show the 'Share Capital' in the Balance Sheet of Newbie Ltd. As per Schedule III of the Companies Act 2013. Also prepare Notes to Accounts.

**Q .9** Drumbeats Ltd. Had a prosperous shoe business. They were manufacturing shoes in India and exporting to Italy. Being a s ocially aware organization, they wanted to pay back to the society. They decided to not only supply free shoes to 50 orphanages in various parts of the country but also given employment to children from those orphanages who were above 18 years of age. In order to meet the fund requirements, they decided to raise 50,000 equity shares of Rs. 50 each and 40,000 9% debentures of Rs. 40 each. Pass the necessary journal entries for issue of shares and debentures. Also identify one value which the company wants to communicate to the society.

**Q.10** Nandan Ltd.' is a manufacturer of heavy machines in a town of Telangana. It follows high standards of environment safety in the process of manufacturing. The company runs a school to provide quality education and a medical centre to address health issues of the resident of that area. The company is doing well and is going to start a new manufacturing unit in Jharkhand creating livelihood for people, especially those from disadvantaged sections of the society. In order to raise funds the company decided to issue 50,000 shares of Rs.100 each at par and 80,000, 10% debentures of Rs.50 each.Pass necessary journal entries for the issue of shares and debentures. Also identify any one value which the company wants to communicate to the society.

**Q 11.** Sunrise Company Ltd. Has an equity share capital of Rs. 10,00,000. The company earns a return on investment of 15% on its capital. The company need funds for diversification. The finance manager had the following options: (i) Borrow Rs. 5,00,000 @15% p.a. from a bank payable in four equal quarterly installments starting from the end of the fifth year (ii) Issue Rs. 5,00,000, 9% Debentures of Rs. 100 each redeemable at a premium of 10% after five years. To increase the return to the shareholders, the company opted for option (ii) Pass the necessary journal entries for issue of debentures.

**Q.12** Walter Ltd. Issued Rs. 6,00,000 8% Debentures of Rs.100 each redeemable after 3 years either by draw of lots or by purchase in the open market. At the end of three years, finding the market price of debentures at Rs. 95 per debenture. It purchased all its debentures for immediate cancellation. Pass necessary journal entries for cancellation of debentures assuming the company has sufficient balance in Debenture Redemption Reserve.

**Q.13** On 1st April, 2012 a company issued 4,000 9% debentures of Rs. 100 each at a discount of 10%, repayable at a premium of 10%. The terms of issue provided for the redemption of Rs. 40,000 debentures every year commencing from March 31st, 2014, either by purchase from open market or by draw of lots at the company's option. On March 31st, 2014, the company purchased for cancellation its own debentures of the face value of Rs. 32,000 at Rs. 95 per debenture and Rs. 8,000 at Rs.90 per debenture. The expenses of purchase amounted to ` 1,000. Record necessary journal entries for redemption of 9% debentures.

**Q.14**. Amrit Ltd. Issued 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as Rs.3 on application, Rs.4 on allotment (including premium), Rs.2 on first call and the remaining on second call. Application were received for 75,000 shares and a pro-rata allotment was made to all the applicants. All moneys due were received except allotment and first call from Sonu who applied for 1,200 shares. All his shares were forfeited. The forfeited shares were reissued for Rs. 9,600. Final call was not made. Pass Journal Entries.

**Q.15** Dogra Ltd. had an Authorised capital of Rs. 10,00,000 divided into Equity shares of Rs. 100 each. The company offered 84,000 shares to the public at premium. The amount was payable as follows : On Application – Rs. 30 per share On Allotment – Rs. 40 per share (including premium) On First & Final call – Rs. 50 per share. Applications were received for 80,000 shares. All sums were duly received except the following : Lakhan, a holder of 200 shares did not pay allotment and call money. Paras, a holder of 400 shares did not pay call money. The company, forfeited the shares of Lakhan and Paras subsequently, the forfeited shares were reissued forRs. 80 per share fully paid-up. Show the entries for the above transaction in the cash book and Journal of the company.

**Q .16** Fab India Ltd.' issued 1,00,000 equity shares of Rs. 10 each at a premium of Rs.4 payable as on application Rs.6(including premiumRs.2); on allotment Rs.6(inclusing premium ofRs.2)and balance on first call and final call. Applications were received for 1,50,000 shares. Allotment was made to all applicants on pro-rata basis. Madhur, to whom 200 shares were allotted failed to pay allotment money and calls money. Raj to whom 400 shares were allotted failed to pay the call money.Their shares were forfeited and afterwards re-issued @ 8 per share fully paid up.Pass necessary journal entries.

**Q.17** Gaurav Ltd. has been registered with an authorized capital of Rs. 50,00,000 divided into 50,000 shares of Rs.100 each. Out of which, 30,000 shares were offered for public subscription at a premium of Rs. 10 per share, payable on application Rs. 30 per share, on allotment Rs.50 per share (including premium), on first call Rs. 20 per share and balance on final call. Applications were received for 60,000 shares and allotment was made as follows : —

i. To the applicants of 20,000 shares : 10,000 shares.

ii. To the applicants of 30,000 shares : 20,000 shares.

iii. Remaining applications were rejected.

Excess amount paid on application is to be adjusted against amount due on allotment and calls. Karan who had applied 1,500 shares in group (ii) failed to pay allotment and calls money and his share were forfeited. Out of forfeited, 600 shares were reissued at Rs. 80 per share as fully paid. Give Journal entries in the books of company**.** **OR**

**Q.17** Bajaj Limited invited application for issuing 8,000 shares of Rs.100 each at 10% premium. The amount was payable as follows: On Application Rs. 40 per share; On Allotment Rs.50(including premium) per share and the balance amount on first and final call. Applications were received for 9,200 shares and allotment was made on pro-rata basis to the applicants for 9,000 shares, the remaining applications were refused. Money overpaid on applications was utilized towards sums due on allotment. Anita to whom 200 shares were allotted on pro-rata basis did not pay allotment and call money and Sunita who had applied for 270 shares failed to pay call money. The directors decided to forfeit the shares of Anita and later on out of these 150 shares were reissued @ Rs. 70

**Q.18** Abha and Beena were partners sharing profits and losses in the ratio of 3:2. On April 1st 2013, they decided to admit Chanda for 1/5th share in the profits. They had a reserve of Rs. 25,000 which they wanted to show in their new balance sheet. Chanda agreed and the necessary adjustments were made in the books. On October 1st 2013, Abha met with an accident and died. Beena and Chanda decided to admit Abha's daughter Fiza in their partnership, who agreed to bring Rs. 2,00,000 as capital. Calculate Abha's share in the reserve on the date of her death.

**Q. 19** Ankur and Bobby were into the business of providing software solution in India. They were sharing profits and losses in the ratio 3:2. They admitted Rohit for a 1/5 share in the firm. Rohit, an alumni of ITT, Chennai would help them to expand their business to various South African countries where he had been working earlier. Rohit is guaranteed a minimum profit of Rs. 2,00,000 for the year. Any deficiency in Rohit's share is to be borne by Ankur and Bobby in the ratio 4:1. Losses for the year were Rs. 10,00,000. Pass the necessary journal entries.

**Q.20** Kanika and Gautam are partners doing a dry cleaning business in Lucknow sharing profits in the ration 2:1 with capitals Rs. 5,00,000 and Rs. 4,00,000 respectively. Kanika withdrew the following amounts during the year to pay the hosted expenses of her son. Rs. 1st Aprila - 10,000 1st June - 9,000 1st Nov - 14,000 1st Dec. - 5,000 Gautam withdrew Rs. 15,000 on the first day of April, July, October and

January to pay rent for the accommodation of his family. He also paid Rs. 20,000 per month as rent for the office of partnership which was in a nearby shipping complex. Calculate interest on Drawings @6% p.a.

**Q.21** Arul, Babu and Caran were partners sharing profits and losses in the ratio of 3:2:1.Their Capitals as on 31/3/2014 was 30,000; 20,000 and 10,000 respectively. During the middle of the year they had withdrawn Rs.10,000 each. The partners were given Interest on Capital @6% p.a. and were charged Interest on drawings @ 2%. The Net Profit before the above adjustments was Rs.21, 300. Babu was guaranteed a minimum amount of Rs.8,000 as share of profit every year by Arul and Caran. Show how the profits would be distributed amongst the partners for the year ended 31/03/2015.

**Q. 22** A firm earned profits of Rs. 80,000, Rs. 1,00,000, Rs. 1,20,000 and Rs. 1,80,000 during 2010-11, 2011-12, 2012-13 and 2013-14 respectively. The firm has capital investment of Rs. 5,00,000. A fair rate of return on investment is 15% p.a. Calculate goodwill of the firm based on three years' purchase of average super profits of last four years.

**Q.23** The average profit earned by a firm is Rs. 1,00,000 which includes undervaluation of stock of ` Rs.40,000 on an average basis. The capital invested in the business isRs. 6,30,000 and the normal rate of return is 5%. Calculate goodwill of the firm on the basis of 5 times the super profit.

**Q.24** Kabir and Farid are partners sharing profits and losses in the ratio of 7:3. Kabir surrenders 2/10th from his share and Farid surrenders 1/10ths form his share in favor of jyoti, a new partner. Calculate new profit sharing ratio and sacrificing ratio. OR

X, Y and Z were partners sharing profits in the ratio of 2/6, 1/2 and 1/6. X retires and surrenders 2/3 of his share in favour of Y and remaining in favour of Z. Calculate the gaining ratio and the New ratio.

**Q.25** Following is the Balance Sheet of Punita, Rashi and Seema who are sharing profits in the ratio 2:1:2 as on 31st March 2015

| Liabilities | | Amt. | Assets | Amt |
|---|---|---|---|---|
| Creditors | | 38,000 | Building | 2,40,000 |
| Bill Payable | | 2,000 | Stock | 65,000 |
| Capitals: Punita | 1,44,000 | | Debtors | 30,000 |
| Rashi | 92,000 | | Cash at bank | 5,000 |
| Seema | 1,24,000 | 3,60,000 | Profit and Loss Account | 60,000 |
| | | 4,00,000 | | 4,00,000 |

Punita died on 30th September 2015. She had withdrawn 44,000 from her capital on July 1,2015. According to the partnership agreement, she was entitled to interest on capital @8% p.a. Her share of profit till the date of death was to be calculated on the basis of the average profits of the last three years. Goodwill was to be calculated on the years ended 2011-12, 2012-13 and 2013-14 were Rs. 30,000, Rs. 70,000 and Rs. 80,000 **respectively. Prepare Punita's account to be rendered to her executors.**

**OR**

**Q.25** Priya, Karam and Anna were partners of a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on March 31st, 2014, was as follows

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Bills Payable | 1,20,000 | Cash in hand | 20,000 |
| Creditors | 1,40,000 | Debtors | 1,40,000 |
| Karam 's Loan@ 5% | 1,00,000 | Bills Receivables | 70,000 |
| Reserves | 1,80,000 | Stock | 1,70,000 |
| Capitals: | | Investment | 1,30,000 |
| Priya 2,00,000 | | Advertisement Suspense | 1,20,000 |
| | | Building | 2,90,000 |
| Karam 1,20,000 | | | |
| Anna 80,000 | 9,40,000 | | 9,40,000 |

Karam died on June 12, 2014, and according to the Partnership deed his executors were entitled to be paid as under :

(a) His share in the profits of the firm till the date of his death which will be calculated on the basis of average profits of last three completed years.

(b) His share in the goodwill of the firm which will be calculated on the basis of two years purchase of total profits of last three years. c) Profits for the last three years were : Rs.30,000, Rs.70,000 and Rs. 80,000. Prepare Karam's capital A/c to be rendered to his executors.

**Q .26** Alok, Narendra and Shiv were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared at Rs.90,000 and general reserve at Rs. 50,000 in the books of the firm. Narendra decided to retire from the firm. On the date of his retirement goodwill of the firm was valued at Rs. 2,40,000. The new profit sharing ratio of Alok and Shiv was 2 : 3. Record necessary journal entries on Narendra's retirement.

**Q.27** On March 31st, 2014, the balances in the capital accounts of Raman, Naman and Chaman after making adjustments for profits and drawings were Rs. 1,60,000, Rs. 1,20,000 and Rs. 1,60,000 respectively. Subsequently it was discovered that interest on capital and drawings had been omitted. The profit for the year ended 31st March, 2014 was Rs.60,000.
During the year Raman and Naman each withdrew a total sum of Rs. 48,000 in equal installment in the middle of every month and Chaman withdrew a total sum of Rs. 36,000 in equal installments at the end of each month.The interest on drawings was to be charged @ 8% and interest on capital is to be allowed @ 10% p.a. .The profit sharing ratio among the partners was 1 : 2 : 1. Showing your working notes clearly, pass the necessary rectifying entry.

**Q .28** Reeta and Salma are partner with capital Rs.1,00,000 and Rs. 80,000 respectively. The net profit of the firm for the year ending 31st March, 2015 amounted to Rs. 1,05,625 before considering the following adjustments : ( i) Reeta advanced loan to firm amounting to Rs. 50,000 on 1st October2014
ii) Interest on capital is @ 5% p.a. and interest on drawing is Rs.500 for Reeta and Rs.375 for Salma. iii) Drawing of Reeta is Rs. 20,000 and Salma is Rs. 15,000.
iv) Reeta was allowed a commission @ 3 % on conducting sales Rs. 4,00,000
v) Salma was allowed commission @ 5 % on distributable profit after charging all commission.
vi) It was decided to keep 10% of the net divisible profit as 'Reserve for the donation to Non-Government Organisation', which is engaged in cleaning of the area under 'Swachch Bharat Abhiyan'.
Prepare the Profit and Loss Appropriation Account for the year ending 31st March 2015

**Q.29** Bhuvan, Suraj and Ibrahim were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 30th June, 2014, they decided to dissolve the firm. Following was the Balance Sheet of the firm on that date:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Creditors | 50,400 | Cash | 13,700 |
| Investment Fluctuation Fund | 10,000 | Debtors | 62,600 |
| Reserve Fund | 12,000 | Investment | 16,000 |
| Capitals: | | Stock | 20,100 |
| | | Furniture | 20,000 |
| Bhuvan 30,000 | | | |
| Suraj 20,000 | | | |
| Ibrahim 10,000 | | | |
| | 1,32,400 | | 1,32,400 |

The assets were realized and the liabilities were paid off as follows :

a) Investments were taken over by Bhuvan for Rs. 18,000.

(b) Stock was taken over by Suraj for Rs.17,500 and furniture was taken over by Ibrahim at book value.

(c) Rs. 60,500 were realized from the debtors

(d) Creditors were settled in full and realization expenses were Rs. 4,500.

Prepare Realisation account, Cash account and Partners' Capital accounts.

**Q .30** Lokesh, Mansoor and Nihal were partners in a firm sharing profits as 50%, 30% and 20% respectively. On 31st March, 2015, their Balance Sheet was as follows :

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Creditors | 34,000 | Cash | 68,000 |
| Workmen compensationFund | 10,000 | Stock | 38,000 |
| Investment Fluctuation Fund | 24,000 | Debtors 94,000 | |
| | | Provision 6000 | 88,000 |
| Capitals: | | Investment | |
| Lokesh 1,40,000 | | | 80,000 |
| | | Goodwill | |
| Mansoor 80,000 | | | 40,000 |
| | | Profit & Loss a/c | |
| Nihal 50,000 | 2,70,000 | | 20,000 |
| | 3,34,000 | | 3,34,000 |

On the above date, Mansoor retired and Lokesh and Nihal agreed to continue on the following terms

(a) Firm's goodwill was valued at the Rs. 1,02,000 and it was decided to adjust Mansoor's share of goodwill into the capital accounts of the continuing partners.

(b) There was a claim for workmen's compensation to the extent of Rs.12,000 and investments were brought down to Rs.30,000.

(c) Provision for bad debts was to be reduced by Rs. 2,000.

(d) Mansoor was to be paid Rs.20,600 in cash and the balance will be transferred to his loan account which was paid in two equal instalments together with interest @ 10% p.a

(e) Lokesh's and Nihal's capital were to be adjusted in their new profit sharing ratio by bringining in or paying off cash as the case may be. Prepare Revaluation Account and Partners' Capital Accounts.

**Q.31** Sukhraj and Balraj are partners in a firm. They share profit & losses in the ratio of 2:1. Since both are specially disabled,sometimes they find difficult to run the business on their own. Milli a common friend decides to help them,Therefore they admitted her into partnership for 1/3 share.She brought her share of goodwill in cash and proportionate capital. At the time of Milli's admission the Balance Sheet were as follows:

| Liabilities | | Rs. | Assets | Rs. |
|---|---|---|---|---|
| Capitals: | | | Machinery | 1,20,000 |
| Sukhraj | 1,20,000 | | | |
| Balraj | 80,000 | 2,00,000 | Furniture | 80,000 |
| General Reserve | | 30,000 | Stock | 50,000 |
| Creditors | | 30,000 | Sundry Debtors | 30,000 |
| Employee's Provident Fund | | 40,000 | Cash | 20,000 |
| | | 3,00,000 | | 3,00,000 |

It was decided to:

(i) Reduce the value of stock by Rs. 5000.

(ii) Depreciate furniture by 10% and appreciate machinery by 5%.

(iii) Rs. 3000 of the debtors proved bad.A provision of 5% was to be created on Sundry debtors for doubtful debts.

(iv) Goodwill of the firm was valued at Rs. 45,000.

Prepare Revaluation Account Partner's Capital Accounts and the Balance Sheet of the reconstituted firm.

**Q.32** X and Y were partners sharing profit in the ratio of 3:2. In spite of the repeated reminders by the government authorities they kept dumping hazardous waste material into the nearby river. The court ordered for the dissolution of their partnership firm on 31st March 2015. Their balance sheet as at 31st March 2015 was as:

| Liabilities | | Rs. | Assets | | Rs. |
|---|---|---|---|---|---|
| Mrs.X Loan | | 20,000 | Cash | | 40,000 |
| Creditors | | 80 ,000 | Debtors | 1,84,000 | |
| C's Loan | | 30,000 | Provision | 4000 | 1,80,000 |
| General Reserve | | 50,000 | Inventory | | 1,20,000 |
| Capitals: | | | Furniture | | 60,000 |
| X | 3,60,000 | | Building | | 3,80,000 |
| Y | 2,40,000 | 6,00,000 | | | |
| | | 7,80,000 | | | 7,80,000 |

On the above the firm dissolved under the following terms:( i) X was appointed to realise the assets and pay off the liabilities. He had to bear the realisation expenses for which he was paid Rs. 3,000.

ii) A Motor Bike (which was bought out of firm's money) was not shown in the books of the firm. It was taken over by Y for Rs. 10,000.

iii) X agreed to pay his wife's loan along with the interest of Rs1,000.

iv) The Creditors were due on an average basis of one month after the date of dissolution but they were paid immediately at a discount of Rs. 500 .

v) Inventory was taken over by X at 10 % less.

vi) Furniture was taken over by Y at 10 % more.

vii)The Building realised at Rs.50,000 more.

The Realisation expenses amounted to Rs. 1,000

Prepare Realisation Account and Identify the value being conveyed in the question.

**Q.33** Rajan, Babban and Aman are partners sharing profits in the ratio 2:2:1. Rajan decided to retire from the firm on 31st March 2014. The Balance Sheet stood as under:

| Liabilities | | Rs. | Assets | | Rs. |
|---|---|---|---|---|---|
| Capitals: | | | Goodwill | | 15,000 |
| Rajan | 80,000 | | Freehold premises | | 40,000 |
| Babban | 60,400 | | Machinery | | 49,000 |
| Aman | 60,000 | 2,00,400 | Furniture | | 60,000 |
| General Reserve | | 10,000 | Stock | | 30,000 |
| Bills Payable | | 12,000 | Debtors | 24,000 | |
| Creditors | | 38,000 | Less provision | -3000 | 21,000 |
| | | | Cash | | 45,400 |
| | | 2,60,400 | | | 2,60,400 |

a)Freehold premises and stock are to be appreciated by 10 %.

b) Machinery and Furniture are to be depreciated by 10% and 6 % respectively.

c) Bad debts reserve is to be increased to RS. 4,000 and provision for discount be created at 2.5%

d) Goodwill is valued at Rs. 20,000 on retirement of Rajan from the firm.

e) The continuing partners have decided to adjust their capitals in the new profit sharing ratio 3:2 after retirement of Rajan, surplus/ deficit, if any, in their capital accounts to be adjusted through current account. Prepare Revaluation Account, Partners Capital Account and draw the Balance Sheet of reconstituted firm.

**PART B (FINANCIAL STATEMENTS ANALYSIS)**

**Q.34** What does a low working capital turnover ratio indicates ?

**Q.35** Shri Ltd.' was carrying on a business of packaging in Delhi and earned good profits in the past years. The company wanted to expand its business and required additional funds. To meet its requirements the company issued equity shares of Rs.30,00,000. It purchased a computerized machine of Rs. 20,00,000. It also purchased raw material amounting to Rs. 2,00,000. During the current year the

Net Profit of the company was Rs. 15,00,000. Find out 'Cash flows from operating activities' from the above transactions.

**Q.36** Koval Ltd.' is a financing company. Under which activity will the amount of interest paid on a loan settled in the current year will be shown : **OR**

Under which type of activity will you classify 'Commission and Royalty Received' while preparing Cash Flow Statement.

**Q.37** The current ratio of the company is 2.1:1.2 .State the reason which of the following transactions will increase ,decrease or not change in the ratio.
(i) Redeemed 9%debentures of Rs. 1,00,000 at a premium of 10%
(ii) Received from debtors.
(ii)Issued Rs. 2,00,000 equity shares to the vendors of machinery.
(iv) Accepted bills of exchange drawn by creditors of Rs.7000
**Q.38** Give the heading under which the following items will be shown in a company's Balance sheet: (i) Goodwill. (ii) Loose Tools ;(iii) Live Stock (iv) Unclaimed Dividend( v) Bank Overdraft (vi) Stores and spares. (vii) Bonds. (viii) Capital Reserves.

**Q.39** State any two objectives of financial statements analysis. OR Briefly explain why are Top Managers and creditors interested in analysing Financial Statements?

**Q.40** A business has a Current ratio of 3:1 and Quick ratio of 1.2:1.If the working capital is Rs.1,80,000, calculate Current assets and Inventory. **OR**

From the given information, calculate Inventory turnover ratio. Revenue from operations Rs.2,00,000;Gross profit 25% on cost; Inventory in the beginning is 1/3 of the Inventory at the end which was 30% of sales .

**Q.41** (a) From the following details, calculate opening inventory: Closing inventory Rs. 60,000; Total Revenue from operations Rs. 5,00,000 (including cash revenue from operations Rs. 1,00,000); Total purchases Rs. 3,00,000 (including credit purchases Rs. 60,000). Goods are sold at a profit of 25% on cost.
(b) Current assets of a company are Rs. 17,00,000. Its current ratio is 2.5 and liquid ratio 0.95

**Q.42** Nishit was the Managing Director of 'Lalita Electronics Ltd'. He had been earning good revenues and profits for the company. He believed in giving respect to his subordinates as his moral responsibility. He was the one who recognized the need to find ecofriendly ways to treat waste. Following is the Comparative Statement of Profit and Loss of 'Lalita Electronics Ltd.' for the years ended 31st March, 2013 and 2014.

| Particulars | Note No. | 2013-14 Rs. | 2014-15 Rs. | Absolute Change Rs. | % Change |
|---|---|---|---|---|---|
| Revenue from operations | | 20,00,000 | 30,00,000 | 10,00,000 | 50 |
| Less : Employees benefit expenses | | 12,00,000 | 14,00,000 | 2,00,000 | 16.67 |
| Profit before Tax | | 8,00,000 | 16,00,000 | 8,00,000 | 100 |
| Tax Rate 25% | | 2,00,000 | 4,00,000 | 2,00,000 | 100 |
| Profit after Tax | | 6,00,000 | 12,00,000 | 6,00,000 | 100 |

(I) Calculate Net Profit Ratio for the year ending 31 March 14-15.
(II) Identify any two values which Nishit want to communicate to the society.

**Q.43** Jain Ltd. is into the business of shoe manufacturing.Following Prepare Comparative Income Statement.

| Particulars | Note | 2013 | 2014 |
|---|---|---|---|
| Revenue from operations | | 16,00,000 | 20,00,000 |
| Employee Benefit Expenses | | 8,00,000 | 10,00,000 |
| Other Expenses | | 2,00,000 | 1,00,000 |
| Tax Rate | | 40% | 40% |

**Q.44** Following is the Comparative Statement of Profit and Loss of Nimani Ltd. **Nimani Ltd.**

**Complete the Comparative Statement of Profit &Loss**

| Particulars | Note No. | 2013-14 Rs. | 2013-14 Rs. | Absolute Change Rs. | % Change |
|---|---|---|---|---|---|
| Revenue From Operations | | 20,00,000 | 30,00,000 | ------------------ | 50 |
| Less: Employees Benefit Expenses | | 12,00,000 | --------------------- | 2,00,000 | 16.67 |
| Profit before Tax | | 8,00,000 | 16,00,000 | 8,00,000 | ------------------ |
| Tax at 25% Rate | | ----------- | 4,00,000 | 2,00,000 | 100 |
| Profit after Tax | | 6,00,000 | 12,00,000 | ---------- | 100 |

**Q.45** From the following Balance Sheets of A.C.F Ltd as at 31st March 2014 and 31st March 2015, prepare a Cash Flow Statement

| Particulars | Note No. | 31-03-2014 | 31-03-2015 |
|---|---|---|---|
| **I.EQUITY AND LIABILITIES** | | | |
| **1.SHARE HOLDER'S FUNDS:** | | | |
| (A)SHARE CAPITAL | | 5,00,000 | 7,00,000 |
| (B) RESERVE AND SURPLUS | | 2,00,000 | 3,50,000 |
| **2. NON CURRENT LIABILITIES** | | | |
| (A) LOAN | | 1,00,000 | 50,000 |
| **3.CURRENT LIABILITIES** | | | |
| (A)TRADE PAYABLES | | 55,000 | 52,000 |
| (B) SHORT TERM PROVISION | 1 | 80,000 | 1,20,000 |
| | | 9,35,000 | 12,72,000 |

| | | | |
|---|---|---|---|
| **II.ASSETS** | | | |
| **1.NON CURRENT ASSETS** | | | |
| (a) Fixed Assets | | | |
| Equipments | | 5,00,000 | 5,00,000 |
| Patents | | 1,00,000 | 95,000 |
| ( b) Non Current Investment | | – | 1,00,000 |
| **2.CURRENT ASSETS** | | 80,000 | 1,47,000 |
| ( a**)** Debtors | | 55,000 | 1,30,000 |
| (b) Inventory | | 2,00,000 | 3,00,000 |
| (c) Cash and Cash Equivalents | | 9,35,000 | 12,72,000 |
| **Notes to Accounts** | 1 | | |
| Short Term Provisions | | | |
| proposed dividend | 1. | 50,000 | 70,000 |
| provision for tax | | 30,000 | 50,000 |

During the year equipment costing Rs.1,00,000 was purchased. Loss on sale of equipment amount to Rs. 12,000.During the year Rs.18,000 was charged for the depreciation on equipment.

**Q.46** From the following Balance Sheets of Sigma LTD.,prepare Cash Flow Statement

| Particulars | Note No. | 31 March 2015 | 31 March 2014 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Share holder's Funds** | | | |
| **(a) Share Capital** | | 6,30,000 | 5,60,000 |
| **(b) Reserve and Surplus** | | 3,08,000 | 1,82,000 |
| **2. Current Liabilities** | | | |
| **(a) Trade Payables** | | 2,08,000 | 1,82,000 |
| **(b) Other current liabilities** | | 14,000 | 28,000 |
| | | 12,32,000 | 9,52,000 |
| **II. ASSETS** | | | |
| **1. Non current Assets** | | | |
| **Plant and Machinery** | | 3,92,000 | 2,80,000 |
| **2. Current Assets** | | | |
| **(a) Inventory** | | 1,26,000 | 1,82,000 |
| **(b) Trade Receivables** | | 6,30,000 | 4,20,000 |
| **(c) Cash and cash equivalents** | | 84,000 | 70,000 |
| | | 12,32,000 | 9,52,000 |

**Notes to Accounts**

| | | |
|---|---|---|
| **1. Equity Share Capital** | **4,30,000** | **3,60,000** |
| **2. 8% Preference Share Capital** | **2,00,000** | **2,00,000** |

(i) Dividend paid during the year is Rs. 56000.

(ii) Depreciation provided on machinery during the year is Rs. 28,000

(iii) An old machinery having book value of Rs. 42,000 was sold for Rs. 56,000

**Q .47 Following is the Balance Sheet of Electro World Ltd. as at 31.03.2015**

**Electro World Ltd.Balance Sheet**

| | Particulars | Note No. | 31-03-2015 | 31-03-2014 |
|---|---|---|---|---|
| I. | EQUITY AND LIABILITIES: | | | |
| | Share holder's Funds: | | | |
| 1- | (a) Share Capital | | | |
| | | | 24,00,000 | 22,00,000 |
| | (b) Reserves and Surplus | | | |
| | | 1 | 6,00,000 | 4,00,000 |
| | Non Current Liabilities: | | | |
| 2- | | | | |
| | Long Term Borrowings | | 4,80,000 | 3,40,000 |
| 3 | | | | |
| | Current Liabilities: | | 3,58,000 | 4,08,000 |
| | ( a) Trade Payables | | | |
| | (b)Short Term Provisions | | 1,00,000 | 1,54,000 |
| | ASSETS: | | | |
| | | | 39,38,000 | 35,02,000 |
| | 1.Non Current Assets: | | | |
| | (a) Fixed Assets: | | | |
| II- | | | | |
| | (i) Tangible | | | |
| | (ii) Intangible | | | |
| | 2.Cuurent Assets: | | | |
| | (i) Current Investments | | | |
| | | 2 | 21,40,000 | 17,00,0000 |
| | (ii) Inventories | | | |
| | | 3 | 80,000 | 2,24,000 |
| | (iii) Trade Receivables | | | |
| | | | 4,80,000 | 3,00,000 |
| | (iv) Cash and Cash Equivalents | | | |
| | | | 2,58,000 | 2,42,000 |
| | Total | | | |
| | | | 3,40,000 | 2,86,000 |
| | | | 6,40,000 | 7,50,000 |
| | | | 39,38,000 | 35,02,000 |

**Notes to Accounts:**

| S.NO | Particulars | 31-03-2015 | 31-03-2014 |
|---|---|---|---|
| 1. | Reserve and Surplus (balance in Statement of profit & loss) | 6,00,000 | 4,00,000 |
| 2. | Tangible Assets<br>Less: Accumlated Depreciation | 25,40,000<br>(4,00,000) | 20,00,000<br>(3,00,000) |
| 3. | Intangible Assets<br>Goodwill | 80,000 | 2,24,000 |

**Additional information:During the year a piece of machinery costing Rs. 48,000 on which accumulated depreciation was Rs. 32,000 was sold for Rs.12,000. Prepare Cash Flow Statement.**

**Q.48Following** are the Balance Sheets of Krishna Ltd. as on 31st March 2015 and 2016:

| Particulars | 2014-15 (Rs.) | 2015-16 (Rs.) |
|---|---|---|
| 1. EQUITY AND LIABILITIES | | |
| (1) Shareholders' funds | | |
| (a) Share capital | 14,00,000 | 10,00,000 |
| (b) Reserves and surplus | 5,00,000 | 4,00,000 |
| (2) Non-current Liabilities | | |
| (a) Long term-borrowings | 5,00,000 | 1,40,000 |
| (3) Current liabilities | | |
| (a) Trade payables | 1,00,000 | 60,000 |
| (b) Short term Provisions | 80,000 | 60,000 |
| | 25,80,000 | 16,60,000 |
| II. ASSETS | | |
| (1) Non-current assets | | |
| (a) Fixed assets | 16,00,000 | 9,00,000 |
| (i) Tangible Assets | 1,40,000 | 2,00,000 |
| (ii) Intangible Assets | | |
| (2) Current Assets | | |
| (a) Inventories | 2,50,000 | 2,00,000 |
| (b) Trade receivables | 5,00,000 | 3,00,000 |
| (c) Cash and cash equivalents | 90,000 | 60,000 |
| | 25,80,000 | 16,60,000 |

NOTES TO ACCOUNTS

| S.N. | PARTICULARs | 2016 | 2015 |
|---|---|---|---|
| 1 | General Reserve | 5,00,000 | 4,00,000 |
| 2 | Provision For Tax | 80,000 | 60,000 |
| 3 | Goodwill | 1,40,000 | 2,00,000 |
| 4 | Machinery<br>Less Deprciation | 17,60,000<br>(1,60,000) | 10,00,000<br>(1,00,000) |

**Q .49** From the following information, calculate Cash Flow from Operating Activities:

| Particulars | 31st March, 2017 | 31st March, 2016 |
|---|---|---|
| Surplus i.e. Balance in Statement of P/L | 1,42,000 | 1,78,000 |
| Inventory Trade Receivables | 24,000 | 8,000 |
| Outstanding expenses | 1,16,000 | 90,000 |
| Goodwill | 29,200 | 20,000 |
| Cash in hand | 18,000 | 24,000 |
| Machinery | 1,64,000 | 1,12,000 |

(i) A piece of machinery costing Rs.1,00,000 on which depreciation of Rs.40,000 had been charged was sold for Rs.20,000. Depreciation charged during the year was Rs.36,000.

(ii) Income Tax Rs.46,000 was paid during the year.

(iii) Dividend paid during the year Rs.72,000.

Q.50 From the following information,prepare cash flow statement:

| | |
|---|---|
| Opening Cash Balance | Rs. 15,000 |
| Closing Cash Balance | Rs. 17,000 |
| Decrease in Inventory | Rs. 8000 |
| Increase in Bills Payable | Rs.12,000 |
| Sale of fixed Assets | Rs. 30,000 |
| Repayment of Long term Loan | Rs. 50,000 |
| Net profit of the year | Rs. 2000 |