Important snaps by Team PIS Class- Xllth

SUBJECT: ACCOUNTS
BOOK : NCRT
TEACHER: MOHIT SINGHAL

## Non Profit Organisation

In the year ended 31st March, 2019, subscriptions received by Kings Club, Delhi were ₹ $4,09,000$ including ₹ 5,000 for the year ended 31 st March, 2018 and ₹ 10,000 for the year ended 31st March, 2020. At the end of the year ended 31st March, 2019, subscriptions outstanding for the year ended 31st March, 2019 were ₹ $15,000$. The subscriptions due but not received at the end of the previous year, i.e., 31 st March, 2018 were ₹ 8,000 , while subscriptions received in advance on the same date were ₹ 18,000 .
Calculate amount of subscriptions to be credited to Income and Expenditure Account for the year ended 31st March, 2019.
Statement of Subscription
for the year ended March 31, 2019
for the year ended March 31, 2019

|  | Particulars |  |
| :--- | :--- | :--- |
| Subscription received during the year 2018-19 |  |  |
| Add: Outstanding for 2018-19 (Current year) |  |  |
| Less: Received for 2017-18 (Previous year) |  |  |
| Add: Advance received in 2017-18 (Previous year) |  |  |
| Less: Advance received for 2019-20 (Next year) |  |  |
| Subscription to be credited to Income and Expenditure Account |  |  |
|  |  |  |

## Non Profit Organisation

Calculate the amount that will be posted to the income and Expenditure Account for the year ended 31st March, 2019:

| Stock of Stationery on 1st April, 2018 | 30,000 |
| :--- | ---: |
| Creditors for Stationery on 1st April, 2018 | 20,000 |
| Advances paid for Stationery carried forward from the year ended 31st March, | 2,000 |
| 2018 | $1,08,000$ |
| Amount paid for Stationery during the year ended 31st March, 2019 | 5,000 |
| Stock of Stationery on 31st March, 2019 | 13,000 |
| Creditors for Stationery on 31st March, 2019 | 3,000 |

Statement of Stationery
for the year ended Mar. 31, 2019

| for the year ended Mar. 31, 2019 |  |
| :--- | ---: |
| Particulars | Amount <br> $(₹)$ |
| Amount paid for Stationery during the year 2018-19 | $1,08,000$ |
| Add: Opening Stock (as on Apr. 01, 2018) | 30,000 |
| Less: Closing stock (as on Mar. 31, 2019) | 5,000 |
| Less: Creditors in the beginning (as on Apr. 01, 2018) | 20,000 |
| Add: Creditors at the end (as on Mar. 31, 2019) | 1,000 |
| Add: Advance in the beginning (as on Apr. 01,2018) | 2,000 |
| Less: Advance at the end (as on Mar. 31, 2019) | 3,000 |
| Amount to be posted to Income and Expenditure Account | $\mathbf{1 , 2 5 , 0 0 0}$ |

## Fundamentals

Profit and Loss Account
for the year ended 31st March, 2019

| Dr. |
| :--- |
| Particulars Amount <br> (₹)  Particulars <br> Amount    <br> (₹)    |
| Interest on Kajal's loan@ 6\% p.a. |
| Profit transferred to P/L Appropriation A/c |

Profit and Loss Appropriation Account
for the year ended 31st March, 2019

| Dr. |  |  |  |  | Cr. |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Particulars |  | Amount (₹) | Particulars |  | Amount (₹) |  |
| Interest on Capital A/c: |  |  | Profit and Loss A/c |  |  | 68,460 |
| Sajal | 2,500 |  |  |  |  |  |
| Kajal | 2,000 | 4,500 | Interest on Drawings A/c: |  |  |  |
|  |  |  | Sajal | 300 |  |  |
| Reserve |  | 6,450 | Kajal | 240 |  | 540 |
| Profit transferred to: |  |  |  |  |  |  |
| Sajal's Capital A/c | 38,700 |  |  |  |  |  |
| Kajal's Capital A/c | 19,350 | 58,050 |  |  |  |  |
|  |  | 69,000 |  |  |  | 69,000 |

## Fundamentals

## Partners' Capital Accounts

| Particulars | Sajal <br> (₹) | Kajal (₹) | Particulars | Sajal <br> (₹) | Kajal <br> (₹) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Drawings A/c | 10,000 | 8,000 | Balance b/d | 50,000 | 40,000 |
| Interest on Drawings A/c | 300 | 240 | Interest on Capital A/c | 2,500 | 2,000 |
|  |  |  | P\&L Appropriation A/c | 38,700 | 19,350 |
| Balance c/d | 80,900 | 53,110 |  |  |  |
|  | 91,200 | 61,350 |  | 91,200 | 61,350 |
|  |  |  |  |  |  |

## Fundamentals

Mohan, Vijay and Anil are partners, the balances of their Capital Accounts being ₹ 30,000, ₹ 25,000 and ₹ 20,000 respectively. In arriving at these amounts profit for the year ended 31st March, 2019, ₹ 24,000 had already been credited to partners in the proportion in which they shared profits. Their drawings were ₹ 5,000 (Mohan), ₹ 4,000 (Vijay) and ₹ 3,000 (Anil) during the year. Subsequently, the following omissions were noticed and it was decided to rectify the errors:
(a) Interest on capital @ 10\% p.a.
(b) Interest on drawings: Mohan ₹ 250 , Vijay ₹ 200 and Anil ₹ 150.

Make necessary corrections through a Journal entry and show your workings clearly.

| Date | Particulars |  | L. F. | Debit <br> Amount <br> (₹) | Credit Amount <br> (₹) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $2019$ <br> March 31 | Anil's Capital A/c <br> To Mohan's Capital A/c <br> (Interest on capital and interest on drawings was omitted, now adjusted) | Dr. |  | 550 |  | 550 |


|  | Mohan | Vijay | Anil | Total |
| :---: | :---: | :---: | :---: | :---: |
| Interest on Capital to be credited Less: Interest on Drawings | $\begin{aligned} & 2,700 \\ & (250) \end{aligned}$ | $\begin{aligned} & \hline 2,100 \\ & (200) \end{aligned}$ | $\begin{aligned} & 1,500 \\ & (150) \end{aligned}$ | $\begin{aligned} & \hline 6,300 \\ & (600) \end{aligned}$ |
| Right Distribution of Rs 5,700 | 2,450 | 1,900 | 1,350 | 5,700 |
| Wrong Distribution of Rs 5,700 (1:1:1) | $(1,900)$ | $(1,900)$ | $(1,900)$ | $(5,700)$ |
| Net Effect | 550 | Nil | (550) | NIL |

## Goodwill

| Particulars Year | 31*Mar., 2015 | 314. Mar., 2016 | 31 ${ }^{\text {st }}$ Mar., 2017 | 31 ${ }^{\text {t }}$ Mar, 2018 | 31* Mar., 2019 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Profit/Loss | $(90,000)$ | 1,60,000 | 1,50,000 | 65,000 | 1,77,000 |
| Less: Gain on Sale of Machinery |  | 50,000 |  |  |  |
| Add: Abnormal Loss |  |  | 20,000 |  |  |
| Add: Overhaul of existing machinery |  |  |  |  |  |
| Debited to Repairs A/c |  |  |  | 1,00,000 |  |
| Less: Depreciation @ $20 \%$ p.a. |  |  |  | 15,000 | 17,000 |
| Normal Profit/Loss | $(90,000)$ | 1,10,000 | 1,70,000 | 1,50,000 | 1,60,000 |

Average Profits=(Normal profits from the year ended 31st March,2015 to 31st March,20195)
$=₹(-90,000+1,10,000+1,70,000+1,50,000+1,60,000)$
=₹ $1,00,000$
Goodwill=Average profits of the last 5 years $\times$ No. of years of Purchase
$=₹(1,00,000 \times 3)=₹ 3,00,000$

## Change in Profit Sharing Ratio

Q1. $X, Y$ and $Z$ are sharing profits and losses in the ratio of $5: 3: 2$. With effect from 1st April, 2019, they decide to share profits and losses equally. Calculate each partner's gain or sacrifice due to the change in ratio.
Old Ratio $(X, Y$ and $Z)=5: 3: 2$
New Ratio ( $\mathrm{X}, \mathrm{Y}$ and Z ) $=1: 1: 1$
Sacrificing (or Gaining) Ratio = Old Ratio - New Ratio
Y's Gain $=1 / 30$
Z's Gain $=4 / 30$
X's Sacrifice $=5 / 30$
Q2. $X, Y$ and $Z$ who are presently sharing profits and losses in the ratio of $5: 3: 2$ decide to share future profits and losses in the ratio of $2: 3: 5$. Give the journal entry to distribute 'Workmen Compensation Reserve' of ₹ $1,20,000$ at the time of change in profit-sharing ratio, when there is a claim of ₹ 80,000 against it.

| Date | Particulars |  | L.F. | Debit Amount (Rs) | Credit Amount (Rs) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Workmen Compensation Reserve A/c <br> To X's Capital A/c <br> To Y's Capital A/c <br> To Z's Capital A/c <br> To Workmen Compensation Claim A/c <br> (Adjustment of balance in Workmen Compensation Reserve A/c in old ratio) | Dr. |  | 1,20,000 | $\begin{array}{r} 20,000 \\ 12,000 \\ 8,000 \\ 80,000 \end{array}$ |

## Change in Profit Sharing Ratio

$A, B$ and $C$ are sharing profis and losses in the ratio of $2: 2: 1$. They decided to share profit w.e.f. 1 st April, 2019 in the ratio of $5: 3: 2$. They also decided not to change the values of assets and liabilities in the books of account. The book values and revised values of assets and liabilities as on the date of change were as follows:

| Machinery | $2,50,000$ | $3,00,000$ |
| :--- | :---: | :---: |
| Computers | $2,00,000$ | $1,75,000$ |
| Sundry Creditors | 90,000 | 75,000 |
| Outstanding Expenses | 15,000 | 25,000 |


| Journal |
| :--- | :--- | :--- | :--- | :--- |
| Date Particulars L.F. Debit <br> Amount <br> (₹) Credit <br> Amount <br> (₹) <br> April 1 A's Capital A/c $(30,000 \times 110=3,000)$ <br> To B's Capital A/c <br> (Adjustment entry made for change in ratio) Dr.  3,000 <br> 3,000     |

## Admission of Partner

$A$ and $B$ are partners sharing profits and losses in the ratio of $7: 5$. They admit $C$, their Manager, into partnership who is to get $1 / 6$ th share in the business. $C$ brings in $₹ 10,000$ for his capital and ₹ 3,600 for the $1 / 6$ th share of goodwill which he acquires $1 / 24$ th from $A$ and $1 / 8$ th from $B$. Profits for the first year of the new partnership was ₹ 24,000 . Pass necessary Journal entries for C's admission and apportion the profit between the partners.

| Date | Particulars |  | L.F. |  | Credit Amount Rs |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Cash A/c <br> To C's Capital A/c <br> To Premium for Goodwill A/c <br> (C brought capital and his share of goodwill) <br> Premium for Goodwill A/c <br> To A's Capital A/c <br> To B's Capital A/c <br> (C's share of goodwill transferred to $A$ and $B$ in their sacrificing ratio i.e. 3:1) <br> Profit and Loss Appropriation A/c <br> To A's Capital A/c <br> To B's Capital A/c <br> To C's Capital A/c | Dr. <br> Dr. <br> Dr. |  | 13,600 <br> 3,600 <br> 24,000 | $\begin{array}{r} 10,000 \\ 3,600 \\ \\ 900 \\ 2,700 \\ \\ \\ \\ \text { 13,000 } \\ 7,000 \\ 4,000 \end{array}$ |

[^0]
## Admission of Partner

Following was the Balance Sheet of $A$ and $B$ who were sharing profits in the ratio of $2: 1$ as at 31 st March, 2019:

| Liabilities |  | ₹ | Assets | ₹ |
| :---: | :---: | :---: | :---: | :---: |
| Capital A/cs: |  |  | Building | 25,000 |
| A | 15,000 |  | Plant and Machinery | 17,500 |
| $B$ | 10,000 | 25,000 | Stock | 10,000 |
| Sundry Creditors |  | 32,950 | Sundry Debtors | 4,850 |
|  |  |  | Cash in Hand | 600 |
|  |  | 57,950 |  | 57,950 |
|  |  |  |  |  |

They admit $C$ into partnership on the following terms:
(a) $C$ was to bring ₹ 7,500 as his capital and ₹ 3,000 as goodwill for $1 / 4$ th share in the firm.
(b) Values of the Stock and Plant and Machinery were to be reduced by $5 \%$.
(c) A Provision for Doubtful Debts was to be created in respect of Sundry Debtor ₹ 375.
(d) Building was to be appreciated by $10 \%$.

Pass necessary Journal entries to give effect to the arrangements. Prepare Profit and Loss Adjustment Account (or Revaluation Account), Partners' Capital Accounts and Balance Sheet of the new firm

## Admission of Partner

| Date | Particulars | L.F. | Amount (₹) | Credit Amount (₹) |
| :---: | :---: | :---: | :---: | :---: |
|  | Profit and Loss Adjustment A/c <br> To Stock A/c <br> To Plant and Machinery A/c <br> To Reserve for Doubtful Debts A/c <br> (Decrease in stock and Plant and creation of Reserve for Doubtful Debt transferred to Profit and Loss <br> Adjustment Account) <br> Building A/c <br> To Profit and Loss Adjustment A/c <br> (Increase in value of Building of transferred to Profit and loss Adjustment Accounts) <br> Profit and Loss Adjustment A/c <br> To A's Capital A/c <br> To B's Capital A/c <br> (Profit on revaluation of asset and liabilities <br> distributed between $A$ and $B$ in their old ratio) <br> Cash A/c <br> To C's Capital A/c <br> To Premium for Goodwill A/c <br> (C brought capital and share of goodwill) <br> Premium for Goodwill A/c <br> To A's Capital A/c <br> To B's Capital A/c |  | $\begin{array}{r} 1,750 \\ 2,500 \\ 750 \\ 10,500 \\ 3,000 \end{array}$ | $\begin{aligned} & 500 \\ & 875 \\ & 375 \\ & \\ & \\ & 2,500 \\ & \\ & 500 \\ & 250 \\ & \\ & \\ & 7,500 \\ & 3,000 \\ & \\ & 2,000 \\ & 1,000 \end{aligned}$ |

## Admission of Partner

## Partners' Capital Accounts



## Admission of Partner

Balance Sheet
as on March 31, 2016 after admission of C

| Liabilities |  | Amount (₹) | Assets |  | Amounts (₹) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Capital Accounts: |  | $\begin{aligned} & 36,250 \\ & 32,950 \end{aligned}$ | Building $(25,000+2,500)$ <br> Plant and Machinery (17,500-875) <br> Stock (10,000-500) | $\begin{array}{r} 4,850 \\ 375 \end{array}$ | 27,500 |
| A | $\begin{array}{r} 17,500 \\ 11,250 \\ 7,500 \end{array}$ |  |  |  |  |
| B |  |  |  |  | $9,500$ |
| C |  |  | Sundry Debtors <br> Less: Provision for D. Debts <br> Cash in Hand ( $600+10,500$ ) |  |  |
| Sundry Creditors |  |  |  |  |  |
|  |  |  |  |  | 4,475 |
|  |  |  |  |  | 11,100 |
|  |  | 69,200 |  |  | 69,200 |
|  |  |  |  |  |  |

## Retirement of Partner

Aparna, Manisha and Sonia are partners sharing profits in the ratio of $3: 2: 1$. Manisha retired and goodwill of the firm is valued at $₹ 1,80,000$. Aparna and Sonia decided to share future profits in the ratio of $3: 2$. Pass necessary Journal entries.

Journal

| Date | Particulars | L.F. | Amount (₹) | Amount <br> (₹) |
| :---: | :---: | :---: | :---: | :---: |
|  | Aparna's Capitals A/c <br> Sonia's Capital A/c <br> To Manisha's Capital A/c <br> (Manisha's share of goodwill adjusted to Aparna's and Sonia's Capital Account in their gaining ratio) |  | $\begin{aligned} & 18,000 \\ & 42,000 \end{aligned}$ | 60,000 |

## Retirement of Partner

Kanika, Disha and Kabir were partners sharing profits in the ratio of $2: 1: 1$. On 31st March, 2016, their Balance Sheet was as under:

| Liabilities | Amount (₹) | Assets | Amount (₹) |
| :---: | :---: | :---: | :---: |
| Trade creditors | 53,000 | Bank | 60,000 |
| Employees' Provident Fund | 47,000 | Debtors | 60,000 |
| Kanika's Capital | 2,00,000 | Stock | 1,00,000 |
| Disha's Capital | 1,00,000 | Fixed assets | 2,40,000 |
| Kabir's Capital | 80,000 | Profit and Loss A/c | 20,000 |
|  | 4,80,000 |  | 4,80,000 |
|  |  |  |  |

Kanika retired on 1st April, 2016. For this purpose, the following adjustments were agreed upon:
(a) Goodwill of the firm was valued at 2 years' purchase of average profits of three completed years preceding the date of retirement. The profits for the year:

2013-14 were ₹ $1,00,000$ and for 2014-15 were ₹ $1,30,000$.
(b) Fixed Assets were to be increased to ₹ $3,00,000$.
(c) Stock was to be valued at $120 \%$.
(d) The amount payable to Kanika was transferred to her Loan Account.

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

## Retirement of Partner

## Revaluation Account

| Particulars |  | $\underset{\text { Rs }}{\substack{\text { Amount }}}$ | Particulars | $\underset{\text { Rs }}{\text { Amount }}$ |
| :---: | :---: | :---: | :---: | :---: |
| Revaluation Profit |  |  | Fixed Assets Stock | 60,000 |
| Kanika's Capital | 40,000 |  |  | 20,000 |
| Disha's Capital | 20,000 |  |  |  |
| Kabir's Capital | 20,000 | 80,000 |  |  |
|  |  | 80,000 |  | 80,000 |
|  |  |  |  |  |

## Retirement of Partner

Partners' Capital Account
Dr.

| Particulars | Kanika | Disha | Kabir | Particulars | Kanika | Disha | Kabir |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Profit \& Loss A/c | 10,000 | 5,000 | 5,000 | Balance b/d | 2,00,000 | 1,00,000 | 80,000 |
| Kanika's Capital A/c |  | 35,000 | 35,000 | Disha's Capital A/c | 35,000 |  |  |
| Kanika's Loan A/c | 3,00,000 |  |  | Kabir's Capital A/c | 35,000 |  |  |
| Balance c/d |  | 80,000 | 60,000 | Revaluation | 40,000 | 20,000 | 20,000 |
|  | 3,10,000 | 1,20,000 | 1,00,000 |  | 3,10,000 | 1,20,000 | 1,00,000 |

## Retirement of Partner

Balance Sheet
as on March 31, 2016

| Liabilities |  | Amount (₹) | Assets | Amount (₹) |
| :---: | :---: | :---: | :---: | :---: |
| Employees' Provident Fund |  | 47,000 | Bank | 60,000 |
| Trade Creditors |  | 53,000 | Sundry Debtors | 60,000 |
| Kanika's Loan A/c |  | 3,00,000 | Stock | 1,20,000 |
| Capitals |  |  | Fixed Assets | 3,00,000 |
| Disha | 80,000 |  |  |  |
| Kabir | 60,000 | 1,40,000 |  |  |
|  |  | 5,40,000 |  | 5,40,000 |
|  |  |  |  |  |

## Death of Partner

$X$ and $Y$ are partners. The Partnership Deed provides inter alia:
(a) That the Accounts be balanced on 31st March every year.
(b) That the profits be divided as: $X$ one-half, $Y$ one-third and carried to a Reserve one-sixth.
(c) That in the event of the death of a partner, his Executors be entitled to be paid:
(i) The Capital to his credit till the date of death.
(ii) His proportion of profits till the date of death based on the average profits of the last three completed years.
(iii) By way of Goodwill, his proportion of the total profits for the three preceding years.


Profits for three years were: 2016-17-₹ 4,200; 2017-18 - ₹ 3,900; 2018-19 - ₹ 4,500. Y died on 1st August, 2019. Prepare necessary accounts.

## Death of Partner

## Y's Capital Account

Dr.

| Particulars | Amount (₹) | Particulars | Amount (₹) |
| :---: | :---: | :---: | :---: |
| Y's Executor's A/c | 12,800 | Balance b/d | 6,000 |
|  |  | X's Capital A/c (Reserve) | 1,200 |
|  |  | X's Capital A/c (Goodwill) | 5,040 |
|  |  | X's Capital A/c (Profit) | 560 |
|  | 12,800 |  | 12,800 |
|  |  |  |  |

## Dissolution

Pass Journal entries for the following at the time of dissolution of a firm:
(a) Sale of Assets - ₹ 50,000.
(b) Payment of Liabilities - ₹ 10,000 .
(c) A commission of $5 \%$ allowed to Mr. $X$, a partner, on sale of assets.
(d) Realisation expenses amounted to ₹ 15,000 . The firm had agreed with Amrit, a partner, to reimburse him up to ₹ 10,000 .
(e) $Z$, an old customer, whose account for ₹ 6,000 was written off as bad in the previous year, paid $60 \%$ of the amount written off.
(f) Investment (Book Value ₹ 10,000 ) realised at $150 \%$.

Journal

| S.N. | Particulars | L.F. | Debits <br> Amount <br> Rs | Credit <br> Amount <br> Rs |
| :---: | :--- | ---: | ---: | ---: |
| (a) | Cash A/c <br> To Realisation A/c <br> (Assets realized for cash) <br> Realisation A/c <br> To Cash A/c <br> (Payment of liabilities made) | Dr. |  | 50,000 |
| (b) | Dr. |  | 50,000 |  |
|  |  |  | 10,000 |  |

## Dissolution

(c)
c)

| Realisation A/c |
| :--- |
| To X's Capital A/c |
| ( $5 \%$ commission allowed to Mr. X's on sale of assets of Rs 50,000 ) |
| Realisation A/c |
| To Amrit's Capital A/c |
| (Amrit was allowed remuneration on account of realisation) |
| Amrit's Capital A/c |
| To Cash A/c |
| (Realisation expenses paid on behalf of amrit) |
| Cash A/c |
| To Realisation A/c |
| (60\% of the Bad debts against Z an old customer now recovered) |
|  |
| Cash A/c |
| To Realisation A/c |
| (Investments are realised at $150 \%)$ |



## Issue of Shares

New Company Ltd. has a nominal capital of $₹ 2,50,000$ in shares of $₹ 10$. Of these, 4,000 shares were issued as fully paid in payment of building purchased , 8,000 shares were subscribed by the public and during the first year ₹ 5 per share were called-up, payable ₹ 2 on application, ₹ 1 on allotment, ₹ 1 on first call and ₹ 1 on second call. The amounts received in respect of these shares were:
On 6,000 shares Full amount called,
On 1,250 shares ₹ 4 per share,
On 500 shares ₹ 3 per share,
On 250 shares ₹ 2 per share.
The Directors forfeited the 750 shares on which less than ₹ 4 had been paid . The shares were subsequently reissued at ₹ 3 per share.
Pass journal entries recording the above transactions
Books of New Company Ltd.
Journal

| Date | Particulars |  | L.F. | Debit <br> Amount <br> Rs | Credit <br> Amount <br> Rs |
| :---: | :--- | :---: | ---: | ---: | ---: |
|  | Building A/c |  |  |  |  |
| To Vendor |  |  |  |  |  |
| (Building purchased) | Dr. |  | 40,000 |  |  |
|  | Vendor | Dr. |  | 40,000 |  |

## Issue of Shares



## Issue of Shares

| Bank A/c | Dr. |
| :---: | :---: |
| Calls-In-Arrears A/c | Dr. |
| To Share First-Call A/c |  |
| (Share first call Re 1 received 7,250 shares and holders of 750 shares failed to pay it) |  |
| Share Second Call A/c | Dr. |
| To Share Capital A/c |  |
| (Share final call due on 8,000 shares at Re 1 each) |  |
| Bank A/c | Dr. |
| Calls-In-Arrears A/c | Dr. |
| To Share Second Call A/c |  |
| (Share second call Re 1 received from 6,000 shares and holder of 2,000 share failed to pay it) |  |
| Share Capital A/c ( $750 \times 5$ ) | Dr. |
| To Share Forfeiture A/c ( $(500 \times 3)+(250 \times 2)$ ) |  |
| To Calls in Arrears ( $500 \times 2+250 \times 3$ ) |  |
| (750 shares of Rs 10 each Rs 5 called-up on which less than Rs 4 had received, were forfeited) |  |
| Bank A/c | Dr. |
| Share Forfeiture A/c | Dr. |
| To Share Capital A/c |  |

## Issue of Debenture

A company took a loan of ₹ 4,00,000 from Bandhan Bank Ltd. and issued $8 \%$ Debentures of ₹ $4,00,000$ as a collateral security.

| Date | Particulars | L.F. | Debit Amount Rs | Credit Amount Rs |
| :---: | :---: | :---: | :---: | :---: |
|  | Bank A/c Dr. <br> To Loan from Bandhan Bank Ltd.  <br> (Loan taken against issuing 8\% Debentures as collateral security)  <br>  Dr. <br> Debenture Suspense A/c  <br> To 8\% Debenture A/c  <br> (Debentures issued as collateral security)  |  | $4,00,000$ $4,00,000$ | $4,00,000$ $4,00,000$ |

## Comparative and Common Size

Following is the Balance Sheet of Radha Ltd. as at 31st March, 2019:

|  | Particulars | Note No. | 31st March, 2019, (₹) | 31st March, 2018, (₹) |
| :---: | :---: | :---: | :---: | :---: |
| I. EQUITY AND LIABILITIES |  |  |  |  |
| 1. Shareholders' Funds |  |  |  |  |
| (a) Share Capital |  |  | 15,00,000 | 10,00,000 |
| (b) Reserves and Surplus |  |  | 10,00,000 | 10,00,000 |
| 2. Non-Current Liabilities |  |  |  |  |
| Long-term Borrowings |  |  | 8,00,000 | 2,00,000 |
| 3. Current Liabilities |  |  |  |  |
| (a) Trade Payables |  |  | 5,00,000 | 3,00,000 |
|  | Total |  | 38,00,000 | 25,00,000 |
| II. ASSETS |  |  |  |  |
| 1. Non-Current Assets |  |  |  |  |
| Fixed Assets: |  |  |  |  |
| (i) Tangible Assets |  |  | 25,00,000 | 15,00,000 |
| (ii) Intangible Assets |  |  | 5,00,000 | 5,00,000 |
| 2. Current Assets |  |  |  |  |
| (a) Trade Receivables |  |  | 6,00,000 | 3,50,000 |
| (b) Cash and Cash Equivalents |  |  | 2,00,000 | 1,50,000 |
|  | Total |  | 38.00.000 | 25.00.000 |

## Comparative and Common Size

| In the books of Radha Ltd. Comparative Balance Sheet as at March 31, 2018 and 2019 |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Particulars |  | $\begin{gathered} 2018 \\ (₹) \end{gathered}$ | $\begin{gathered} 2019 \\ (₹) \end{gathered}$ | Absolute Change (₹) | Percentage Change (\%) |
| I. Equity and Liabilities <br> 1. Shareholders' Funds <br> a. Equity Share Capital <br> b. Reserve and Surplus <br> Shareholders' Fund <br> 2. Non-Current Liabilities <br> a. Long-term Borrowings <br> 3. Current Liabilities |  |  | $\begin{aligned} & 10,00,000 \\ & 10,00,000 \end{aligned}$ | $\begin{aligned} & 15,00,000 \\ & 10,00,000 \end{aligned}$ | 5,00,000 | 50.00 |
|  |  |  | 20,00,000 | 25,00,000 | 5,00,000 | 25.00 |
|  |  |  | $\begin{aligned} & 2,00,000 \\ & 3,00,000 \end{aligned}$ | $\begin{aligned} & 8,00,000 \\ & 5,00,000 \end{aligned}$ | $\begin{aligned} & 6,00,000 \\ & 2,00,000 \\ & \hline \end{aligned}$ | 300.00 66.67 |
|  |  |  | $\mathbf{2 5 , 0 0 , 0 0 0}$ | 38,00,000 | 13,00,000 | 52.00 |

## Comparative and Common Size

\begin{tabular}{|c|c|c|c|c|}
\hline \multicolumn{5}{|l|}{II. Assets} <br>
\hline \multicolumn{5}{|l|}{1. Non-Current Assets} <br>
\hline a. Fixed Assets (Tangible) \& 15,00,000 \& 25,00,000 \& 10,00,000 \& 66.67 <br>
\hline b. Intangible Assets \& 5,00,000 \& 5,00,000 \& \& <br>
\hline \& 20,00,000 \& 30,00,000 \& 10,00,000 \& 50.00 <br>
\hline \multicolumn{5}{|l|}{2. Current Assets} <br>
\hline a. Trade Receivables \& 3,50,000 \& 6,00,000 \& 2,50,000 \& 71.43 <br>
\hline \multirow[t]{4}{*}{b. Cash and Cash Equivalents

Total} \& 1,50,000 \& 2,00,000 \& 50,000 \& 33.33 <br>
\hline \& 5,00,000 \& 8,00,000 \& 3,00,000 \& 60.00 <br>
\hline \& 25,00,000 \& 38,00,000 \& 13,00,000 \& 52.00 <br>
\hline \& \& \& \& <br>
\hline
\end{tabular}

## Ratio Analysis

Q1. From the information given below, calculate Trade Receivables Turnover Ratio:
Credit Revenue from Operations, i.e., Credit Sales ₹ $8,00,000$; Opening Trade Receivables ₹ $1,20,000$; and Closing Trade Receivables ₹2,00,000.
State giving reason, which of the following would increase, decrease or not change Trade Receivables Turnover Ratio:
(i) Collection from Trade Receivables ₹40,000.
(ii) Credit Revenue from Operations, i.e., Credit Sales ₹ 80,000 .
(iii) Sales Return ₹20,000.
(iv) Credit Purchase ₹ $1,60,000$.
(i) Collection from Trade Receivables Rs 40,000- Increase

Reason: Collection from Trade Receivables will result in decrease in the amount of closing Trade Receivables which will reduce the amount of average Trade Receivables.
Closing Trade Receivables $=2,00,000-40,000=$ Rs 1,60,000
(ii) Credit Revenue from Operations, i.e. Sales Rs 80,000-Decrease

Reason: This transaction will result in increase in both credit sales as well as closing Trade Receivables. Increase in closing Trade Receivables, in turn, will lead to an increase in the average Trade Receivables.
Credit Sales $=8,00,000+80,000=$ Rs $8,80,000$
Closing Trade Receivables $=2,00,000+80,000=$ Rs $2,80,000$
(iii) Sales Return Rs 20,000-Increase

Reason: This transaction will result in decrease in both sales and average Trade Receivables.
Credit Sales $=8,00,000-20,000=$ Rs $7,80,000$
Closing Trade Receivables $=2,00,000-20,000=$ Rs $1,80,000$
(iv) Credit Purchase Rs 1,60,000- No Change

Reason: Credit Purchase does not affect the Debtors Turnover Ratio.

## Ratio Analysis

From the information given below, calculate any three of the following ratio:
(i) Gross Profit Ratio;
(ii) Working Capital Turnover Ratio:
(iii) Debt to Equity Ratio; and
(iv) Proprietary Ratio.
(i) Net Sales $=5,00,000$

Cost of Goods Sold = 3,00,000
Gross Profit $=$ Net Sales - Cost of Goods Sold
$=5,00,000-3,00,000=2,00,000$
(ii) Current Assets $=2,00,000$

Current Liabilities $=1,40,000$
Working Capital = Current Assets - Current Liabilities
$=2,00,000-1,40,000=60,000$
(iii) Long-term Debts $=13 \%$ Debentures $=1,00,000$

Equity = Paid-up Share Capital $=2,50,000$
(iv) Total Assets = Total Liabilities
= Current Liabilities + Paid-up Share Capital + 13\% Debentures
$=1,40,000+2,50,000+1,00,000$
$=4,90,000$

## Cash Flow

Cash Flow Statement
for the year ended March 31, 2019

|  | Particulars | Amount (₹) | Amount (₹) |
| :---: | :---: | :---: | :---: |
| A | Cash Flow from Operating Activities |  |  |
|  | Profit as per Statement of Profit and Loss (4,80,000-3,75,000) | 1,05,000 |  |
|  | Interim Dividend | 75,000 |  |
|  | Profit Before Taxation | 1,80,000 |  |
|  | Items to be Added: |  |  |
|  | Interest Paid on Debentures | 27,000 |  |
|  | Depreciation | 60,000 |  |
|  | Operating Profit before Working Capital Adjustments | 2,67,000 |  |
|  | Less: Increase in Current Assets Trade Receivables | $(75,000)$ |  |
|  | $A d d$ : Increase in Current Liabilities |  |  |
|  | Trade Payables | 30,000 |  |
|  | Add: Decrease in Current Assets |  |  |
|  | Inventories | 60,000 |  |
|  | Cash Generated from operations | 2,82,000 |  |
|  | Less: Tax Paid | - |  |
|  | Net Cash Flow from Operating Activities |  | 2,82,000 |

## Cash Flow

## Cash Flow from Investing Activities

Sale of Land
Purchase of Machinery
Net Cash Used in Investing Activities
C $\quad$ Cash Flow from Financing Activities
Proceeds from Issue of Share Capital
Redemption of $10 \%$ Debentures
Interim Dividend Paid
Interest Paid on Debentures
Net Cash Used in Financing Activities

D Net Increase in Cash and Cash Equivalents
Add: Cash and Cash Equivalent in the beginning of the period
Cash and Cash Equivalents at the end of the period


[^0]:    (Profit after C's admicsion dictrihuted)

