SOLUTIONS MOCK PAPER

1. (*b*) 2008 **2.** (*c*) 28200 **3.** Profit and loss Adjustment A/c

4. (*a*) ₹ 1,00,000

5. (*b*) C's Account will be debited with ₹ 10,000 **6.** ₹ 12,000

7. (*c*) ₹ 1,32,000 **8.** Gaining Ratio B : D = 1 : 1 **9.** Purchased

10. Endowment find **11.** (*a*) Added to Subscribed share Capital

12. (*c*) Debentures carry fixed Rate of interest.

13. (*c*) Debiting his current account

14. **An extract of Balance Sheet**

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital find	20,00,000		Pavilion in Progress	6,00,000
Add transfer from				
Pavilion find	6,00,000	26,00,000		
Pavilion find	8,00,000			
Add donation less				
transfer to	10,00,000			
Capital fund	(6,00,000)	12,00,000		(6 × 1/2 = 3)

Or

Honorarium: Revenue Expenditure: It is to be debited to Income and Expenditure Account.

Sale of Fixed Assets: Profit on sales is credited to Income and Expenditure Account. Loss on sale is debited to Income & Expenditure Account.

Donations: General Donations Credited to Income and Expenditure Account. Specific donations are capitalized.

15.

Date	Particulars		L.F.	Debit	Credit
	Sundry Assets A/c	Dr.		1,80,000	
	Good will A/c (bal. fig.)	Dr.		20,000	(1)
	To Sundry liabilities				40,000
	To Urvashi Ltd.				1,60,000
	(Being business purchased)				
	Urvashi Ltd. (bal. fig.)	Dr.		1,60,000	
	Discounts issue of debentures A/c	Dr.		4,000	
	To 12% debentures				40,000
	To 15% debentures				40,000
					(2)
	To Security Premium Reserve A/c				4,000
	To Bank A/c (draft)				80,000
	(being payment made)				1 + 2 =

16. **Robin's Executor Account**

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2018 March 31	To Bank A/c (3,29,234 × 60,000)		19,754	2015 April 01	By Robin's Capital A/c		60,000 (1)
March 31	To Balance A/c		47,446	2016 March 31	By Interest A/c		7,200
			67,200				67,200
2017 March 31	To Bank A/c		19,734	2016 April 01	By bal. b/d		47,446 (1)
	To balance c/d		33,386	March 31	By Interest A/c		5,694
			53,140				53,140
2018 March 31	To Bank A/c		19,754	April 01	By balance b/d		33,386 (1)
	To balance c/d		17,638	2018 March 31	By Interest A/c		4006
			37,392				37,392
2019 March 31	To Bank A/c		19,754	2018 April 01	By balance c/d		17,638 (1)
				2019 March 31	By Interest A/c		2,116
			19,754				19,754

Or

Average Profit = 70,000 + 60,000 + 50,000 + 40,000 + (70,000 Loss) = ₹ 1,50,000

1,50,000/5 years = ₹ 30,000

Firm's Goodwill = 30,000 × 3 purchase years = ₹ 90,000

(*i*) B's Share of Goodwill = ₹ 90,000 × 5/10 = ₹ 45,000

(*ii*) B's Share of Profit = ₹ 70,000 × 3/12 × 5/10 = ₹ 8,750 (Loss)

B's Capital Account

Particulars	Amount	Particulars	Amount
To P & L Suspense To Profit & Loss A/c To B's Executor's A/c	8,750 35,000 76,250	By Balance B/d By General Res By C By D	40,000 35,000 27,000 18,000
	1,20,000		1,20,000

17. **Journal**

Date	Particulars	L.F.	Debit	Credit
(*a*)	Realisation A/c Dr. To Aman's Capital A/c (being wife's loan paid by Aman)		60,000	(1) 60,000
(*b*)	Realisation A/c Dr. To Bank A/c (being creditors of ₹ 30,000 paid at 10% discount)		27,000	(1) 27,000
(*c*)	Profit and loss A/c Dr. To Aman To Harsh (being credit balance of profit/loss distributed equally)		15,000	(1) 7,500 7,500
(*d*)	Realisation A/c Dr. To Harsh (Remuneration paid to Harsh)		7,000	(1/2) 7,000
	Harsh's Capital A/c Dr. To Bank A/c (being Realisation expenses paid by firm on behalf of Harsh)		5,000	(1/2) 5,000

18. **Profit/Loss Appropriation Account**
for the year ending March 31, 2017

Particulars	Amount	Particulars	Amount
To Interest on Capital		By net profit	2,40,000
A $\left(4,40,000 \times \frac{10}{100}\right)$	44,000	By Interest on drawing	
B $\left(2,20,000 \times \frac{10}{100}\right)$	22,000	A – $\left(60,\cancel{000} \times \frac{\cancel{12}}{\cancel{100}} \times \frac{13}{{}_2\cancel{24}}\right)$	39,000
C $\left(1,20,000 \times \frac{10}{100}\right)$	12,000	B – $\left(60,\cancel{000} \times \frac{\cancel{12}}{\cancel{100}} \times \frac{9}{{}_2\cancel{24}}\right)$	27,000
To divisible profit		C – $\left(60,\cancel{000} \times \frac{\cancel{12}}{\cancel{100}} \times \frac{6}{\cancel{12}}\right)$	36,000
A 98,400			
B 49,200			
C 24,600	1,72,200		
	2,50,000		2,50,000

Or

Calculation of weighted profit

Particulars	2015-16	2016-17	2017-18	2018-19
Given profit	1,20,000	(70,000)	50,000	2,00,000
Add over valuation of opening stock	10,000			

Less Remuneration of Partner (charge)	(40,000)	(40,000)	(40,000)	(40,000)
Add Loss by fire		35,000		
Adjusted profit	90,000	(75,000)	10,000	1,60,000
Weight	1	2	3	4
Weight Profit	90,000	(1,50,000)	30,000	6,40,000

$$\text{Weight Average Profit} = \frac{6,10,000}{10} = 61,000$$

$$\text{Good will} = 3 \times 61,000$$
$$= 1,83,000$$

19. **Journal**

Date	Particulars	L.F.	Debit	Credit
April 01 2015	Debenture redemption Investment A/c Dr. To Bank A/c (being Investment is BRI 15% of deb to be reduced)		7,500	7,500
2016 March 31	Surplus *i.e.*, balance in statement of profit and loss A/c Dr. To debenture redemption reserve (being transferred to DRR. 25% of 1,00,000)		25,000	25,000
March 31	12% debenture A/c Dr. To debenture holder A/c (being 50% debenture due for redemption)		50,000	50,000
March 31	Bank To debenture redemption investment A/c (being DRI sold)		75,000	75,000
March 31	Debenture holders A/c Dr. To Bank A/c (being payment made to deb holders)		50,000	50,000
March 31	Debenture Redemption Reserve A/c Dr. To general Reserve A/c (being DRR transferred to general Reserve)		12,500	12,500
2016 April 01	Deb. redemption investment A/c Dr. To Bank A/c (being investment purchased)		7,500	7,500
2017 March 31	12% Debenture A/c Dr. To Debenture holders A/c (being deb. transferred to deb holders)		50,000	50,000
2017 March 31	Bank A/c Dr. To debenture Redemption Investment (being Investment sold)		7,500	7,500

2017 March 31	Debenture holders A/c Dr. To Bank A/c (being payment made of debenture holders)		50, 000	 50,000
2017 March 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (being DRR transferred to general reserve)		15,500	 12,500

Or

Journal

Date	Particulars	L.F.	Debit	Credit
April 01	Bank A/c Dr. To debenture application and allotment A/c (being money received on 15,000 des)		15,00,000	 15,000
April 01	Debenture application and allot A/c Loss on issue of debenture A/c To 9% Debentures A/c To Premium on redemption of dec (being debenture issued)		15,00,000 75,000	 15,00,000 75,000
2014 March 31	Surplus *i.e.*, balance in statement of A/c To Debenture Redemption Reserve A/c (being transfer to DRR)		1,87,500	 1,87,500
2015 March 31	Surplus *i,e.,* balance in statement of profit/loss Dr. To Debenture Redemption Reserve A/c (being Amount transferred to DRR)		1,87,500	 1,87,500
2015 April 15	Debenture Redemption Investment A/c Dr. To Bank A/c (being DRI purchased)		2,25,000	 2,25,000
2016 March 31	Bank A/c Dr. TDS Collect A/c Dr. To Debenture Redemption Investment To Interest on DRI (being deposit recorded with interest @ 8% for 11.5 months)		2,40,525 1,725	 2,40,525 1,725
	9% Debenture A/c Dr. Premium on redemption of debentures A/c Dr. To Debenture holder A/c (Redemption of Debentures due)		15,00,000 75,000	 15,75,000
	Debenture holders A/c To Bank A/c (payment to debenture holders)		15,75,000	 15,75,000

	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (for transfer of DRR to General Reserves A/c)		3,75,000	3,75,000

20. **Sports Clubs**

Income and Expenditure Account

Dr. **For the year ended March 31, 2019 (3 Marks)** **Cr.**

Particulars		Amount	Particulars	Amount
Salaries	12,000		Subscription (500 × 100)	50,000
Add outstanding	1,000	13,000	Entrance fees	10,800
General expenses		1,600	Income from charity show	10,000
News papers		3,000	(19,000 × 9,000)	
Charity		7,000	Sale of news paper	900
Taxes		1,000	Interest on Investment	1,000
Electricity charges		2,800	$\left(40,000 \times \frac{6}{100} \times \frac{5}{12}\right)$	
Depreciation		10,000		
Surplus		34,300	$\left(12 \times \frac{1}{5} + \frac{1}{2} \text{ surplus}\right)$	
		72,700		72,700

Balance Sheet (2 Marks)

As at March 31, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital fund	2,22,300		Cash		17,000
Add Surplus	33,400	2,56,600	Investment		40,000
Subscription Received in advance		1,200	Account Interest		1,000
Outstanding Salary		1,000	Land and Building		1,90,000
			Outstanding Subscription		
			2017-18	1,000	
			2018-19	9,000	10,000
		2,58,800			2,58,800

Working Note (1 Mark)

Balance Sheet

as at March 31, 2018

Liabilities	Amount	Assets	Amount
Capitals fund	2,22,300	Outstanding Subscription	1,800
		Land and Building	2,00,000
		Cash balance	20,500
	2,22,300		2,22,300

21. **Revaluation Account**

Particulars	Amount	Particulars		Amount
To Patents	10,000	By Provision for doubtful debit		2,800
		By loss on revaluation		
		X	4,500	
		Y	2,700	7,200
	10,000			10,000

Partners' Capital Accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
To loss on revaluation	45,000	2,700		By bal b/d	40,000	50,000	
To X's capital A/c general reverse		2,750		By Y's capital A/c (general reverse)	2,750		
To X's capital A/c good will		4,950		By Z's current A/c (general reverse)	2,000		
To balance c/d	50,000	1,00,000	25,000	By Y's capital A/c (good will)	4,950		
				By Z's current A/c	3,600		
				By Bank Capital			25,000
				By current A/c	1,200	60,400	
	54,500	1,10,400	25,000		54,000	1,10,000	25,000
				By balance b/d	50,000	1,00,000	25,000

Balance Sheet as at April 01, 2019

Liabilities		Amount	Assets		Amount
Creditors		30,000	Cash in hand		3,000
General reserve		14,000	Cash at Bank		47,000
Capitals			Debtors	44,000	
X	50,000		Loss Provision	2,200	41,800
Y	1,00,000		Shock		20,000
Z	25,000	1,75,000	Land and Building		40,000
			X's current A/c		1,200
			Y's current A/c		60,400
			Z's current A/c		5,600
		2,19,000			2,19,000

Working Note: Z's shared good will 3,600

A. Calculation of sacrificing ratio Y should give to X

$$X = \frac{5}{8} - \frac{2}{7} = -\frac{19}{56} \text{ (sacrifice)} = \underset{450}{\cancel{36000}} \times \frac{\cancel{7}}{1} \times \frac{11}{\cancel{50}}$$

$$Y = \frac{3}{8} - \frac{4}{7} = -\frac{-11}{56} \text{ (gain)} = 4{,}950$$

$$Z = 0\ \frac{-1}{7} = \frac{-8}{56} \text{ (gain)}$$

Y's capital A/c	Dr.	2,750	
Z's capital A/c	Dr.	2,000	
To Y's capital A/c			4,750
(being adjustment made of general reverse)			
Y's capital A/c	Dr.	4,950	
Z's capital A/c	Dr.	3,600	
To Xs capital A/c			8,550
(being adjustment entry for good will)			

B. Calculation of capitals

Z's capitals $\frac{1}{7}$ in share is 25,00

Total capital = 1,75,000

X's capital should be = $1,75,000 \times \frac{2}{7} - 50,000$

Y'a capital should be = $1,75,000 \times \frac{4}{7} = 1,00,000$

Or

Working Note:

Revaluation Account

Particulars		Amount	Particulars	Amount
To Furniture		16,000	By land building	24,000
To Outstanding Rent		3,000	By Bad debt reverse	1,000
To Revaluation gain				
P	2,000			
Q	2,000			
R	2,000	6,000		
		25,000		25,000

In the book Asha Ltd.

Journal

Particulars		L.F.	Debit	Credit
Revaluation A/c	Dr.		19,000	
To furniture A/c				16,000
To outstanding sent A/c				3,000
Land and Building A/c	Dr.		24,000	
Bad debits reserve A/c			10,000	
To revaluation A/c				25,000
(being land and building appreciated and Bad debits reserve reduced)				

Revaluation A/c Dr. To P To Q To R (being revaluation gain distributed)		6,000	 2,000 2,000 2,000
General reserve A/c Dr. Profits loss A/c Dr. To P To Q To R (being accumulated profit distributed)		60,000 12,000	 24,000 24,000 24,000
P's Capital A/c Dr. R's Capital A/c Dr. To Q's Capital A/c (being adjustment made for good will)		19,200 19,200	 38,400
Bank A/c Dr. To P's capital A/c To R's capital A/c (being cash brought by P and R to payment)		1,24,400	 34,200 90,200
Q's capital A/c Dr. To Bank A/c (being payment made to Q)		1,44,400	 1,44,400

Balance Sheet

Liabilities		Amount	Assets		Amount
Creditors		80,000	Bank		20,000
Bills payable		40,000	Debtors	90,000	
Rent outstanding		3,000	Less reserve	9,000	81,000
Capitals			Stock		40,000
P	1,61,000		Furniture		40,000
R	1,61,000	3,22,000	Land and Building		2,64,000
		4,45,000			4,45,000

Working Note:

Amount payable to Q is 1,44,400
Available cash to pay off Q 20,000
Amount to be brought by P and R 1,24,400

Capital the new firm – P's capital + R's capital + Amount to be brought
= 126800 + 70800 + 124400 = 3,22,000
P will bring = 161000 – 126800 = 34200
R will bring = 161000 – 70500 = 90,200

22. **Journal**

Date	Particulars	L.F.	Debit	Credit
	Bank A/c Dr. To equity share application and allotment A/c (being application money record on 36,000 and shares)		2,16,000	 2,16,000
	Equity share application and allotment A/c Dr. To Equity share capital A/c (24,050 × 3) To calls in advance A/c To security Premium reserve A/c (being application money adjusted toward capitals)		2,16,000	 72,000 72,000 72,000
	Equity share Ist call A/c Dr. To Equity share capital A/c (24,000 × 4) (being fist call money due on 24,000 share)		96,000	 96,000
	Bank A/c Dr. Calls in Advance A/c Dr. Call in areas A/c Dr. To Equity share First call A/c (being calls money received)		23,760 72,000 240	 96,000
	Equity share second first call A/c Dr. To Equity share Capital A/c (24,000 × 3) (being second call money due)		72,000	 72,000
	Bank A/c Dr. Calls in areas A/c (600 × 3) To Equity share second call (being second call received)		70,200 1,800	 72,000
	Sh. capital A/c Dr. (600 × 100) To Sh. forfeiture A/c To call in areas A/c (being share forfeited)		6,000	 3,960 2,040
	Bank A/c Dr. Share forfeiture A/c Dr. To share capital A/c (being 300 shares including 240 share of Vibhu reissued)		1,140 1,800	 3,000

Or

22. A. Application were received for 1,40,000 shares and allotment was made on under:

	Application Received	Allotted	Money transferred to share capital	Adjusted in Allotment
(*a*)	20,000	–	–	–
(*b*)	40,000	40,000	80,000	–
(*c*)	80,000	60,000	1,20,000	40,000
	1,40,000	1,00,00	2,00,000	40,000

Calculated to Amount received no allotment

Allotment money due (1,00,000 × 3)	= 3,00,000	(½)
Less already received	= (40,000)	(½)
Less calls in areas (40,000 × 3)	= (1,20,000)	(½)
Add calls in advance (6,000 × 5)	= 30,000	(½)
	1,70,000	(1)

Journal

Date	Particulars	L.F.	Debit	Credit
	Bank A/c Dr. Calls-in-arrears A/c Dr. To share allotment A/c To calls in advance A/c (being allotment money received)		1,70,000 1,20,000	(1) 2,60,000 30,000

B. Four ways in which securities Premium Reserve Amount can be utilised

(*i*) To write off underwriting commission ₹ 10,00,000

(*ii*) To write off premium on redemption debenture ₹ 12,00,000

(*iii*) To utilise remaining balance (42,00,000 – 10,00,000 – 12,00,000)

(*iv*) To write off expenses, commission or discount allowed on any heather issue of share debenture.

Part B

23. Common size statement

24. (*c*) WS, XQ, YR and ZP

25. (*d*) (*i*) and (*ii*)

26. Current Asset

27. **Current liabilities** or **current maturities of long team debt.**

28. (*i*) Outflow in operating activities

29. Issue of shares

30. Comparative Income statement

Particulars	Note No.	Figure for 2018	Figure for 2019	Absolute change	% Change
I. Revenue from operation		12,00,000	16,80,000	4,80,000	40 (½)
II. Express (*a*) cost of material consumed (*b*) other expenses		 6,00,000 1,20,000	 13,44,000 1,68,000	 7,44,000 48,000	 124 (½) 40 (½)
III. Total expenses		7,20,000	15,12,000	7,92,000	110 (½)
IV. Profit before tax		4,80,000	1,68,000	(3,12,000)	(65) (½)
V. Tax		2,40,000	84,000	(1,56,000)	(65) (½)
VI. Profit after tax		2,40,000	84,000	(1,56,000)	(65) (½)

Or

Common Size Balance Sheet

31St March, 2018 And 2019

	Particulars	Note No.	Liabilities	Amount	% to Balance sheet Total	
			2018	2019	2018	2019
1.	Equity & Liabilities					
	Shareholders Fund					
	a) Share capital		8,00,000	12,00,000	53.34	50
2	Non Current Liabilities					
	long term borrowings		5,00,000	8,00,000	33.33	33.33
3	Current Liabilities					
	Trade payables		2,00,000	4,00,000	13.33	16.67
	TOTAL		**15,00,000**	**2,40,000**	100	100
	1. Assets					
	1-None Current Assets					
	Fixed Assets. Tangible Assets		10,00,000	15,00,000	66.67	62.5
	2. Current Assets					
	Cash & cash Equivalent		5,00,000	9,00,000	33.33	37.5
	TOTAL		**15,00,000**	**2,40,00,000**	100	100

31. Gross Profit Ratio = 25%

$$\text{Gross profit} = \text{Revenue from operation} \times \frac{25}{100}$$

$$= 3{,}00{,}000 \times \frac{25}{100} = 75{,}000$$

Cost of Revenue from operation = Revenue from operation – Gross profit

Cost of revenue from operation = 3,00,000 – 75,000 = 2,25,000

$$\text{Inventory turnover ratio} = \frac{\text{Cost of revenue from operation}}{\text{Average Inventory}}$$

$$4 = \frac{2{,}25{,}000}{\text{Agerage Inventory}} \Rightarrow \text{Average inventory} = \frac{2{,}25{,}000}{4}$$

$$= 56{,}250$$

Lets inventory in the beginning $= x$

Then inventory at the end $= x \times 20,000$

Average inventory $= \frac{x + x + 20,000}{2} = x + 10,000 = 56250$

$x = 46,250$

Inventory in the beginning $= 46,250$

Inventory at the end $= 66,250$

$$\text{Quick ratio} = 75 : 1 = 1 = \frac{\text{Quick Assets}}{\text{Current liabilities}} = \frac{y}{40,000} = 75$$

Quick Assets : $75 \times 40,000 = 30,000$

Current Assets = Quick Assets + Inventory at the end

= 30,000 + 66,250 = 96,250

32. Working Note:

Machinery Account				**AC calculated Depreciation A/c**			
To balance b/d To bank purchase	10,00,000 2,94,000	by bank A/c by Accumulated depreciation A/c By loss on sale By balance c/d	6,000 16,000 2,000 12,70,000	To Machinery A/c To balance c/d	16,000 2,00,000	By balanced b/d By statement of profits loss	1,50,000 66,000
	12,94,000		12,94,000		2,16,000		2,16,000

Cash flow statement (As per As-3 Revised)

For the year ended March 31, 2017

Particulars	**Amount**	**Amount**
A. Cash flow from operating activities		
Profit made drawing the year (3,00,000 – 2,00,000)	1,00,000	
Add proposed dividend	30,000	
Add provision for tax	60,000	
Profit before tax	1,90,000	
Add non cash non operating expenses		
Interest on debenture (14,400 + 10,200)	24,600	
Accumulated depreciation	66,000	
Loss on sale of Machinery	2,000	
Operating profit before working capital changes less decrease in trade payable	2,82,600 (70,000)	
Add decrease in inventories less increase in trade receivables	65,000	
Cash from operating activities before tax less tax paid	(27,000)	
Cash general in operating activities	2,50,600	

B.	**Cash flow from inventory activities**	(70,000)	1,80,600
	Purchase of Machinery Purchase of good will Sale of Machinery	(2,94,000) (28,000) 6,000	
	Cash used in inventing Activities		(3,16,000)
C.	Cash flow from financing Activities Proceeds from share capital Proceeds from issue of debentures Proceeds from Bank overdraft Payment of Interest Payment of divided	 1,00,000 70,000 3,000 (24,600) (30,000)	
	Cash generated in financing Activities		1,45,400
D.	Net cash generated from various Activities		10,000
E.	Opening balance of cash and cash equivalent (3.00,000 + 1,50,000)		4,50,000
F.	Closing balance of cash and cash equivalent (3,20,000 + 1,40,000)		4,60,000