

Solutions to RSPL/3

1. The retiring partner/executor of deceased partner at their option, is entitled to receive either interest @ 6% p.a. on the balance amount due or share in the profit earned by using the amount due to him, till the amount due is paid off (Section 37, Indian Partnership Act 1932).
2. Employee stock option plan is a scheme under which a company grants options to its employees to apply for shares at price less than its market price.
3. ₹ 1,200 will appear in the Balance Sheet under Share Capital.

4. **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	A's Capital A/c Dr.		24,000	
	C's Capital A/c Dr.		6,000	
	To B's Capital A/c			30,000
	(Being B's share of goodwill adjusted to the capitals accounts of A and C in gaining ratio, i.e., 4 : 1)			

Working Notes:

$$\text{B's share of goodwill} = \frac{1}{3} \times 90,000 = ₹ 30,000$$

$$\text{Gaining ratio} = \text{New Ratio} - \text{Old Ratio}$$

$$A = \frac{3}{5} - \frac{1}{3} = \frac{4}{15}$$

$$B = \frac{2}{5} - \frac{1}{3} = \frac{1}{15}$$

∴ Gaining ratio is 4 : 1.

5. **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Partner's Loan A/c Dr.		1,10,000	
	To Partner's Capital A/c			10,000
	To Bank A/c			1,00,000
	(Being partner's loan set off against the debit balance of capital and balance paid off)			

6. $\text{Goodwill} = \text{Super Profit} \times \text{Number of Years of Purchases}$

$$\text{Super Profit} = \text{Average Profit} - \text{Normal Profit}$$

$$\begin{aligned} \text{Normal Profit} &= 10\% \text{ of } 20,00,000 + 60,000 \\ &= 2,00,000 + 60,000 = ₹ 2,60,000 \end{aligned}$$

$$\text{Super Profit} = 3,60,000 - 2,60,000 = 1,00,000$$

$$\text{Goodwill} = 1,00,000 \times 2 = ₹ 2,00,000$$

7.

Journal of Vaishal Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1 April 2016 (a)	Bank A/c Dr. To Debenture Application and Allotment A/c (Being 10,000, 9% debentures of ₹ 100 each issued at a premium of 5%)		10,50,000	10,50,000
1 April 2016 (b)	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c To Premium on Redemption of Debenture A/c (Being 10,000, 9% debentures of ₹ 100 each issued at a premium of 5% redeemable at a premium of 10%)		10,50,000 1,00,000	10,00,000 50,000 1,00,000
31 March 2017	Debenture Interest A/c Dr. To Debentureholders A/c To Tax deducted at source A/c (Being interest on debentures due)		90,000	81,000 9,000
	Debentureholders A/c Dr. Tax deducted at source A/c Dr. To Bank A/c (Being interest, along with tax paid)		81,000 9,000	90,000
	Statement of Profit and Loss Dr. To Debenture Interest A/c (Being debenture interest transferred to statement of profit and loss)		90,000	90,000

8.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Plant and Machinery A/c Dr. Building A/c Dr. Sundry Debtors A/c Dr. Stock A/c Dr. Furniture A/c Dr. To Sundry Creditors A/c To P Ltd. To Capital Reserve (Bal. Fig.) (Being business of P Ltd. purchased)		90,000 90,000 30,000 50,000 20,000	20,000 2,50,000 10,000
	P Ltd. Dr. To Bank A/c To Bills Payable A/c (Being part of purchase consideration paid through bank draft and by acceptance of a bill)		1,00,000	80,000 20,000
	P Ltd. Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Being 20,000, 9% debentures of ₹ 10 each issued at a discount of 25%)		1,50,000 50,000	2,00,000

9. (a)	Total amount due on allotment $60,000 \times ₹ 5$	3,00,000
	Less: Excess application adjusted to allotment $(40,000 \times 3)$	1,20,000
		1,80,000
	Less: Amount unpaid by Nikhil and vaibhav (Note 2)	(3,400)
	Amount received on allotment	1,76,600
(b)	Number of shares allotted to Nikhil = $\frac{1000 \times 30,000}{60,000} = 500$ shares	
	Number of shares applied by Vaibhav = $\frac{600 \times 40,000}{30,000} = 800$ shares	
	Amount of Allotment due from Nikhil (500×5)	2,500
	Less: Excess application money adjusted (500×3)	(1,500)
	Unpaid amount	1,000
	Amount of allotment due from Vaibhav (600×5)	3,000
	Less: Excess application money adjusted (200×3)	(600)
	Unpaid amount	2,400

10. **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	C's Capital A/c Dr.		4,780	
	To A's Capital A/c			2,740
	To B's Capital A/c			2,040
	(Being the affect of adjustment recorded)			

Calculation of opening capital

	A	B	C
Closing Capital	44,000	30,000	25,000
Less : Profit	12,000	12,000	12,000
Opening Capital	32,000	18,000	13,000

Adjustment Table

Particulars	A	B	C
Profit wrongly distributed debited	12,000 Dr.	12,000 Dr.	12,000 Dr.
IOC to be credited	1,600 Cr.	900 Cr.	650 Cr.
Profit distributed in 2:2:1	13,140 Cr.	13,140 Cr.	6,570 Cr.
	14,740 Cr.	14,040 Cr.	7,220 Cr.
Net adjustment	2,740 Cr.	2,040 Cr.	4,780 Dr.

Values highlighted here are:

- Care for environment
- Fulfilling responsibility towards society

11.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(a)	Profit and Loss A/c Dr. To Profit and Loss Appropriation A/c (Being profit transferred from profit and loss a/c to profit and loss appropriation account)		4,24,000	4,24,000
(b)	Profit and Loss Appropriation A/c Dr. To Interest on Capital A/c (Being interest on capital appropriated in profit and loss appropriation A/c)		1,20,000	1,20,000
(c)	Interest on Capital A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Being interest on capital allowed to partners)		1,20,000	48,000 40,000 32,000
(d)	Profit and Loss Appropriation A/c Dr. To Salary A/c (Being salary appropriated through profit and loss appropriation A/c)		1,24,000	1,24,000
(e)	Salary A/c Dr. To B's Capital A/c To C's Capital A/c (Being salary of B and C allowed to partners)		1,24,000	84,000 40,000
(f)	Profit and Loss Appropriation A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Being profit distributed among A, B and C in ratio 4 : 2 : 3)		1,80,000	80,000 40,000 60,000
(g)	A's Capital A/c Dr. To C's Capital A/c (Being deficiency on account of guarantee to C borne by A)		10,000	10,000

12.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	P's Capital A/c Dr. Q's Capital A/c Dr. To R's Capital A/c (Being retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio)		2,000 10,000	12,000

Working Notes:

1. Calculation of Hidden goodwill:

Amount agreed to be paid to R (56,000 + 20,000 × 4)	1,36,000
Less: Adjusted Capital of R	1,24,000
Hidden goodwill	<u>12,000</u>

2. Calculation of Gaining Ratio:

$$P's \text{ Gain} = \frac{1}{4} - \frac{1}{6} = \frac{1}{12}$$

$$Q's \text{ Gain} = \frac{3}{4} - \frac{2}{6} = \frac{5}{12}$$

Gaining ratio is 1 : 5.

13. Dr.

X's Capital A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	35,000	By Balance b/d	3,00,000
To X's Executor's A/c	3,04,000	By Interest on Capital A/c (WN 1)	9,000
		By Y's Capital A/c	16,000
		By Z's Capital A/c (WN 2)	4,000
		By Workmen Compensation Fund	6,000
		By Profit and Loss Suspense A/c (WN-3)	4,000
	3,39,000		3,39,000

Working Notes:-

1. Interest on Capital $3,00,000 \times \frac{6}{100} \times \frac{6}{12} = 9,000$

2. X's share of goodwill = $\frac{1}{3} \times 60,000 = 20,000$

Calculation of Gaining Ratio

$$Y = \frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$$

$$Z = \frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$$

∴ X's share of goodwill will be contributed by Y and Z in ratio 4 : 1, i.e., ₹ 16,000 and ₹ 4,000 respectively

3. X's share of Profit = $24,000 \times \frac{6}{12} \times \frac{1}{3} = ₹ 4,000$

14.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Realisation A/c Dr.		6,70,000	
	To Fixed Assets A/c			4,50,000
	To Sundry Debtors A/c			1,80,000
	To Goodwill A/c			40,000
	(Being assets transferred to realisation a/c)			
	Employees Provident Fund A/c Dr.		80,000	
	Provision for Bad Debts A/c Dr.		20,000	
	Workmen Compensation Fund A/c Dr.		20,000	
	Sundry Creditors A/c Dr.		1,20,000	
	To Realisation A/c			2,40,000
	(Being liabilities transferred to realisation a/c)			

Workmen Compensation Fund A/c	Dr.	10,000	
To S's Capital A/c			6,000
To P's Capital A/c			4,000
(Being remaining workmen compensation fund distributed among partner)			
Realisation A/c	Dr.	1,70,000	
To Bank A/c			1,70,000
(Being liabilities paid off)			
Bank A/c	Dr.	4,00,000	
To Realisation A/c			4,00,000
(Being assets realised)			
S's Capital A/c	Dr.	12,000	
To Realisation A/c			12,000
(Being unrecorded asset taken over by S)			
Realisation A/c	Dr.	12,000	
To P's Capital A/c			12,000
(Being realisation expenses paid by partner P)			
S's Capital A/c	Dr.	1,20,000	
P's Capital A/c	Dr.	80,000	
To Realisation A/c			2,00,000
(Being loss on realisation transferred to partners capital a/c)			
S's Capital A/c	Dr.	1,94,000	
P's Capital A/c	Dr.	1,16,000	
To Bank A/c			3,10,000
(Being S and P paid the full amount due)			

15. (a)

Journal of Tripti Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 April 30	Debenture Redemption Investment A/c To Bank A/c (Being investment made in specified securities @ 15% of the face value of the debentures)	Dr.	6,00,000	6,00,000
2017 March 31	Surplus, i.e., Balance in Statement of Profit and Loss To Debenture Redemption Reserve A/c (Being DRR created to the extent of 25% of outstanding debentures)	Dr.	1,20,000	1,20,000
2017 March 31	Bank A/c To Debenture Redemption Investment A/c To Interest Earned A/c (Being investment encashed)	Dr.	6,55,000	6,00,000 55,000
	9% Debentures A/c Premium on Redemption of Debentures A/c To Debentureholders A/c (Being amount due to debentureholders)	Dr. Dr.	40,00,000 8,00,000	48,00,000

Debentureholders A/c To Bank A/c (Being payment made to debentureholders)	Dr.	48,00,000	48,00,000
Debenture Redemption Reserve A/c To General Reserve A/c (Being transfer of DRR to general reserve)	Dr.	10,00,000	10,00,000

(b)

Journal of Sighania Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Own Debentures A/c To Bank A/c (Being purchase of 8,000 own debentures @ ₹ 160 each)	Dr.	12,80,000	12,80,000
	9% Debentures A/c To Own Debentures A/c To Gain on cancellation of Own Debentures A/c (Being cancellation of 8000 own debentures)	Dr.	16,00,000	12,80,000 3,20,000
	Gain on cancellation of Own Debentures A/c To Capital Reserve A/c (Being gain on cancellation transferred to general reserve)	Dr.	3,20,000	3,20,000

16. Dr. Revaluation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Investment A/c	10,000	By Loss transferred to:	
To Bad Debts A/c	500	Rahul	9,150
To Provision for Bad Debts A/c	1,750	Tarun	6,100
To claim against Workmen Compensation A/c	3,000		15,250
	15,250		15,250

Dr. Partners' Capital A/c Cr.

Particulars	Rahul (₹)	Tarun (₹)	Saurabh (₹)	Particulars	Rahul (₹)	Tarun (₹)	Saurabh (₹)
To Revaluation A/c	9,150	6,100		By Balance b/d	1,80,000	1,20,000	
To Balance c/d	1,90,650	1,27,100	63,550	By General Reserve A/c	4,800	3,200	
				By Premium for Goodwill A/c	15,000	10,000	
				By Bank A/c			63,550
	1,99,800	1,33,200	63,550		1,99,800	1,33,200	63,550

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs:		Building	2,00,000
Rahul	1,90,650	Investments	40,000
Tarun	1,27,100	Stock	30,000
Saurabh	63,550	Debtors	17,500
Claim against Workmen Compensation	5,000	Less: Provision	- (1750)
		Cash at Bank (12,000 + 25,000 + 63,550)	1,00,550
	3,86,300		3,86,300

Working Notes:

Adjusted Capital of Rahul and Tarun (1,90,650 + 1,27,100) = 3,17,750

Total Capital of the firm = $3,17,750 \times \frac{6}{5}$

Capital of Saurabh = $3,17,750 \times \frac{6}{5} \times \frac{1}{6} = 63,550$

Or

Dr.	Revaluation A/c	Cr.	Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Assets A/c	10,000	By Creditors	5,000
To Provision for Bad Debts A/c	4,000	By Loss transferred to:	
		Kalu	3,000
		Malu	4,500
		Ralu	1,500
	14,000		9,000
			14,000

Dr.	Partners' Capital A/cs			Cr.	Cr.		
Particulars	Kalu (₹)	Malu (₹)	Ralu (₹)	Particulars	Kalu (₹)	Malu (₹)	Ralu (₹)
To Goodwill A/c	10,000	15,000	5,000	By balance b/d	1,00,000	80,000	60,000
To Revaluation A/c	3,000	4,500	1,500	By Ralu Capital A/c	20,000		
To Kalu's Capital A/c			20,000				
To Bank A/c	10,7,000						
To Balance c/d		1,00,500	1,00,500	By Bank A/c		40,000	67,000
	1,20,000	1,20,000	1,27,000		1,20,000	1,20,000	1,27,000

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs:		Fixed Assets	1,50,000
Malu	1,00,500	Stock	40,000
Ralu	1,00,500	Debtors	20,000
Employee Provident Fund	12,000	Less: Provision	(4,000)
Creditors	5,000	Cash at Bank	12,000
	2,18,000		2,18,000

Working Notes:

Calculation of gaining ratio:

$$\text{Malu} = \frac{1}{2} - \frac{3}{6} = \text{Nil.}$$

$$\text{Ralu} = \frac{1}{2} - \frac{1}{6} = \frac{2}{6}$$

Adjusted Capital of Malu = 60,500

Adjusted Capital of Ralu = 33,500

Cash required for Kalu = 1,07,000

Total Capital = 2,01,000

∴ Capital of Malu and Ralu is ₹ 1,00,500 each.

17.

Journal of Dusaj Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		3,40,000	
	To Share Application A/c			3,40,000
	(Being application money received for 85,000 shares @ ₹ 4 per share)			
	Share Application A/c Dr.		3,40,000	
	To Share Capital A/c			2,80,000
	To Bank A/c			40,000
	To Share Allotment A/c			20,000
	(Being share application money adjusted)			
	Share Allotment A/c Dr.		2,80,000	
	To Share Capital A/c			2,80,000
	(Being allotment due on 70,000 shares @ ₹ 4 each)			
	Bank A/c Dr.		2,54,800	
	To Share Allotment A/c			2,54,800
	(Being allotment money duly received except on 1400 shares)			

Share Capital A/c	Dr.	11,200	
To Share Forfeiture A/c			6,000
To Share Allotment A/c			5,200
(Being 1400 shares forfeited for non-payment of dues)			
Share First and Final Call A/c	Dr.	1,37,200	
To Share Capital A/c			1,37,200
(Being share first and final call due on 68,600 shares @ ₹ 2 each)			
Bank A/c	Dr.	1,35,800	
To Share First and Final Call A/c			1,35,800
(Being share first and final call received except on 700 shares)			
Share Capital A/c	Dr.	7,000	
To Share Forfeiture A/c			5,600
To Share First and Final Call A/c			1,400
(Being 700 shares forfeited for non-payment of share first and final call of ₹ 2 each)			
Bank A/c	Dr.	12,000	
Share Forfeiture A/c	Dr.	3,000	
To Share Capital A/c			15,000
(Being 1500 shares reissued @ ₹ 8 each fully paid up)			
Share Forfeiture A/c	Dr.	3,800	
To Capital Reserve A/c			3,800
(Being proportionate amount of share forfeiture transferred to capital reserve)			

Working Notes:

Amount due on allotment	₹ 2,80,000
Less : Excess application money adjusted to allotment	20,000
	<u>2,60,000</u>
Less: Amount not received from applicant of 1500 shares who is allotted 1400 shares (5600 – 400)	5,200
	<u>2,54,800</u>

Or

Journal of Aumsum Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.	9,75,000	
	To Share Application A/c			9,75,000
	(Being share application money received on 65,000 shares @ ₹ 15 each including premium of ₹ 12)			

Share Application A/c To Share Capital A/c To Securities Premium Reserve A/c (Being application money transferred to share capital and securities premium reserve a/c)	Dr.	9,75,000	1,95,000 7,80,000
Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due on 65000 shares @ ₹ 10 each including premium of ₹ 8 each)	Dr.	6,50,000	1,30,000 5,20,000
Bank A/c To Share Allotment A/c (Being allotment duly received except on 2000 shares)	Dr.	6,30,000	6,30,000
Share Capital A/c Securities Premium Reserve A/c To Share Forfeiture A/c To Share Allotment A/c (Being 2000 shares forfeited for the non-payment of due amount)	Dr. Dr.	10,000 16,000	6,000 20,000
Share First and Final Call A/c To Share Capital A/c To Securities Premium Reserve A/c (Being first and final call due on 63000 shares @ ₹ 20 each including a premium of ₹ 15 each)	Dr.	12,60,000	3,15,000 9,45,000
Bank A/c To Share First and Final Call A/c (Being share first and final call received on 60,000 shares)	Dr.	12,00,000	12,00,000
Share Capital A/c Securities Premium Reserve A/c To Share Forfeiture A/c To Share First and Final Call A/c (Being 3,000 shares forfeited for non-payment of share first and final call a/c)	Dr. Dr.	30,000 45,000	15,000 60,000
Bank A/c To Share Capital A/c To Securities Premium Reserve A/c (Being 4000 forfeited shares reissued at ₹ 50 each)	Dr.	2,00,000	40,000 1,60,000
Share Forfeiture A/c To Capital Reserve A/c (Being gain and reissue transferred to capital reserve)	Dr.	16,000	16,000

18. Interest received on calls-in-arrears by a company is considered as financing activity.

19. Operating Activity is the principal revenue producing activity of the enterprise whereas financing activity is that activity which changes the size and composition of owner's capital and borrowing of the enterprise.

Balance Sheet of Shyama Ltd.*as at 31st March 2017*

Sr. No.	Particulars	Note No.	31 March 2017 ₹	31 March 2016 ₹
I.	EQUITY AND LIABILITIES			
	Shareholders Fund			
	Share Capital		10,00,000	
	Reserves and Surplus	1	50,000	
	Non-Current Liabilities			
	Long-term Borrowings	2	5,00,000	
	Current Liabilities			
	Trade Payables		2,00,000	
	Short-term Provisions	3	50,000	
			18,00,000	
II.	ASSETS			
	Non-current Assets			
	Fixed Assets	4	9,00,000	
	Non-current Investments	5	4,00,000	
	Current Assets			
	Inventories	6	4,00,000	
	Cash and Cash Equivalents		1,00,000	
			18,00,000	

Notes to Accounts:

Particulars	Year ended March 31, 2017 (₹)
1. Reserves and Surplus	
Securities Premium Reserve	1,00,000
Debit Balance in Statement of Profit & Loss	(50,000)
	50,000
2. Long-term Borrowings	
12% Debentures	5,00,000
	5,00,000
3. Short-term Provisions	
Proposed Dividend	50,000
	50,000
4. Fixed Assets	
Machinery	9,00,000
	9,00,000

5.	Non-Current Investment	
	Government Bonds	4,00,000
		4,00,000
6.	Inventories	
	Work in Progress	4,00,000
		4,00,000

21. (a) Inventory Turnover Ratio = $\frac{\text{Cost of revenue from operations}}{\text{Average inventories}}$

$$\begin{aligned} \text{Cost of revenue from Operations} &= \text{Revenue from Operations} - \text{Gross Profit} \\ &= 2,00,000 - 50,000 \\ &= ₹ 1,50,000 \end{aligned}$$

$$\text{Average Inventories} = \frac{\text{Opening Inventories} + \text{Closing Inventories}}{2}$$

$$\begin{aligned} \text{Closing Inventories} &= 40\% \text{ of Revenue from operations} \\ &= 40\% \text{ of } 2,00,000 = ₹ 80,000 \end{aligned}$$

$$\text{Opening Inventories} = \frac{1}{4} \text{ of Closing inventories} = \frac{1}{4} \times 80,000 = ₹ 20,000$$

$$\text{Average Inventories} = \frac{80,000 + 20,000}{2} = ₹ 50,000$$

$$\text{Inventories Turnover Ratio} = \frac{1,50,000}{50,000} = 3 \text{ times}$$

(b) Current Ratio = 4 : 1

Let Current Liabilities be x

∴ Current Assets is $4x$

$$\text{Working Capital} = 1,80,000 \text{ (Given)}$$

$$\therefore 4x - x = 1,80,000$$

$$3x = 1,80,000$$

$$x = ₹ 60,000$$

$$\text{Current Assets } (4 \times 60,000) = ₹ 2,40,000$$

$$\text{Quick ratio} = 1.2 : 1$$

$$\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}} = \frac{1.2}{1}$$

$$\frac{2,40,000 - \text{Inventories}}{60,000} = 1.2$$

$$\text{Inventories} = 2,40,000 - 72,000$$

$$= ₹ 1,68,000$$

22.

Comparative Statement of Profit and Loss
for the year ended 31st March 2016 and 2017

Particulars	31.3.2016 (₹)	31.3.2017 (₹)	Absolute Change	% Change
Revenue from operations	20,00,000	24,00,000	4,00,000	20%
Expenses:				
Cost of Material Consumed	18,00,000	19,00,000	1,00,000	5.5%
Employees Benefit Expenses	50,000	80,000	30,000	60%
Total Expenses	18,50,000	19,80,000	1,30,000	7.02%
Net Profit before Tax	1,50,000	4,20,000	2,70,000	180%
Less: Tax	(60,000)	(1,68,000)	(1,08,000)	180%
	90,000	2,52,000	1,62,000	180%

23.

Cash Flow Statement
for the year ended 31.3.17 and 31.3.2016

Sr. No.	Particulars	Details ₹	Total ₹
A.	Cash flows from Operating Activities:		
	Net Profit before Tax	48,000	
	Add : Depreciation on Fixed Assets	20,000	
	Interest on Debentures	17,500	
	Premium on redemption of Debentures	2,500	
	Less : Profit on sale of Plant and Machinery	(13,000)	
		75,000	
	Less : Decrease in Trade Payables	(40,000)	
	Increase in Inventories	(20,000)	
	Increase in Trade Receivables	(40,000)	
		(25,000)	
	Less : Tax Paid	(25,000)	
	Cash used in Operating Activities	(50,000)	(50,000)
B.	Cash flows from Investing Activities:		
	Purchase of Plant and Machinery	(2,85,000)	
	Sale of Plant and Machinery	28,000	
	Sale of Non-Current Investments	25,000	
	Cash used in Investing Activities	(2,32,000)	(2,32,000)
C.	Cash flows from Financing Activities:		
	Proceeds from Issue of Share Capital	3,25,000	
	Redemption of Debentures	(27,500)	
	Payment of Bank Overdraft	(8,000)	
	Interest Paid on Debentures	(17,500)	
	Cash from financing activities	2,72,000	2,72,000
D.	Net decrease in Cash and Cash Equivalents (A + B + C)		(10,000)
E.	Add : Opening Cash and Cash Equivalents		1,00,000
F.	Closing Cash and Cash Equivalents		90,000

Working Notes:

1. Calculation of Net Profit before Tax

Surplus as per Statement of Profit and Loss	10,000
Add: Transfer to General Reserve	13,000
Add: Tax paid during the year	25,000
	48,000

Dr. **Plant and Machinery A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,40,000	By Accumulated Depreciation A/c	20,000
To Statement of Profit and Loss	13,000	By Bank A/c	28,000
To Bank A/c (Balancing Fig.)	2,85,000	By Balance c/d	7,90,000
	8,38,000		8,38,000

Dr. **Accumulated Depreciation A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant and Machinery A/c	20,000	By Balance b/d	90,000
To Balance b/d	90,000	By Statement of Profit and Loss	20,000
	1,10,000		1,10,000