

Solutions to RSPL/2

1. On admission of Z as a partner only Y sacrificed for him. So, the whole amount will be credited to his capital.
2. No, Securities Premium Reserve cannot be used as working capital because section 52(2) of the Companies Act, 2013 restricts its use for the specified purposes only.

3. M's new share = $\frac{2}{5}$

N's new share = $\frac{1}{5} + \frac{2}{5} = \frac{3}{5}$

∴ New ratio of M and N is 2:3.

4. No, we do not agree with the treatment. Under fixed capital method, salary and interest on capital will be shown in Partner's current A/c.

5. Number of debentures issued = $\frac{4,14,000}{45} = 9,200$ debentures.

6. **Table showing adjustment**

Particulars		Amit	Aman	Total
Interest on Capital	Cr.	5,000	10,000	15,000
Amount distributed among partners	Dr.	6,000	9,000	15,000
Difference		1,000	1,000	Nil
		Dr.	Cr.	

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Amit's Current A/c Dr. To Aman's Current A/c (Being interest on capital adjusted)		1,000	1,000

7. **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
30th June 2017	7% Debentures A/c Dr. To Statement of profit and loss A/c To Discount on issue of Debentures A/c To Debentureholders A/c (Being amount payable to debentureholders on conversion)		2,00,000	10,000 10,000 1,80,000
30th June 2017	Debentureholder A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Being debentures converted into shares)		1,80,000	1,44,000 36,000

Number of equity shares issued = $\frac{18,000}{125} = 1440$ debentures

8. As a manager, Upasana got salary $(2000 \times 12) \times 2 = ₹ 48,000$

$$\text{and interest on deposit} \left(50,000 \times \frac{8}{100} \times 2 \right) = ₹ 8,000$$

$$= ₹ 56,000$$

As a partner, Upasana will get

$$\text{Interest on Capital } 50,000 \times \frac{6 \times 2}{100} = ₹ 6,000$$

Share in profit = 1,00,000 + 1,30,000 + 56,000 (as a manager) – 6000 (as a partner)

$$= 2,80,000 \times \frac{1}{4} = 70,000$$

∴ Total amount she should get = 6,000 + 70,000 = ₹ 76,000

Excess amount shared by Rohit and Seema in 5 : 2

$$= ₹ 76,000 - 56,000 = ₹ 20,000$$

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Upasana's Loan A/c To Upasana's Capital A/c (Being Upasana loan converted in to her capital)	Dr.	50,000	50,000
	Rohit's Capital A/c Seema's Capital A/c To Upasana's Capital A/c (Being deficiency borne by Rohit and Seema)	Dr. Dr.	12,000 8,000	20,000

Balance Sheet of Alok Ltd (An Extract)

As at

Particulars	Note No.	Amount (₹)
Equity and Liabilities		
1. Shareholder's fund		
Share Capital	1	6,01,49,200

Notes to Accounts

1. Share Capital		
Authorised Capital		
1,00,00,000 equity shares of ₹ 10 each		10,00,00,000
Issued Capital		
60,15,000 shares of ₹ 10 each		6,01,50,000
Subscribed Capital		
Subscribed and fully paid up		
60,14,600 shares of ₹ 10 each		6,01,46,000
Subscribed but not fully paid up		
400 shares of ₹ 10 each	4,000	
Less: Calls in arrears	(800)	3,200
	3,200	
		6,01,49,200

Values highlighted are:

- Fulfilling social responsibilities
- Concern for orphans.

10.

Table showing Amount of Discount to be written off

Year	O/s debentures	Ratio	Amount of Discount to be (₹) written of (Discount = 1,60,000)
1	20,00,000	10	$1,60,000 \times \frac{10}{40} = ₹ 40,000$
2	20,00,000	10	$1,60,000 \times \frac{10}{40} = ₹ 40,000$
3	18,00,000	9	$1,60,000 \times \frac{9}{40} = ₹ 36,000$
4	14,00,000	7	$1,60,000 \times \frac{7}{40} = ₹ 28,000$
5	8,00,000	4	$1,60,000 \times \frac{4}{40} = ₹ 16,000$
		40	1,60,000

11. Dr.

Revaluation A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	2,000	By Land & Buildings A/c	34,000
To Stock A/c	2,000		
To Profit transferred to			
G's Capital A/c	21,000		
E's Capital A/c	6,000		
F's Capital A/c	3,000		
	30,000		
	34,000		34,000

Dr.

E's Capital A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Goodwill A/c	8,000	By Balance b/d	70,000
To E's Executor A/c	78,400	By Revaluation A/c	6,000
		By General Reserve A/c	4,000
		By Profit & Loss Suspense A/c	6,400
		$\left(80,000 \times \frac{2}{10} \times \frac{146}{365}\right)$	
	86,400		86,400

Dr.

E's Executor's A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To E's Executors Loan A/c	1,08,400	By E's Capital A/c	78,400
		By E's Loan A/c	30,000
	1,08,400		1,08,400

12. Goodwill = Super Profit × Number of years purchase
60,000 = Super Profit × 4
Super Profit = ₹ 15,000
Capital employed = Assets – Liabilities
= (1,00,000 + 20,000) – 10,000
= 1,10,000
Normal Profit = Capital employed × $\frac{\text{Normal rate of return}}{100}$
= 1,10,000 × $\frac{8}{100}$
= ₹ 8,800
Super Profit = Average Profit – Normal Profit
15,000 = Average Profit – 8,800
Average Profit = ₹ 23,800

13. **Journal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.04.16	Bank A/c Dr. To Debenture Application and Allotment A/c (Being debenture application received)		1,88,000	1,88,000
1.04.16	Debenture Application & Allotment A/c Dr. Loss on issue of Debenture A/c Dr. To 8% Debenture A/c To Premium on redemption of Debenture A/c (Being application money transferred to Debenture)		1,88,000 32,000	2,00,000 20,000
30.09.16	Debenture Interest A/c Dr. To Debentureholders A/c To TDS payable A/c (Being interest (6 months) due on debentures)		8,000	7,200 800
30.09.16	Debentureholders A/c Dr. TDS payable A/c Dr. To Bank A/c (Being payment made to debentureholder)		7,200 800	8,000
31.03.17	Debenture Interest A/c Dr. To Debentureholders A/c To TDS payable A/c (Being interest (6 months) due on debentures)		8,000	7,200 800
31.03.17	Debentureholder A/c Dr. TDS payable A/c Dr. To Bank A/c (Being payment made to debentureholder)		7,200 800	8,000
31.03.17	Statement of Profit and Loss A/c Dr. To Debenture Interest A/c (Being Interest transferred to statement of P & L A/c)		16,000	16,000

14. Dr.

Revaluation A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Building A/c	3,000	By Land A/c	30,000
To Profit transferred to		By Creditors A/c	6,000
Rahul's Capital A/c	5,500		
Sandhya's Capital A/c	11,000		
Tushar's Capital A/c	16,500		
	33,000		
	36,000		36,000

Dr.

Partners' Capital A/c

Cr.

Particulars	Rahul (₹)	Sandhya (₹)	Tushar (₹)	Particulars	Rahul (₹)	Sandhya (₹)	Tushar (₹)
To Tushar's Capital A/c	25,000			By Balance b/d	1,00,000	52,000	25,000
To Cash A/c	5,500		1,500	By Revaluation A/c	5,500	11,000	16,500
To Balance c/d	80,000	80,000	80,000	By General Reserve A/c	5,000	10,000	15,000
				By Rahul's Capital A/c			25,000
				By Cash A/c		7,000	
	1,10,500	80,000	81,500		1,10,500	80,000	81,500

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	44,000	Cash at Bank (7,000 + 7,000 – 5,500 – 1,500)	7,000
Bills payable	20,000	Debtors	30,000
Capital:		Stock	40,000
Rahul 80,000		Plant	1,00,000
Sandhya 80,000		Building	47,000
Tushar 80,000	2,40,000	Land	80,000
	3,04,000		3,04,000

Sacrificing Ratio = Old ratio – New ratio

$$\text{Rahul} = \frac{1}{6} - \frac{1}{3} = -\frac{1}{6} \text{ (Gain)}$$

$$\text{Sandhya} = \frac{2}{6} - \frac{1}{3} = 0$$

$$\text{Tushar} = \frac{3}{6} - \frac{1}{3} = \frac{1}{6} \text{ (Sacrifice)}$$

Total adjusted capital of Rahul, Sandhya and Tushar = 85,500 + 73,000 + 81,500
= ₹ 2,40,000

New Capital of Rahul, Sandhya and Tushar = 2,40,000 × $\frac{1}{3}$
= ₹ 80,000 each

15. Dr.

Realisation Account

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Goodwill	10,000	By Investment Fluct. Fund A/c	5,000
To Buildings A/c	25,000	By Provision for Doubt Debt A/c	2,000
To Investments A/c	25,000	By Creditors A/c	8,000
To Stock A/c	15,000	By Bank overdraft A/c	6,000
To Debtors A/c	17,000	By X's Brother's Loan A/c	8,000
To X's Capital A/c (Brother's loan)	8,000	By Bank A/c(Assets Realised):	
To Bank A/c:		Debtors	12,000
Creditors	6,000	Investments	20,000
Bank Overdraft	6,000	Goodwill	6,000
	12,000	Buildings	29,000
To Bank A/c(Realisation Exp.)	2,000	Stock(50% of ₹ 10,000)	5,000
			72,000
		By Y's Capital A/c (Stock)	4,000
		By Loss transferred to:	
		X's Capital A/c	7,200
		Y's Capital A/c	1,800
			9,000
	1,14,000		1,14,000

Dr.

Partner's Capital Accounts

Cr.

Particulars	X	Y	Particulars	X	Y
To profit and loss A/c	8,000	2,000	By Balance b/d	50,000	40,000
To Realisation A/c (stock)		4,000	By Realisation A/c	8,000	—
To Realisation A/c (loss)	7,200	1,800			
To Bank A/c (Bal.Figure)	42,800	32,200			
	58,000	40,000		58,000	40,000

Dr.

Bank Account

Cr.

Particular	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	20,000	By Y's loan A/c	3,000
To Realisation A/c (assets realised)	72,000	By Realisation A/c (liabilities paid off)	12,000
		By Realisation A/c (expenses of realisation)	2,000
		By X's Capital A/c	42,800
		By Y's Capital A/c	32,200
	92,000		92,000

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Bank A/c To Share Application A/c (Being application money received)	Dr.	3,40,000	3,40,000
2.	Share Application A/c To Share Capital A/c To Securities Premium Reserve A/c To Bank A/c To Share Allotment A/c (Being application money transferred to capital)	Dr.	3,40,000	2,10,000 70,000 40,000 20,000
3.	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)	Dr.	2,10,000	1,40,000 70,000
4.	Bank A/c To Share Allotment A/c To Calls in Advance A/c (Being allotment money received)	Dr.	1,92,000	1,90,000 2,000
5.	Share First & Final Call A/c To Share Capital A/c (Being share First and Final Call amount due)	Dr.	3,50,000	3,50,000
6.	Bank A/c Calls in Advance A/c Calls in Arrears A/c To Share First & Final Call A/c (Being Share Final Call received)	Dr. Dr. Dr.	3,44,500 2,000 3,500	3,50,000
7.	Share Capital A/c To Share Forfeited A/c To Calls in Arrears A/c (Being shares forfeited)	Dr.	7,000	3,500 3,500
8.	Bank A/c To Share Capital A/c To Securities Premium Reserve A/c (Being shares re-issued)	Dr.	6,000	5,000 1,000
9.	Share Forfeited A/c To Capital Reserve A/c (Being forfeited amount transferred to capital reserve)	Dr.	2,500	2,500
10.	Share Issue expenses A/c To Bank A/c (Being share issue expense paid)	Dr.	12,000	12,000
11.	Securities Premium Reserve A/c To Share Issue Expenses A/c (Being share issue expended transferred to securities premium reserve)	Dr.	12,000	12,000

Or

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Bank A/c Dr. To Share Application A/c (Being application money received)		4,00,000	4,00,000
2.	Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being application money transferred to share capital)		4,00,000	2,00,000 2,00,000
3.	Share Allotment A/c Dr. To Securities Premium Reserve A/c To Share Capital A/c (Being allotment money due)		5,00,000	2,00,000 3,00,000
4.	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)		5,02,000 1,000	5,00,000 3,000
5.	Share Capital A/c (200 × 5) Dr. Securities Premium Reserve A/c (200 × 2) Dr. To Forfeited Shares A/c To Calls in Arrears A/c (Being shares forfeited for non-payment of allotment)		1,000 400	400 1,000
6.	Share First Call A/c (99,800 × 4) Dr. To Share Capital A/c To Securities Premium Reserve A/c (99800 × 11) (Being share First Call due)		3,99,200	2,99,400 99,800
7.	Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrears A/c Dr. To Share First Call A/c To Calls in Advance A/c (Being shares first call amount received)		3,97,200 2,000 600	3,99,200 600
8.	Share Capital A/c (150 × 8) Dr. Securities Premium Reserve A/c Dr. To Forfeited Share A/c To Calls in Arrears A/c (Being shares forfeited for non payment of First Call)		1,200 150	750 600
9.	Share Second & Final A/c (99650 × 2) Dr. To Share Capital A/c (Being share final call due)		1,99,300	1,99,300
10.	Bank A/c (300 × 2 = 600 (Gopi)) Dr. Calls in Advance A/c (500 × 2 = 1000 (Raja)) Dr. To Share Second Call A/c		1,97,700 1,600	1,99,300

11.	Bank A/c Share Forfeiture A/c To Share Capital A/c (Being 350 forfeiture shares received)	Dr. Dr.		3150 350	3500
12.	Share Forfeiture A/c To Capital reserve A/c (Being profit on reissue transferred to capital reserve)	Dr.		800	800

17. Dr. Revaluation A/c Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Investment A/c		5,000	By Accrued Income A/c		500
To Profit transferred to :			By Bad Debts recovered A/c		800
Maddy's Capital A/c	900		By Patents A/c		5,200
Mahi's Capital A/c	600	1,500			
		6,500			6,500

Dr. Partners' Capital A/c Cr.

Particulars	Maddy	Mahi	Gyan	Particulars	Maddy	Mahia	Gyan
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Balance c/d	93,900	62,600	52,167	By Balance b/d	60,000	40,000	—
				By Workmen compensation			—
				Reserve A/c	6,000	4,000	—
				By Premium for Goodwill A/c	15,000	10,000	—
				By Revaluation A/c	900	600	—
				By General Reserve A/c	12,000	8,000	—
				By Bank A/c	—	—	52,167
	93,900	62,600	52,167		93,900	62,600	52,167

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	28,000	Cash at Bank	87,967
Claim against Workmen Compensation	2,000	Debtors	65,000
Capital A/c		Loss : Prov for BD.	(5,000)
Maddy :	93,900	Stock	30,000
Mahi :	62,600	Investments	45,000
Gyan :	52,167	Patents	15,200
		Accrued Income	500
	2,08,667		2,38,667

Working notes:

Adjusted Capital of Maddy and Mahi

$$= 93,900 + 62,600 = ₹ 1,56,500$$

$$\text{Gyan's Capital} = 1,56,500 \times \frac{4}{3} \times \frac{1}{4} = ₹ 52,167$$

Or

Dr.		Revaluation A/c		Cr.	
Particulars	Amount (₹)	Particulars		Amount (₹)	
To Provision for Doubtful Debt A/c	4,000	By creditors A/c		2,000	
		By loss transferred to Partner's Capital A/c			
To Fixed Asset A/c	2,500	Hiren	2,750		
To Provision for repairs bill A/c	1,000	Harsh	1,650		
		Harshita	1,100		5,500
	7,500				7,500

Dr.		Partners' Capital A/c						Cr.	
Particulars	Hiren (₹)	Harsh (₹)	Harshita (₹)	Particulars	Hiren (₹)	Harsh (₹)	Harshita (₹)		
To Advertising expense	5,000	3,000	2,000	By Balance b/d	40,000	62,000	33,000		
To Revaluation A/c	2,750	1,650	1,100	By Profit and Loss A/c	42,500	25,500	17,000		
To Hiren's capital		8,000	32,000	By Harsh's Capital	8,000	—	—		
To Cash A/c	1,14,750	—	—	By Harshita's Capital	32,000	—	—		
To Cash A/c	—	3,050	—	By Cash A/c	—	—	92,800		
To Balance c/d	—	71,800	1,07,700						
	1,22,500	87,500	1,42,800		1,22,500	87,500	1,42,800		

Balance Sheet
as at 31 March, 2017

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals:			Cash		15,000
Harsh	71,800		Debtors	80,000	
Harshita	<u>1,07,700</u>	1,79,500	Less: Provision for Doubtful Debts	<u>(4,000)</u>	76,000
Creditors		58,000	Stock		1,00,000
Provision for Repairs bill		1,000	Fixed Assets		47,500
		2,38,500			2,38,500

Working notes

(i) Gaining Ratio = New ratio – Old ratio

$$\text{Harsh} = \frac{2}{5} - \frac{3}{10} = \frac{5}{50}$$

$$\text{Harshita} = \frac{3}{5} - \frac{2}{10} = \frac{20}{50}$$

Gaining Ratio = 1 : 4

(ii) Adjusted Capital of Harsh = 74,850

Adjusted Capital of Harshita = 14,900

Amount to be paid to Hiren = 1,14,750

2,04,500

— Excess cash available (25,000)

(40,000 – 15,000)

Total capital of New firm = 1,79,500

(iii) Harsh's new capital = $1,79,500 \times \frac{2}{5} = ₹ 71,800$

Harshita's new capital = $1,79,500 \times \frac{3}{5} = ₹ 1,07,700$

18. Neither source nor use of cash and cash equivalents.

19. Financing activities

20. (a) Financial analysis – It is the systematic process of classifying the data in to simple groups and making a comparison of various groups with one another to pinpoint the strong points and weaknesses of the business.

Shareholders want to judge the present and future earnings capacity of the business and safety of their investment, through such analysis.

(b) (i) Current Liability

(ii) Non current Liability

(iii) Non current Liability

(iv) Current Liability

21. (a) Total Revenue from operations = Cash revenue + Credit revenue

$$1,75,000 = \frac{25}{100} x + x$$

$$x = ₹ 1,40,000$$

$$\text{Average Debtors} = \frac{20,000 + 50,000}{2} = \frac{70,000}{2}$$

$$= ₹ 35,000$$

Trade Receivable Turnover ratio = $\frac{\text{Net credit revenue from operations}}{\text{Average Trade receivable}}$

$$= \frac{1,40,000}{35,000} = 4 \text{ times}$$

(b) A low trade receivables turnover ratio indicates slow collection of debts. A low inventory turnover ratio indicates inefficient use of investment in stocks.

22.

Comparative Statement of Profit and Loss
for the year ended 31.3.16 and 31.3.17

Particulars	31.3.2016 (₹)	31.3.2017 (₹)	Absolute Change	% Change
Revenue from Operations	40,00,000	50,00,000	10,00,000	25%
Other Income	10,00,000	2,00,000	(8,00,000)	80%
Total Income (Revenue) (A)	50,00,000	52,00,000	2,00,000	4%
Employee Benefit Expense	25,00,000	31,20,000	6,20,000	24.8%
Other expenses	5,00,000	3,12,000	(1,88,000)	37.6%
Total Expenses (B)	30,00,000	34,32,000	4,32,000	110.67%
Profit before tax (A – B)	20,00,000	17,68,000	(2,32,000)	11.6%
Less : Tax	8,00,000	8,84,000	(84,000)	10.5%
Profit after tax	12,00,000	8,84,000	(3,16,000)	26.33%

23.

Cash Flow Statement

for the year ended 31.3.17

Sr. No.	Particulars	Details ₹	Total ₹
A.	Profit before tax	51,250	
	Add : Depreciation	12,500	
	Interest on 6% debentures	6,000	
	Interest on 10% public deposits	700	
	Operating profit before working capital changes.	70,450	
	Add : Increase in Outstanding expenses	500	
	Decrease in Trade receivables	7,500	
		78,450	
	Less: Increase in Prepaid Expenses	(750)	
	Decrease in Trade payables	(18,500)	
	Increase in Inventories	(25,000)	
	Cash generate from operating activities	34,200	
	Less: Tax paid	(20,000)	
Cash flow from Operating Activities.	14,200	14,200	
B.	Cash flows from Investing Activities:		
	Purchase of fixed asset	(37,500)	
	Cash flow used investing activities	(37,500)	(37,500)
C.	Cash flows from Financing Activities:		
	Issue of Share Capital	25,000	
	mortgage loan taken	12,500	
	Redemption at 6% Debentures	(25,000)	
	Raising of Public deposits	5,500	
	Interest paid on 6% Debentures	(6,000)	
	Interest paid on 10% Pubic deposits	(700)	
	Cash used in fiancing activities	11,300	11,300
	Net decrease in cash and cash equivalent (A + B + C)		(12,000)
Add : Opening Cash and Cash Equivalent		32,000	
Closing Cash and Cash Equivalent		20,000	

Working notes

Calculation of Profit before tax:

Profit as per Statement of profit and Loss.	6,250
Add: Transfer to General Reserve	7,500
Provision for taxation	<u>37,500</u>
Profit before Tax	<u>51,250</u>