Solutions to RSPL/1

1. The two options available to Lakshmi under Section 37 of the Indian Partnership Act, 1932 are:

(*i*) Interest @ 6% per annum on her balance amount of ₹ 1,00,000.

(*ii*) Share in the subsequent profits proportionate to her balance to the total capital of the firm.

2. In the absence of a partnership deed, a sleeping partner is entitled to an equal share in the profits of the firm, irrespective of the capital contribution.

3. **Journal**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Realisation A/c	Dr.		24,000	
	To Bank A/c				24,000
	(Being payment made by the firm to the bank due to dishonor of the bill discounted)				
	Bank A/c	Dr.		13,200	
	To Realisation A/c				13,200
	(Being recovery of 55% of the amount against bill dishonored received from official receiver of Aman)				

4. The company wants to take the benefit of trading on equity.

5. Private Placement of shares implies issue and allotment of shares to a selected group of persons privately and not to public in general through public issue. These investors are usually banks, mutual funds and insurance companies.

6. The need for valuing self-generated or internally generated goodwill arises at the time of reconstitution of the firm *i.e.*, due to change in the profit sharing ratio of existing partners', admission, retirement or death of a partner.

7. **In the books of Akash Limited**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2012	Bank A/c	Dr.		**5,50,000**	
April 1	To Debenture Application and Allotment A/c				**5,50,000**
	(Being the application money received on 5000 Debentures of ₹ 100 each at ₹ 110)				
	Debenture Application & Allotment A/c	Dr.		**5,50,000**	
	Loss on Issue of Debentures A/c	Dr.		**25,000**	
	To 9% Debentures A/c				**5,00,000**
	To Securities Premium Reserve A/c				**50,000**
	To Premium on Redemption of Debentures A/c				**25,000**
	(Being 5000 9% Debentures of ₹ 100 each issued at a premium of 10% and redeemable at a premium of 5%)				
2015	Debenture Redemption Investment A/c	Dr.		**75,000**	
April 1	To Bank A/c				**75,000**
	(Being investment made @ 15% of the face value of debentures)				

2016 March 31	Bank A/c Dr.		**78,750**	
	To Debenture Redemption Investment A/c			**75,000**
	To Interest Earned A/c			**3,750**
	(Being the investment encashed and interest @ 5% realised on redemption of debentures)			
	9% Debentures A/c Dr.		**5,00,000**	
	Premium on Redemption of Debentures A/c Dr.		**25,000**	
	To Debentureholders A/c			**5,25,000**
	(Being the amount due on redemption of debentures)			
	Debentureholders A/c Dr.		**5,25,000**	
	To Bank A/c			**5,25,000**
	(Being amount paid to Debenture holders)			
	Debenture Redemption Reserve A/c Dr.		**1,25,000**	
	To General Reserve A/c			**1,25,000**
	(Being DRR amount transferred to General Reserve)			

8. **In the books of Alok, Ramesh, Sunder and Gopal**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		5,60,000	
	To Gopal's Capital A/c			5,00,000
	To Premium for Goodwill A/c			60,000
	(Being capital and premium brought in by Gopal)			
	Premium for Goodwill A/c Dr.		60,000	
	Sunder's Capital A/c Dr.		18,000	
	To Alok's Capital A/c			60,000
	To Ramesh's Capital A/c			18,000
	(Being premium adjusted through partner's capital account)			

Working notes:-

Calculation of sacrificing or gaining ratio:

Alok $= \frac{5}{10} - \frac{4}{12} = \frac{30-20}{60} = \frac{10}{60}$ or $\frac{1}{6}$ (Sacrifice)

Ramesh $= \frac{3}{10} - \frac{3}{12} = \frac{18-15}{60} = \frac{3}{60}$ or $\frac{1}{20}$ (Sacrifice)

Sunder $= \frac{2}{10} - \frac{3}{12} = \frac{12-15}{60} = -\frac{3}{60}$ or $-\frac{1}{20}$ (gain)

On Gopal's admission, Sunder gained $\frac{1}{20}$. Therefore, Sunder will also compensate Alok and Ramesh to the extent of his gain to be calculated on the basis of firm's goodwill.

Gopal's goodwill for $\frac{1}{6}$ share ₹ 60,000.

Therefore, total goodwill of the firm ₹ 60,000 × $\frac{6}{1}$ = ₹ 3,60,000.

Sunder to compensate ₹ 3,60,000 × $\frac{1}{20}$ = ₹ 18,000.

Values highlighted: Social Responsibility towards the under privileged children in the society

9. **In the books of Samba Limited**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		45,00,000	
	To Bank Loan A/c				45,00,000
	(Being loan taken from bank)				
	Debentures Suspense A/c	Dr.		50,00,000	
	To 12% Debentures A/c				50,00,000
	(Being ₹ 50,00,000 debentures issued as collateral security against the bank loan)				

Extract of Balance Sheet

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES:		
Non-current Liabilities:		
Long-term Borrowings	1	45,00,000

Notes to Accounts:

Particulars		Amount (₹)
1. Long-term Borrowings:		
Bank Loan		45,00,000
50,000, 12% debentures of ₹ 100 each issued as collateral security	50,00,000	
Less: Debenture Suspense Account	50,00,000	–

10. **In the books of Vikram Limited**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Land and Building A/c	Dr.		22,00,000	
	Plant and Machinery A/c	Dr.		6,50,000	
	Stock A/c	Dr.		2,50,000	
	Debtors A/c	Dr.		3,50,000	
	Goodwill A/c	Dr.		3,00,000	
	To Creditors A/c				1,50,000
	To Vishal Limited				36,00,000
	(Being purchase of running business from Vishal Limited)				
	Vishal Limited	Dr.		36,00,000	
	To Equity Share Capital A/c (28,800 × 100)				28,80,000
	To Securities Premium Reserve A/c (28,800 × 25)				7,20,000
	(Being issue of 28,800 equity shares of ₹ 100 each at a premium of ₹ 25)				

Number of Equity shares issued = $\frac{36,00,000}{125}$ = 28,800 shares

11. Calculation of Value of Goodwill:

		₹
2012	Profit	80,000
2013	Profit	51,000
2014	Loss	(20,000)
2015	Profit	20,000
2016	Profit	49,000 (Note 1)
		1,80,000

Average profit = $\frac{1,80,000}{5}$ = ₹ 36,000

Goodwill = 36,000 × 2 = ₹ 72,000

Note 1

	₹
Profit of 2016	30,000
Add: Computer payment wrongly debited to Profit & Loss account will increase the profit.	20,000
Less: Depreciation (₹ 20,000 × 20/100 × 3/12)	(1,000)
	49,000

Calculation of sacrificing/gaining ratio:

Sacrificing Ratio = Old Ratio – New Ratio

Asma = 3/6 – 1/3 = 1/6

Ashita = 2/6 – 1/3 = 0/6

Anjum = 1/6 – 1/3 = (1/6) gain

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Anjum's Capital A/c Dr.		12,000	
	To Asma's Capital A/c			12,000
	(Being adjustment entry for goodwill made at the time of change in profit sharing ratio) 1/6 × ₹ 72,000			

12. **Statement showing adjustments to be made**

	A		B		C		Firm	
	Dr.	**Cr.**	**Dr.**	**Cr.**	**Dr.**	**Cr.**	**Dr.**	**Cr.**
Profits already distributed 5:3:2 to be debited	1,50,000		90,000		60,000			3,00,000
Salary Commission Net Profit		20,000 1,11,000		12,000 1,00,000*		 20,000 37,000	32,000 20,000 2,48,000	
	1,50,000	**1,31,000**	**90,000**	**1,12,000**	**60,000**	**57,000**	**3,00,000**	**3,00,000**
Net adjustment	**19,000**			**22,000**	**3,000**			
	Dr.			**Cr.**	**Dr.**			

* where B's deficiency of ₹ 17,333 is borne by A and C in the ratio 3 : 1.

Adjusting journal entry
in the books of A, B and C.

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	A's Capital A/c	Dr.		19,000	
	C's Capital A/c	Dr.		3,000	
	To B's Capital A/c				22,000
	(Being adjustments made for past errors on distribution of profits)				

13.

Journal Entries
In the books of Ganesh and Lakshman

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Land and Building A/c	Dr.		25,000	
	Creditors A/c	Dr.		1,000	
	To Revaluation A/c				26,000
	(Being increase in the value of land and building and decrease in the value of creditors recorded)				
2.	Revaluation A/c	Dr.		36,800	
	To Machinery A/c				27,000
	To Workmen Compensation Claim A/c				9,000
	To Outstanding Legal Expenses A/c				500
	To Bad Debts A/c				300
	(Being decrease in the value of machinery, increase in liabilities and bad debts recorded)				
3.	Ganesh's Capital A/c	Dr.		5,400	
	Ram's Capital A/c	Dr.		3,600	
	Lakshman's Capital A/c	Dr.		1,800	
	To Revaluation A/c				10,800
	(Being revaluation loss transferred to partners' capital a/c)				
4.	Ganesh's Capital A/c	Dr.		22,500	
	Ram's Capital A/c	Dr.		15,000	
	Lakshman's Capital A/c	Dr.		7,500	
	To Advertisement Suspense A/c				45,000
	(Being advertisement suspense written against partners' capital a/c)				
5.	Creditors A/c	Dr.		9,000	
	To Bank A/c				9,000
	(Being amount paid to creditors at 10% discount)				
6.	Ganesh's Capital A/c	Dr.		9,375	
	Lakshman's Capital A/c	Dr.		3,125	
	To Ram's Capital A/c				12,500
	(Being treatment of goodwill)				
7.	Ram's Capital A/c	Dr.		1,93,900	
	To Ram's Loan A/c				1,16,340
	To Bank A/c				77,560
	(Being 40% amount due to Ram paid and balance transferred to his loan a/c)				
8.	Bank A/c	Dr.		2,49,700	
	To Ganesh's Capital A/c				1,87,275
	To Lakshman's Capital A/c				62,425
	(Being amount of additional capital brought in by the remaining partners)				

Working notes:

Adjusted Capital of Ganesh	2,62,725
Adjusted Capital of Lakshman	87,575
Total Capital of Ganesh & Lakshman	3,50,300
Required Capital of the new firm	6,00,000
∴ Additional capital to be brought in by Ganesh and Lakshman	2,49,700

14. Total discount on issue of debentures = ₹ 1,00,000 × $\frac{6}{100}$ = ₹ 6,000.

Discount on issue of debentures will be written off in the ratio of debentures outstanding at the beginning of each year.

Year	O/s Debentures	Ratio	Discount on debentures to be written off (₹)
2012-2013	1,00,000	5	$6{,}000 \times \frac{5}{15}$ = ₹ 2,000
2013-2014	80,000	4	$6{,}000 \times \frac{4}{15}$ = ₹ 1,600
2014-2015	60,000	3	$6{,}000 \times \frac{3}{15}$ = ₹ 1,200
2015-2016	40,000	2	$6{,}000 \times \frac{2}{15}$ = ₹ 800
2016-2017	20,000	1	$6{,}000 \times \frac{1}{15}$ = ₹ 400
		15	**₹ 6,000**

Dr. **Discount on Issue of Debentures A/c** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2012 April 1	To 9% Debentures A/c	6,000	2013 March 31	By Statement of Profit and Loss A/c	2,000
				By Balance c/d	4,000
		6,000			**6,000**
2013 April 1	To Balance b/d	4,000	2014 March 31	By Statement of Profit and Loss A/c	1,600
				By Balance c/d	2,400
		4,000			**4,000**
2014 April 1	To Balance b/d	2,400	2015 March 31	By Statement of Profit and Loss A/c	1,200
				By Balance c/d	1,200
		2,400			**2,400**
2015 April 1	To Balance b/d	1,200	2016 March 31	By Statement of Profit and Loss A/c	800
				By Balance c/d	400
		1,200			**1,200**
2016 April 1	To Balance b/d	400	2017 March 31	By Statement of Profit and Loss A/c	400
				By Balance c/d	
		400			**400**

15. Dr. **Revaluation A/c** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Stock A/c		5,000	By Provision for Doubtful Debts A/c	3,000
To Revaluation profit A/c:			By Land and Building A/c	50,000
Donald	16,000			
Bhavna	16,000			
Sham	16,000	48,000		
		53,000		**53,000**

Dr. **Partners' Capital A/c** Cr.

Particulars	Donald (₹)	Bhavna (₹)	Sham (₹)	Particulars	Donald (₹)	Bhavna (₹)	Sham (₹)
To Goodwill A/c	50,000	50,000	50,000	By Balance b/d	2,00,000	1,40,000	1,30,000
To Sham's A/c	51,042	7,291		By Revaluation (Profit) A/c	16,000	16,000	16,000
To Sham's Executor's Loan A/c			1,75,444	By Investment Fluctuation Reserve A/c	1,000	1,000	1,000
To Sham's A/c	9,722	1,389		By Contingency Reserve A/c	9,000	9,000	9,000
To Balance c/d	1,15,236	1,07,320		By Donald's Capital A/c (Share of goodwill)			51,042
				By Bhavna's Capital A/c (Share of goodwill)			7,291
				By Donald's Capital A/c (Share of profit)			9,722
				By Bhavna's Capital A/c (Share of profit)			1,389
	2,26,000	**1,66,000**	**2,25,444**		**2,26,000**	**1,66,000**	**2,25,444**

Balance Sheet of Donald and Bhavna as at September 1, 2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Cash	5,000
Sham's Executor's Loan A/c		1,75,444	Bank	40,000
Capital Accounts:			Debtors	60,000
Donald	1,15,236		Stock	60,000
Bhavna	1,07,320	2,22,556	Investments	33,000
			Land and Building	3,00,000
		4,98,000		**4,98,000**

16. **Dr.** **Revaluation A/c** **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Patents A/c		10,000	By Provision for Doubtful Debts A/c	2,000
To Investments A/c		15,000	By Accrued Interest A/c	6,000
To Revaluation profit:			By Land and Building A/c	40,000
Anandi	14,375			
Barkha	8,625	23,000		
		48,000		**48,000**

Dr. **Partners' Capital A/c** **Cr.**

Particulars	Anandi (₹)	Barkha (₹)	Amrita (₹)	Particulars	Anandi (₹)	Barkha (₹)	Amrita (₹)
To Current Account		85,125		By Balance b/d	5,00,000	4,20,000	
To Balance c/d	5,90,000	3,70,000	2,40,000	By Bank A/c			2,40,000
				By Amrita's Current A/c	8,000	4,000	
				By Revaluation Profit A/c	14,375	8,625	
				By General Reserve A/c	37,500	22,500	
				By Current Account	30,125		
	5,90,000	**4,55,125**	**2,40,000**		**5,90,000**	**4,55,125**	**2,40,000**

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital A/c:			Land and Building		4,00,000
Anandi	5,90,000		Machinery		2,25,000
Barkha	3,70,000		Furniture and Fixtures		70,000
Amrita	2,40,000	12,00,000	Investments		1,85,000
Barkha's Current Account		85,125	Stock		80,000
Employees Provident Fund A/c		78,000	Debtors	1,20,000	
Creditors		30,000	*Less:* Provision	13,000	1,07,000
Bills Payable		20,000	Accrued interest		6,000
Outstanding expenses		5,000	Cash at Bank		3,23,000
Workmen Compensation Claim		20,000	Current Account:		
			Anandi		30,125
			Amrita		12,000
		14,38,125			**14,38,125**

Working Notes:

(*i*) Calculation of new ratio:

Anandi and Barkha sacrificed 1/5 share of profit in the ratio of 2 : 1 for Amrita

$\therefore$ New ratio of Anandi = $\frac{5}{8} - \frac{2}{15} = \frac{75-16}{120} = \frac{59}{120}$

New ratio of Barkha = $\frac{3}{8} - \frac{1}{15} = \frac{45-8}{120} = \frac{37}{120}$

(*ii*) Total Capital of the firm on the basis of Amrita's Capital = 2,40,000 × 5 = 12,00,000

$\therefore$ New Capital of Anandi = 12,00,000 × $\frac{59}{120}$ = 5,90,000

New Capital of Barkha = 12,00,000 × $\frac{37}{120}$ = 3,70,000

Or

Journal Entries
In the books of Michael, Joel and Moses

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
1.	Realisation A/c	Dr.		6,56,000	
	To Debtors A/c				96,000
	To Stock A/c				85,000
	To Investment A/c				1,25,000
	To Machinery A/c				1,05,000
	To Land and Building A/c				2,00,000
	To Goodwill A/c				45,000
	(Being sundry assets transferred to realisation account)				
2.	Creditors A/c	Dr.		90,000	
	Loan A/c	Dr.		1,00,000	
	Machinery Replacement Fund A/c	Dr.		20,000	
	Provision for Doubtful Debts A/c	Dr.		6,000	
	To Realisation A/c				2,16,000
	(Being liabilities and provisions transferred to realisation account)				
3.	Bank A/c	Dr.		3,95,000	
	To Realisation A/c				3,95,000
	(Being realisation of sundry assets)				
4.	Michael's Capital A/c	Dr.		14,400	
	Joel's Capital A/c	Dr.		14,400	
	Moses's Capital A/c	Dr.		7,200	
	To Profit and Loss A/c				36,000
	(Being debit balance of profit and loss account written off)				
5.	Moses's Capital A/c	Dr.		56,250	
	To Realisation A/c				56,250
	(Being 50% investment taken over by Moses at 90% of its book value)				
6.	Realisation A/c	Dr.		1,05,000	
	To Moses's Capital A/c				1,05,000
	(Being liability of loan along with interest due taken over by Moses)				

7.	Bank A/c Dr.		75,000	
	To Realisation A/c			75,000
	(Being balance investment sold)			
8.	Michael's Capital A/c Dr.		11,250	
	To Realisation A/c			11,250
	(Being unrecorded assets taken over by Michael)			
9.	Joel's Capital A/c Dr.		5,000	
	To Bank A/c			5,000
	(Being realisation expenses borne by Joel)			
10.	Michael's Capital A/c Dr.		3,000	
	Joel's Capital A/c Dr.		3,000	
	Moses's Capital A/c Dr.		1,500	
	To Realisation A/c			7,500
	(Being transfer of realisation loss to partners' capital account)			
11.	Michael's Capital A/c Dr.		2,41,350	
	Joel's Capital A/c Dr.		1,47,600	
	Moses's Capital A/c Dr.		1,60,050	
	To Bank A/c			5,49,000
	(Being final payment made to partners)			

17. **In the books of Vishnu Limited**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr.		3,40,000	
	To Equity Share Application A/c			3,40,000
	(Being application money received on 17,000 shares @ ₹ 20 per share)			
	Equity Share Application A/c Dr.		3,40,000	
	To Equity Share Capital A/c			2,00,000
	To Equity Share Allotment A/c			1,00,000
	To Calls-in-advance A/c			40,000
	(Being application money on 10,000 shares allotted transferred to equity share capital account and excess money adjusted to allotment and calls-in-advance A/c)			
	Equity Share Allotment A/c Dr.		5,00,000	
	To Equity Share Capital A/c			4,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Being allotment money due on 10,000 shares @ ₹ 50 per share)			
	Bank A/c Dr.		4,00,000	
	To Equity Share Allotment A/c			4,00,000
	(Being allotment money received)			
	Equity Share First and Final Call A/c Dr.		4,50,000	
	To Share Capital A/c			4,00,000
	To Securities Premium Reserve A/c			50,000
	(Being first and final call money due)			
	Bank A/c Dr.		4,00,000	
	Calls-in-advance A/c Dr.		40,000	
	Calls-in-arrears A/c Dr.		10,000	
	To Share First and Final Call A/c			4,50,000
	(Being first and final call amount received (WN))			

	Equity Share Capital A/c Dr.		40,000	
	Securities Premium Reserve A/c Dr.		2,000	
	To Calls-in-arrears A/c			10,000
	To Share Forfeited A/c			32,000
	(Being 400 shares forfeited on non-payment of call money)			
	Bank A/c Dr.		22,000	
	To Share Capital A/c			20,000
	To Securities Premium Reserve A/c			2,000
	(Being 200 shares re-issued @ ₹ 110 per share)			
	Share Forfeited A/c Dr.		16,000	
	To Capital Reserve A/c			16,000
	(Being share forfeited amount on re-issued shares transferred to capital reserve)			

Working Notes:

Manish applied 1,800 shares.

Allotted 1,800 × 2/9 = 400.

Amount excess received (1,800 – 400) × ₹ 20	=	₹ 28,000
Adjusted against Allotment (400 × 50)	=	₹ 20,000
Balance excess	=	₹ 8,000
Amount due against First & Final Call (400 × 45)	=	₹ 18,000
Calls in Arrears	=	₹ 10,000

Or

In the books of A Ltd.
Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(*a*)	Equity Share Capital A/c Dr.		50,000	
	Securities Premium Reserve A/c Dr.		10,000	
	To Equity Share Allotment A/c			25,000
	To Equity Share First and Final Call A/c			20,000
	To Share Forfeited A/c			15,000
	(Being 500 shares of Mr. Ram forfeited for non-payment of allotment and first and final call)			
	Bank A/c Dr.		40,000	
	Share Forfeited A/c Dr.		10,000	
	To Equity Share Capital A/c			50,000
	(Being shares re-issued @ ₹ 80 per share fully paid)			
	Share Forfeited A/c Dr.		5,000	
	To Capital Reserve A/c			5,000
	(Being share forfeited amount on re-issued shares transferred to capital reserve)			
(*b*)	Equity Share Capital A/c Dr.		3,000	
	To Equity Share First Call A/c			1,000
	To Share Forfeited A/c			2,000
	(Being 200 shares of forfeited for non-payment of first call)			

	Bank A/c Dr.			2,100	
	Share Forfeited A/c Dr.			150	
	To Share Capital A/c				2,250
	(Being 150 shares re-issued @ ₹ 14 per share ₹ 15 paid up)				
	Share Forfeited A/c Dr.			1,350	
	To Capital Reserve A/c				1,350
	(Being share forfeited amount on re-issued shares transferred to capital reserve)				
(*c*)	Equity Share Capital A/c Dr.			10,000	
	To Calls in Arrears A/c				5,200
	To Share Forfeited A/c				4,800
	(Being 1,000 shares of Mr. Sajan forfeited. He only paid ₹ 4 per share and had applied for 1,200 shares)				
	Bank A/c Dr.			12,000	
	To Equity Share Capital A/c				10,000
	To Securities Premium Reserve A/c				2,000
	(Being forfeited shares re-issued @ ₹ 12 per share fully paid)				
	Share Forfeited A/c Dr.			4,800	
	To Capital Reserve A/c				4,800
	(Being share forfeited amount on re-issued shares transferred to capital reserve)				

18. Cash flow from investing activities concerns with the acquisition and disposal of non-current assets. It shows expenditure made with the intention of generating future income and cash flows, so its specific disclosure is important.

19. Interest of ₹ 3,000 will be shown under financing activity. Instalment of ₹ 42,000, excluding interest will be shown under investing activities.

20.

Items	Major Heading	Sub-Heading
(*i*) Interest accrued but not due on borrowing	Current Liabilities	Other Current Liabilities
(*ii*) Investments in Government Bonds/ Securities	Non-Current Assets	Non-Current Investments
(*iii*) Payment of advance tax	Current Assets	Other Current Assets
(*iv*) Public deposit for 12 months	Current Liabilities	Short-term borrowings

21.

Common-size Balance Sheet of Pramod Ltd.
for the year ended 31st March 2016 and 2017

Particulars	Note No.	31.3.2016 (₹)	31.3.2017 (₹)	% of Total 2015-16	% of Total 2016-17
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds:					
(a) Share Capital		2,50,000	3,00,000	41.67	46.15
(b) Reserve and surplus		2,25,000	2,00,000	37.50	30.77
(2) Current Liabilities:					
Trade Payables		1,25,000	1,50,000	20.83	23.08
Total		**6,00,000**	**6,50,000**	**100**	**100**

II. ASSETS					
(1) Non-Current Assets					
(a) Fixed Assets :					
(i) Tangible Assets		1,49,000	1,37,500	24.84	21.15
(ii) Intangible Assets		80,000	85,000	13.33	13.08
(2) Current Assets					
(a) Inventory		1,10,000	1,02,500	18.33	15.77
(b) Cash and Cash Equivalents		86,000	92,000	14.33	14.15
(c) Other Current Assets		1,75,000	2,33,000	29.17	35.85
Total		**6,00,000**	**6,50,000**	**100**	**100**

22. (*a*) Trade Receivables Turnover Ratio $= \dfrac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}}$

$$= \frac{₹\ 28,80,000}{₹\ 5,70,000 + ₹\ 1,50,000}$$

$$= \frac{₹\ 28,80,000}{₹\ 7,20,000}$$

$$= 4 \text{ times}$$

(*b*) (*i*) Gross Profit Ratio $= \dfrac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$

Gross Profit = Revenue from Operations – Cost of Revenue from Operations

Cost of Revenue from Operations = Opening Inventory + Net Purchases + Direct Expenses – Closing Inventory

$$= ₹\ 60,000 + ₹\ 9,00,000 + ₹\ 90,000 - ₹\ 1,20,000$$

$$= ₹\ 9,30,000$$

Therefore, Gross Profit = ₹ 15,00,000 – ₹ 9,30,000 = ₹ 5,70,000.

Gross Profit Ratio $= \dfrac{₹\ 5,70,000}{₹\ 15,00,000} \times 100 = 38\%$

(*ii*) Inventory Turnover Ratio $= \dfrac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

$$= \frac{9,30,000}{\dfrac{60,000 + 1,20,000}{2}}$$

$$= \frac{₹\ 9,30,000}{₹\ 90,000}$$

$$= 10.33 \text{ times}$$

23. **Ashoka Limited**

Cash Flow Statement

for the year ended March 31, 2017.

Sr. No.	Particulars	Details ₹	Total ₹
A.	**Cash flows from Operating Activities:**		
	Net Profit before Tax (Working Note 1)	**31,500**	
	Adjustments for Non Cash and Non-Operating Items		
	Add: Depreciation on plant and machinery	58,000	
	Add: Goodwill written off	40,000	
	Add: Provision for Doubtful Debts	5,000	
	Add: Interest on Debentures	27,000	
	Add: Loss on sale of Investments	8,000	
	Less: Interest on Bonds	(6,600)	
	Operating profit before changes in working capital	1,62,900	
	Less: Increase in Inventories	(18,000)	
	Less: Increase in Trade Receivables	(1,12,000)	
	Add: Increase in Trade Payables	22,000	
	Cash Flow from Operations before Tax	54,900	
	Less: Tax paid	(6,500)	
	Net Cash flows from Operating Activities	**48,400**	48,000
B.	**Cash flows from Investing Activities:**		
	Purchase of Machinery	(1,12,000)	
	Purchase of Investments	(75,000)	
	Interest on Investments	6,600	
	Proceeds from sale of Investments	22,000	(1,58,400)
	Net Cash used in investing activities	**(1,58,400)**	
C.	**Cash flows from Financing Activities:**		
	Issue of Equity Shares	80,000	
	Issue of Debentures	75,000	
	Interest paid on Debentures	(27,000)	
	Net Cash flows from financing activities	**1,28,000**	**(1,28,000)**
D.	**Net Increase in Cash and Cash Equivalents (A + B + C)**		**18,000**
E.	**Cash and Cash Equivalents at the beginning of the year**		**82,000**
F.	**Cash and Cash Equivalents at the end of the year**		**1,00,000**

Working Note:

1. **Calculation of Profit before Tax:**

	₹
Surplus in Statement of Profit and Loss (1,08,000 – 99,000)	9,000
Add: Transfer to General Reserve (1,52,000 – 1,36,000)	16,000
Add: Provision for Tax	6,500
	31,500

Dr. **12% Bonds A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	55,000	By Bank A/c (Sale proceeds)	22,000
To Bank A/c (Purchases)	75,000	By Loss on Sale A/c	8,000
		By Balance c/d	1,00,000
	1,30,000		**1,30,000**

Dr. **Fixed Asset A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	3,88,000	By Depreciation A/c	58,000
To Bank A/c	1,12,000	By Balance c/d	4,42,000
	5,00,000		**5,00,000**