

# Solutions to RAC/Set-1

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1. (c) ₹ 20,250
2. (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).
3. (c) credited, Capital Reserve

**Or**

- (b) 12,000
4. (d) Debiting Profit and Loss Suspense Account with ₹ 20,000.

**Or**

- (a) 5 : 4
5. (b) ₹ 37,950
  6. (c) ₹ 2,00,000

**Or**

- (d) Debentures cannot be converted into shares.
7. (b) ₹ 1,20,000
  8. (d) ₹ 4,000

**Or**

- (a) 6% p.a.
9. (d) ₹ 32,500; Statement of Profit and Loss
  10. (a) Partner's Loan A/c
  11. (c) ₹ 4,800; ₹ 2,700; ₹ 2,100 respectively
  12. (b) ₹ 3,60,000; ₹ 2,40,000; ₹ 1,50,000
  13. (d) When business of the firm becomes unlawful.
  14. (c) 2,500 Shares

[Amount due on allotment (10,000(s) × ₹ 3)	₹ 30,000
Less: Excess application money (2,000(s) × ₹ 2)	₹ 4,000
	₹ 26,000
Less: Amount received as allotment	₹ 18,500
Calls-in-arrears	₹ 7,500
Shares on which allotment money not received = $\frac{\text{Amount not received on allotment}}{\text{Allotment money per share}}$	
	= $\frac{₹ 7,500}{₹ 3} = 2,500 \text{ shares}$ ]

15. (b) 18 : 10 : 7

Arya's profit Share =  $\frac{1}{5}$  which is entirely sacrificed by Advika as she has been credited with full goodwill brought in by Arya.

$$\text{Advika's New share} = \frac{5}{7} - \frac{1}{5} = \frac{18}{35}$$

$$\text{Raabhya's New Share} = \frac{2}{7} \times \frac{5}{5} = \frac{10}{35}$$

$$\text{Arya's new share} = \frac{1}{5} \times \frac{7}{7} = \frac{7}{35}$$

$$\text{New Ratio} = 18 : 10 : 7$$

**Or**

- (c) ₹ 2,40,000

$$\text{Share of Goodwill of G (for } \frac{3}{6} \text{ share)} = ₹ 1,20,000 \text{ (₹ 7,00,000 - ₹ 5,80,000)}$$

$$\text{Thus, Goodwill of the firm} = ₹ 1,20,000 \times \frac{6}{3} = ₹ 2,40,000$$

16. (b) A gained  $\frac{1}{35}$ <sup>th</sup> share and B sacrificed  $\frac{1}{35}$ <sup>th</sup> share of profit.

17.

**In the Books of A, B and C**  
**Profit and Loss Appropriation Account**  
for the year ended 31<sup>st</sup> March, 2024

Dr.

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital A/cs:		By Profit and Loss A/c (Net Profit)	1,56,000
A	2,500		
B	2,500		
C	5,000		
	10,000		
To Salary to C			
	6,000		
To Profit transferred to Current A/cs:			
A (5,000 + 15,000 + 30,000)	50,000		
B (5,000 + 9,000 + 30,000)	44,000		
C (10,000 + 6,000 + 30,000)	46,000		
	1,40,000		
	1,56,000		1,56,000

18. (i) Share in the subsequent profits attributable to the use of his balance.

$$\frac{(\text{₹ } 29,750 \times \text{₹ } 18,250)}{\text{₹ } 1,20,000} = \text{₹ } 4,524$$

$$(ii) \text{ Interest @ } 6\% \text{ p.a. on the use of his balance} = \text{₹ } 29,250 \times \frac{3}{12} \times \frac{6}{100} = \text{₹ } 446.25$$

Mita should exercise option (i) since the amount payable to him under this option is more as compared to the amount payable to him under option (ii).

Or

$$\text{Capital of Firm} = \text{₹ } 1,20,000 + \text{₹ } 15,000 \text{ (Workmen Compensation Fund)} = \text{₹ } 1,35,000$$

$$\text{Normal Profit} = \text{₹ } 1,35,000 \times 15/100 = \text{₹ } 20,250$$

$$\text{Average Profit} = \text{₹ } 27,000$$

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

$$= \text{₹ } 27,000 - \text{₹ } 20,250$$

$$= \text{₹ } 6,750$$

$$\text{Goodwill} = \text{Super Profit} \times \text{Number of year purchases}$$

$$= \text{₹ } 6,750 \times 3$$

$$= \text{₹ } 20,250$$

$$\text{Ketan's share of Goodwill} = 1/3 \text{ of } \text{₹ } 20,250 = \text{₹ } 6,750$$

19.

## Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Sundry Assets A/c	Dr.	5,40,000	
	Goodwill A/c	Dr.	1,08,000	
	To Sundry Liabilities A/c			1,20,000
	To Payal Ltd.			5,28,000
	(Being assets acquired and liabilities taken over from Payal Ltd.)			
(ii)	Payal Ltd.	Dr.	5,28,000	
	To Bank A/c			2,64,000
	To 10% Debentures A/c			2,40,000
	To Securities Premium A/c			24,000
	(Being amount of purchase consideration settled through issue of cheque and 2,400, 10% Debentures at a premium of 10%)			

(ii) (a)	<b>Alternatively:</b> Payal Ltd. Dr. To Bank A/c (Being amount of purchase consideration paid by cheque)		2,64,000	2,64,000
(ii) (b)	Payal Ltd. Dr. To 10% Debentures A/c To Securities Premium A/c (Being balance amount of purchase consideration issue settled through issue of 2,400, 10% Debentures at a premium of 10%)		2,64,000	2,40,000 24,000

Or

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
01.04.2024	Bank A/c Dr. To Calls-in-Advance A/c (Being share final call money received in advance on 20,000 shares of ₹ 3 per share)		60,000	60,000
15.06.2024	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Being share final call money due on 1,00,000 shares @ ₹ 3)		3,00,000	3,00,000
15.06.2024	Bank A/c [80,000(s) × ₹ 3] Dr. Calls-in-Advance A/c [20,000(s) × ₹ 3] Dr. To Equity Share Final Call A/c (Being share final call money received and call-in-advance adjusted)		2,40,000 60,000	3,00,000

20.

**In the books of Neha, Pooja and Anju  
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024	General Reserve A/c Dr.		40,000	
April 1	Workmen Compensation Reserve A/c Dr. To Claim against Workmen Compensation Reserve A/c To Neha's Capital A/c To Pooja's Capital A/c To Anju's Capital A/c (Being reserve distributed in old profit sharing ratio)		13,000	4,000 14,000 21,000 14,000
April 1	Neha's Capital A/c Dr. Pooja's Capital A/c Dr. Anju's Capital A/c Dr. To Profit and Loss A/c (Being debit balance of Profit and Loss A/c written off in old ratio)		1,200 1,800 1,200	4,200
April 1	Neha's Capital A/c Dr. To Pooja's Capital A/c To Anju's Capital A/c (Being adjustment entry passed for gain on assets revalued, without disturbing assets account)		1,800	1,500 300

**Calculation of gain/sacrifice:**

Neha's gain 6/28, Pooja's sacrifice 5/28, Anju's sacrifice 1/28

21.

## Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c To Shares Forfeited A/c To Share Final Call A/c (Being 4,500 shares forfeited)	Dr.	14,000	9,800 4,200
	Bank A/c Shares Forfeited A/c To Share Capital A/c (Being 1,400 shares reissued)	Dr. Dr.	8,400 5,600	14,000
	Shares Forfeited A/c To Capital Reserve A/c (Being balance of share forfeiture transferred to capital reserve)	Dr.	4,200	4,200

## Dr. Share Forfeited Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Share Capital A/c	5,600	By Share Capital A/c	9,800
To Capital Reserve A/c	4,200		
	<b>9,800</b>		<b>9,800</b>

22. Dr.

## Jitin's Executors' Account

Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2023 August 1	To Bank A/c	10,300	2023 August 1	By Jitin's Capital A/c	90,300
2024 March 31	To Balance c/d	83,200	2024 March 31	By Interest A/c	3,200
		<b>93,500</b>			<b>93,500</b>
2025 March 31	To Bank A/c		2024 April 1	By Balance b/d	83,200
March 31	(40,000 + 3,200 + 4,992)	48,192	2025 March 31	By Interest A/c	4,992
	To Balance c/d	40,000			<b>88,192</b>
		<b>88,192</b>			
2026 March 31	To Bank A/c	42,400	2025 April 1	By Balance b/d	40,000
			2026 March 31	By Interest A/c	2,400
		<b>42,400</b>			<b>42,400</b>

23. (i)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c To Debenture Application and Allotment A/c (Being application money received)	Dr.	36,00,000	36,00,000
(b)	Debenture Application and Allotment A/c Loss on issue of Debentures A/c (₹4,00,000 + ₹6,00,000) To 9% Debentures A/c (40,000 × ₹100) To Premium on redemption of Debentures A/c (Being debentures issued)	Dr. Dr.	36,00,000 10,00,000	40,00,000 6,00,000

## Working Note:

$$\text{Number of Debentures issued} = \frac{\text{₹ } 36,00,000}{\text{₹ } 90} = 40,000 \text{ debentures}$$

(ii) Dr.

## Loss on Issue of Debentures Account

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To 9% Debentures A/c	4,00,000	By Securities Premium A/c	6,40,000
To Premium on Redemption of Debentures A/c	6,00,000	By Statement of Profit and Loss (Bal. fig.)	3,60,000
	10,00,000		10,00,000

(iii)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024 March 31	Debenture Interest A/c To Debentureholders' A/c (Being interest due on ₹ 40,00,000)	Dr.	1,80,000	1,80,000
March 31	Debentureholders' A/c To Bank A/c (Being interest on debentures paid)	Dr.	1,80,000	1,80,000
March 31	Statement of Profit and Loss To Debenture Interest A/c (Being debenture interest written off)	Dr.	1,80,000	1,80,000

Or

## Journal of Vikas Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Equity Share Application A/c (Being application money received on 2,00,000 shares)	Dr.	8,00,000	8,00,000
(ii)	Equity Share Application A/c To Equity Share Capital A/c To Securities Premium A/c (Being application money transferred to Share Capital Account on allotment)	Dr.	8,00,000	4,00,000 4,00,000
(iii)	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being shares allotment money due on 2,00,000 shares)	Dr.	10,00,000	6,00,000 4,00,000
(iv)	Bank A/c Calls-in-Arrear A/c [1,000(s) × ₹ 5] To Equity Share Allotment A/c To Calls-in-Advance A/c [1,500(s) × ₹ 11]	Dr. Dr.	10,11,500 5,000	10,00,000 16,500
	<b>Or</b>			
	Bank A/c To Equity Share Allotment A/c To Calls-in-Advance A/c [1,500(s) × ₹ 11] (Being allotment money received except on 1,000 shares and Calls-in-advance received)	Dr.	10,11,500	9,95,000 16,500

(v)	Equity Share Capital A/c [1,000(s) × ₹ 5] Securities Premium A/c [1,000(s) × ₹ 2] To Forfeited Shares A/c To Calls-in-Advance A/c/Equity Share Allotment A/c (Being 1,000 shares forfeited allotment)	Dr. Dr.	5,000 2,000	2,000 5,000
(vi)	Equity Share First Call A/c To Equity Share Capital A/c To Securities Premium A/c (Being first call money due on 1,99,000 shares)	Dr.	9,95,000	3,98,000 5,97,000
(vii)	Bank A/c Calls-in-Arrear A/c [500(s) × ₹ 5] Calls-in-Advance A/c [1,500(s) × ₹ 5] To Equity Share First Call A/c To Calls-in-Advance A/c [600(s) × ₹ 6] <b>Or</b> Bank A/c Calls-in-Advance A/c [1,500(s) × ₹ 5] To Equity Share First Call A/c To Calls-in-Arrear A/c [600(s) × ₹ 6] (Being first call money received except on 500 shares and calls-in-advance received earlier adjusted)	Dr. Dr. Dr.  Dr. Dr.	9,88,600 2,500 7,500  9,88,600 7,500	9,95,000 3,600  9,92,500 3,600
(viii)	Equity Share Capital A/c [500(s) × ₹ 7] Securities Premium A/c [500(s) × ₹ 3] To Forfeited Shares A/c To Calls-in-Arrear A/c/Equity Share First Call A/c (Being 500 shares forfeited after the first call)	Dr. Dr.	3,500 1,500	2,500 2,500
(ix)	Equity Share Second and Final Call A/c To Equity Share Capital A/c To Securities Premium A/c (Being second and final call money due on 1,98,500 shares)	Dr.	11,91,000	5,95,500 5,95,500
(x)	Bank A/c Calls-in-Advance A/c {[1,500(s) × ₹ 6] + [600(s) × ₹ 6]} To Equity Share Second and Final Call A/c (Being Second and final call money received)	Dr. Dr.	11,78,400 12,600	11,91,000

24.

**In the Books of Jatin, Lalit and Kishore**

<b>Dr.</b>		<b>Revaluation Account</b>		<b>Cr.</b>	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Stock A/c	4,000	By Provision on Debtors A/c	4,000		
To Investments A/c	10,000	By Outstanding Expenses A/c	14,000		
To Profits transferred to (Bal. fig.):		(₹ 20,000 – ₹ 6,000)			
Jatin's Capital A/c	2,400				
Lalit's Capital A/c	1,600				
	18,000				
				18,000	

Dr.

## Partners' Capital Accounts

Cr.

Particulars	Jatin (₹)	Lalit (₹)	Kishore (₹)	Particulars	Jatin (₹)	Lalit (₹)	Kishore (₹)
To Balance c/d (Bal. fig.)	2,71,400	2,08,600	50,000	By Balance b/d	2,00,000	1,60,000	–
				By Cash A/c	–	–	50,000
				By Premium for Goodwill A/c	3,000	3,000	–
				By General Reserve A/c	24,000	16,000	–
				By Revaluation A/c	2,400	1,600	–
				By Workmen Compensation Fund A/c	42,000	28,000	–
	2,71,400	2,08,600	50,000		2,71,400	2,08,600	50,000
To Lalit's Current A/c	–	33,600	–	By Balance b/d	2,71,400	2,08,600	50,000
To Balance c/d	2,75,000	1,75,000	50,000	By Jitin's Current A/c	3,600	–	–
	2,75,000	2,08,600	50,000		2,75,000	2,08,600	50,000

**Balance Sheet of the new firm**  
as at 1<sup>st</sup> April 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Outstanding Expenses	6,000	Cash	64,000
Bills Payable	76,000	Debtors	1,20,000
Creditors	70,000	Less: Provision for doubtful debts	(16,000)
Lalit's Current A/c	33,600	Stock	76,000
Capital Accounts:		Investments	70,000
Jatin	2,75,000	Furniture	60,000
Lalit	1,75,000	Machinery	3,08,000
Kishore	50,000	Jitin's Current A/c	3,600
	6,85,600		6,85,600

**Working Notes:**

Cash balance is ₹ 8,000 + ₹ 50,000 + ₹ 6,000 = ₹ 64,000

Capital of the firm = ₹ 5,00,000

New ratio of Jatin, Lalit and Kishore is 11 : 7 : 2

Jatin's Capital ₹ 2,75,000, Lalit's Capital ₹ 1,75,000, Kishore's Capital ₹ 50,000.

Or

**Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i) (a)	Realisation A/c To Ravi's Capital A/c (Being remuneration payable to Ravi)	Dr.	23,000	23,000
(b)	Ravi's Capital A/c To Cash/Bank A/c (Being realisation expenses paid by Ravi from firm's cash)	Dr.	10,000	10,000

(ii)	Cash/Bank A/c Realisation A/c (Being debtors realised at 90% of ₹ 60,000)	Dr.	54,000	54,000
(iii)	No Entry will be passed for settlement of creditors by furniture			
(iv)	Cash/Bank A/c To Realisation A/c (Being land and building were realised)	Dr.	2,94,000	2,94,000
(v)	Anita's Capital A/c Ravi's Capital A/c To Realisation A/c (Being unrecorded shares taken away by Anita and Ravi in the Profit Sharing Ratio)	Dr. Dr.	15,000 10,000	25,000
(vi)	Realisation A/c To Anita's Capital A/c To Ravi's Capital A/c (Being profit on realisation was distributed between Anita and Ravi)	Dr.	45,000	27,000 18,000

25.

**In the books of Gopal, Rajnish and Lokesh**

Dr.		Revaluation Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Machinery A/c	10,500	By Land and Building A/c	8,000		
To Outstanding Legal Charges A/c	500	By Creditors A/c	1,000		
		By Loss transferred to (Bal Fig.):			
		Gopal	1,000		
		Rajnish	500		
		Lokesh	500		2,000
	11,000				11,000

Dr.		Partners' Capital Accounts						Cr.	
Particulars	Gopal (₹)	Rajnish (₹)	Lokesh (₹)	Particulars	Gopal (₹)	Rajnish (₹)	Lokesh (₹)		
To Rajnish's Capital A/c	3,500	–	1,750	By Balance b/d	40,000	30,000	25,000		
To Revaluation A/c (Loss)	1,000	500	500	By Profit & Loss A/c	7,500	3,750	3,750		
To Bank A/c	–	9,250	–	By Gopal's Capital A/c (Goolwill)	–	3,500	–		
To Rajnish's Loan A/c (Bal. Fig.)	–	29,250	–	By Lokesh's Capital A/c (Goolwill)	–	1,750	–		
To Balance c/d	60,000	–	30,000	By Bank A/c (Balancing Fig.)	17,000	–	3,500		
	64,500	39,000	32,250		64,500	39,000	32,250		

**Balance Sheet of Gopal and Lokesh***as at 31<sup>st</sup> March, 2024*

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	5,000	Bank	19,250
Outstanding Legal Expenses	500	Stock	14,700
Employee Provident Fund	5,000	Debtors	23,900
Rajnish's Loan A/c	29,250	Less: Provision for doubtful debts	(600)
Capitals:		Machinery	24,500
Gopal	60,000	Land and Building	48,000
Lokesh	30,000		
	1,29,750		1,29,750



**Working Notes:**

<b>Dr.</b>		<b>Bank Account</b>		<b>Cr.</b>	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	17,000	By Creditors A/c	9,000		
To Gopal's Capital A/c	17,000	By Rajnish's Capital A/c	9,250		
To Lokesh's Capital A/c	3,500	By Balance c/d	19,250		
	37,500		37,500		

Super Profit = ₹ 21,500 – 10% of ₹ 1,10,000

= ₹ 10,500 [Capital employed = ₹ 95,000 + ₹ 15,000 (Profit & Loss (Cr.) A/c)]

Goodwill = 2 × ₹ 10,500 = ₹ 21,000

Rajnish's share of Goodwill = 1/4 × ₹ 21,000 = ₹ 5,250

26. (i) (c) Issue for Consideration other than cash  
(ii) (a) 5,00,000  
(iii) (a) ₹ 2,000  
(iv) (d) ₹ 4,500  
(v) (b) Providing for Premium payable on Redemption of Debentures  
(vi) (b) ₹ 4,500
27. (c) A decrease in public deposits

**Or**

(d) ₹ 55,000

28. (c) Finance Cost

29. (b) 4 times

**Or**

(b) Proprietor's funds and Total Assets.

30. (d) Only Statement-II is true

S. No.	Items	Major Head	Sub-Head
(i)	Debit balance in Statement of Profit and Loss	Shareholders' Funds	Reserves and Surplus (As negative amount)
(ii)	Interest accrued and due on Debentures	Current Liabilities	Other Current Liabilities
(iii)	Capital Advances	Non-Current Assets	Long-term Loans and Advances
(iv)	Computer Software under development	Non-Current Assets	Property, Plant and Equipments and Intangible Assets - Intangible Assets under Development
(v)	Bank Overdraft	Current Liabilities	Short-term Borrowings
(vi)	Interest accrued on investment	Current Assets	Other Current Assets

32.

**Comparative Statement of Profit and Loss**  
for the year ended 31<sup>st</sup> March, 2023 and 2024

Particulars (A)	Note No. (B)	2022-23 (C)	2023-24 (D)	Absolute Change (₹) E=(D-C)	Percentage change F= E/C × 100
I. Revenue from Operations		4,00,000	6,00,000	2,00,000	50
II. Other Income		1,50,000	2,00,000	50,000	33.33
III. Total Revenue (I+II)		<b>5,50,000</b>	<b>8,00,000</b>	<b>2,50,000</b>	<b>45.45</b>
IV. Less: Expenses					
Cost of materials consumed		2,20,000	2,70,000	50,000	22.72
Employees benefit Expenses		2,00,000	3,50,000	1,50,000	75
Total Expenses		<b>4,20,000</b>	<b>6,20,000</b>	<b>2,00,000</b>	<b>47.62</b>
V. Profit before Tax (III-IV)		1,30,000	1,80,000	50,000	38.46
VI. Less: Tax		52,000	90,000	38,000	73.07
VII. Profit after Tax (V-VI)		<b>78,000</b>	<b>90,000</b>	<b>12,000</b>	<b>15.38</b>

33. (i) Let Debt = ₹ 3,00,000, Capital Employed = ₹ 10,00,000

With refund of Tax of ₹ 1,50,000, Profit will increase which will increase capital employed with no change in debt.

$$\text{Then New Ratio} = \frac{\text{₹ } 3,00,000}{\text{₹ } 11,50,000} = 26.08\%$$

It shows ratio is decreased.

(ii) No change as there is no effect on the Debt or Capital Employed.

(iii) The ratio will decline due to decrease in Debentures but Capital Employed remaining same.

(iv) The ratio will improve due to decrease in Capital Employed because of sale of building which is a part of capital employed being a Non-current asset. Debt will remain same.

**Or**

$$\begin{aligned} \text{(i) Acid Test Ratio} &= \frac{\text{All Current Assets} - \text{Inventory} - \text{Prepaid Expenses}}{\text{Current Liabilities}} \\ &= \frac{\text{₹ } 1,06,000 - \text{₹ } 37,200 - \text{₹ } 10,000}{\text{₹ } 53,000} \\ &= \frac{\text{₹ } 58,800}{\text{₹ } 53,000} = 1.11 : 1 \end{aligned}$$

$$\begin{aligned} \text{(ii) Working Capital Turnover Ratio} &= \frac{\text{Revenue From Operations}}{\text{Working Capital (i.e., CA - CL)}} \\ &= \frac{\text{₹ } 31,800}{\text{₹ } 1,06,000 - \text{₹ } 53,000} = \frac{\text{₹ } 31,800}{\text{₹ } 53,000} = 0.6 : 1 \end{aligned}$$

34.

**Cash Flow Statement**  
for the year ended 31st March 2023

	Particulars	Amount (₹)	Amount (₹)
<b>A.</b>	<b>Cash Flows from Operating Activities:</b>		
	Net Profit before tax and Extraordinary items (note 1)	48,000	
	Adjustments for non-cash and non-operating items:		
	<i>Add:</i> Depreciation on Fixed Tangible Assets	4,400	
	Amortization of Goodwill	2,500	
	Interest on Long Term Borrowings	2,500	
	<i>Less:</i> Profit on sale of machinery	(200)	
	Operating profit before working capital changes	57,200	
	<i>Add:</i> Increase in current liabilities and Decrease in current assets		
	Trade Payable	4,000	
	<i>Less:</i> Decrease in current liabilities and Increase in current assets		
	Increase in other current assets	(18,500)	
	Cash flow from operating Activities	42,700	42,700
<b>B.</b>	<b>Cash Flow from Investing Activities:</b>		
	Purchase of Property, Plant and Equipment – Tangible Assets (note 2)	(16,000)	
	Sale of Property, Plant and Equipment – Tangible Assets		
	Purchase of Investments	2,800	
	Net Cash used in Investing Activities	(5,000)	
		(18,200)	(18,200)
<b>C.</b>	<b>Cash flow from Financing Activities:</b>		
	Proceeds from Issue of Share Capital	5,000	
	Proceeds from Issue of Long Term Borrowings	4,000	
	Interest paid on Long Term Borrowings	(2,500)	
	Interim Dividend paid	(30,000)	
	Net Cash used in Financing Activities	(23,500)	(23,500)
<b>D.</b>	<b>Net increase in cash and cash equivalents (A + B + C)</b>		1,000
	<i>Add:</i> Cash and Cash equivalents at the beginning		
	Current Investments	50,000	
	Cash and Cash Equivalents	2,000	52,000
<b>E.</b>	Cash and Cash equivalents at the end	49,000	
<b>F.</b>	Current Investments	4,000	53,000

**Working Notes:**

(i) Net profit for the current year ₹ 11,000 – (– ₹ 6,000) =	₹ 17,000
<i>Add:</i> Transfer to General Reserve =	₹ 1,000
Interim Dividend Paid =	₹ 30,000
Net Profit before tax and Extraordinary items =	<u>₹ 48,000</u>

(ii) **Dr. Property, Plant and Equipment (Tangible Assets) Account Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	32,000	By Depreciation A/c	4,400
To Statement of Profit and Loss	200	By Bank A/c (Sale)	2,800
To Bank A/c (Purchases) (Bal. Fig.)	16,000	By Balance c/d	41,000
	<u>48,200</u>		<u>48,200</u>