

Solutions to RAC–DS2/Set-1

1. (d) ₹ 2,50,000 $[\text{₹ } 1,50,000 \times \frac{10}{3} \times \frac{5}{10}]$
2. (a) Both (A) and (R) are correct and (R) is the correct explanation of (A).
3. (c) ₹ 3,500 $[500 \times \text{₹ } 7]$

OR

- (d) No Interest will be paid
4. (d) ₹ 30,000 $[\text{₹ } 40,000 \times \frac{100}{133}]$

OR

- (b) ₹ 600 $[\text{₹ } 4,000 \times 6 \times \frac{6}{100} \times \frac{5}{12}]$
5. (a) Section 4
 6. (b) ₹ 4,00,000 $[4,000 \times \text{₹ } 100]$

OR

- (a) In the year of the issue of debentures
7. (a) Both (A) and (R) are correct and (R) is the correct explanation of (A).
 8. (b) Arpan's Current A/c will be credited by ₹ 12,000.

$$[\text{Interest wrongly provided} = \text{₹ } 14,00,000 \times \frac{5}{100} = \text{₹ } 70,000]$$

$$\text{Amount to be credited to Arpan} = \text{₹ } 70,000 \times \frac{3}{5} = \text{₹ } 42,000$$

$$\text{Amount to be debited to Arpan (Wrong interest on capital)} = \text{₹ } 6,00,000 \times \frac{5}{100} = \text{₹ } 30,000$$

$$\text{Net Effect} = \text{₹ } 42,000 \text{ (Cr.)} - \text{₹ } 30,000 \text{ (Dr.)} = \text{₹ } 12,000 \text{ (Cr.)}]$$

9. (b)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Realisation A/c To X's Capital A/c (Being remuneration allowed to X for dissolution expenses)	Dr.	12,000	12,000

10. (a) ₹ 3,50,000 $(70,000 \times \text{₹ } 5)$
11. (b) ₹ 1,00,000 $(50,000 \times \text{₹ } 2)$
12. (c) Dr. side of Profit and Loss A/c

OR

- (a) ₹ 16,000

$$[\text{Meenu's Commission} = \text{₹ } 42,000 \times \frac{5}{105} = \text{₹ } 2,000]$$

$$\text{Renu's Share in Profit} = (\text{₹ } 42,000 - \text{₹ } 2,000) \times \frac{2}{5} = \text{₹ } 16,000]$$

13. (c) ₹ 76,320

$$\left[\frac{1}{3} \text{ of } ₹ 2,16,000 = ₹ 72,000\right]$$

$$\text{Interest} = ₹ 72,000 \times \frac{6}{100} = ₹ 4,320$$

$$\therefore \text{Total amount} = ₹ 72,000 + ₹ 4,320 = ₹ 76,320]$$

14. (a) Profit and Loss Appropriation A/c Dr. 2,92,500
 To Sahil's Capital A/c 1,46,250
 To Manju's Capital A/c 1,46,250
 [Divisible profit = ₹ 3,25,000 – ₹ 32,500 = ₹ 2,92,500 distributed equally]

OR

(c) A's Drawings A/c Dr. 2,000
 To Cash/Bank A/c 2,000

15. (b) Harry's Capital A/c Dr. 24,000
 Potter's Capital A/c Dr. 16,000
 To Advertisement Suspense A/c 40,000

16. (a) ₹ 40,000 Debited to Investment Fluctuation Reserve A/c

Year	Adjustment (₹)	Net Profit (₹)
2018-19	4,25,000 – 25,000	4,00,000
2019-20	5,00,000	5,00,000
2020-21	–60,000 + 3,00,000 – 70,000	1,70,000
2021-22	—	1,50,000
2022-23	2,50,000 – 80,000	1,70,000
Total		13,90,000

Total Adjusted Profits = ₹ 13,90,000

Average Profit = ₹ 13,90,000/5 = ₹ 2,78,000

Goodwill = Average Profit × No. of years' purchase

Goodwill = ₹ 2,78,000 × 3 = ₹ 8,34,000

18. **Dr. Profit and Loss Appropriation A/c Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Profit transferred to:		By Profit and Loss A/c	40,000
X's Capital A/c	20,000	By Z's Capital A/c	2,000
Y's Capital A/c	22,000		
	42,000		42,000

Working Notes:

Y's Share of Profit = ₹ 40,000 × 3/10 = ₹ 12,000

Deficiency Amount = ₹ 22,000 – ₹ 12,000 = ₹ 10,000

₹ 10,000 will be borne by X and Z in 2 : 3 i.e. ₹ 4,000 and ₹ 6,000.

Profit of ₹ 40,000 in 6 : 3 : 1 = X: ₹ 24,000; Y: ₹ 12,000; Z: ₹ 4,000

Thus, share of profit will be as follows:

X = ₹ 24,000 – ₹ 4,000 = ₹ 20,000

Y = ₹ 12,000 + ₹ 4,000 + ₹ 6,000 = ₹ 22,000

Z = ₹ 4,000 – ₹ 6,000 = (2,000)

₹ 2,000 will be given by Z out of his capital as his share profit is less than the beneficence borne by him.

OR

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023 April 1	Meena's Current A/c Dr. Beena's Current A/c Dr. To Teena's Current A/c (Adjustment for interest on capital wrongly provided in the year 2021-22 and 2022-23)		480 1,920	2,400

Working Note:**Table Showing Adjustment**

	Teena (₹)	Meena (₹)	Beena (₹)	Total (₹)
Interest on Capital (2021-22) Dr.	6,000	4,800	3,600	14,400
Interest on Capital (2022-23) Dr.	6,000	4,800	3,600	14,400
Total Dr.	12,000	9,600	7,200	28,800
Profit to be credited(2021-22) Cr.	7,200	4,800	2,400	14,400
Profit to be credited(2022-23) Cr.	7,200	4,320	2,880	14,400
Total Cr.	14,400	9,120	5,280	28,800
Adjustment	2,400 (Cr.)	480 (Dr.)	1,920 (Dr.)	–

19. Alfa Ltd. obtained a loan of ₹ 1,00,000 from Indian Bank and issued 1,200, 10% Debentures of ₹ 100 each as collateral security.

Extract of Balance Sheet

Particulars	Note No.	Amount (₹)
Equity and Liabilities Non-Current Liabilities: Long-Term Borrowings	1	1,00,000

Notes to Accounts:

Note No.	Particulars	Amount (₹)
1	Long-Term Borrowings	
	Loan from Indian Bank	1,00,000
	1,200; 10% Debentures of ₹ 100 each issued as collateral security	1,20,000
	<i>Less:</i> Debenture Suspense A/c	(1,20,000)
		<u>1,00,000</u>

OR

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Share Capital A/c Dr.		900	
	Securities Premium A/c Dr.		600	
	To Share Allotment A/c			1,200
	To Share Forfeiture A/c			300
	(Being 150 shares were forfeited)			
(ii)	Bank A/c Dr.		2,250	
	To Share Capital A/c			1,500
	To Securities Premium A/c			750
	(Being 150 shares reissued)			
(iii)	Share Forfeiture A/c Dr.		300	
	To Capital Reserve A/c			300
	(Being forfeited amount transferred to capital reserve)			

20.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	E's Capital A/c Dr.		24,000	
	F's Capital A/c Dr.		24,000	
	To H's Capital A/c			48,000
	(Being adjustment of goodwill on retirement of H)			
(ii)	General Reserve A/c Dr.		1,30,000	
	To E's Capital A/c			13,000
	To F's Capital A/c			26,000
	To G's Capital A/c			39,000
	To H's Capital A/c			52,000
	(Being general reserve distributed)			

Dr.		H's Capital Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To H's Loan A/c	4,00,000	By Balance b/d	3,00,000		
		By E's Capital A/c	24,000		
		By F's Capital A/c	24,000		
		By General Reserve A/c	52,000		
	4,00,000		4,00,000		

21. **Balance Sheet of GDPL Ltd. (extract)**

Particulars	Note No.	Amount (₹)
EQUITY AND LIABILITIES		
1. Shareholders' Funds		
Share Capital	1	7,70,000

Notes of Accounts:

Note No.	Particulars	Amount (₹)
1.	Share Capital	
	Authorised Share Capital:	
	10,00,000 Equity Shares of ₹ 10 each	1,00,00,000
	Issued Share Capital:	
	1,00,000 Equity Shares of ₹ 10 each	10,00,000
	Subscribed Share Capital:	
	Subscribed but not fully paid-up	
	94,000 equity shares of ₹ 10 each, ₹ 8 Called up	7,52,000
	<i>Add: Share Forfeited Account</i>	18,000
		7,70,000

22. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Eena's Capital A/c Dr.		12,000	
	Meena's Capital A/c Dr.		12,000	
	To Deeka's Capital A/c			24,000
	(Being adjustment of goodwill done in gaining ratio)			
(ii)	Eena's Capital A/c Dr.		20,000	
	Meena's Capital A/c Dr.		20,000	
	Deeka's Capital A/c Dr.		10,000	
	To Profit and Loss A/c			50,000
	(Being debit balance in Profit and Loss A/c written-off among all partners in old ratio)			

(iii)	Profit and Loss Suspense A/c To Deeka's Capital A/c (Being Deeka's share of profit up to date of death dispensed through PandL Suspense A/c)	Dr.	11,250	11,250
(iv)	Deeka's Capital A/c To Deeka's Executor's A/c (Being amount due to Deeka transferred to his Executor's A/c) (₹ 3,80,000 + ₹ 24,000 – ₹ 10,000 + ₹ 11,250)	Dr.	4,05,250	4,05,250

Working Note:

Deeka's share in profit till the date of death = ₹ 75,000 × $\frac{9}{12}$ × $\frac{1}{5}$ = ₹ 11,250

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Investments	10,000	By Accrued Income	1,600
To Patents	10,000	By Bad Debts recovered	1,000
		By Loss transferred to:	
		Ashok	10,440
		Ankit	6,960
	20,000		17,400
			20,000

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

Particulars	Ashok (₹)	Ankit (₹)	Anjali (₹)	Particulars	Ashok (₹)	Ankit (₹)	Anjali (₹)
To Revaluation A/c (Loss)	10,440	6,960	–	By Balance b/d	1,20,000	80,000	–
To Balance c/d	1,62,960	1,08,640	90,533	By General Reserve A/c	38,400	25,600	–
				By Premium for Goodwill A/c	15,000	10,000	–
				By Bank A/c	–	–	90,533
	1,73,400	1,15,600	90,533		1,73,400	1,15,600	90,533

Working Notes:

Computation of Anjali's Capital:

Capital of Ashok after adjustment ₹ 1,62,960

Capital of Ankit after adjustment ₹ 1,08,640

Total ₹ 2,71,600

Let total profit be 1

Anjali's share = $\frac{1}{4}$

$$\text{Remaining share} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{Total Capital of the new firm} = ₹ 2,71,600 \times \frac{4}{3} = ₹ 3,62,133$$

$$\text{Anjali's share in Capital} = 3,62,133 \times \frac{1}{4} = 90,533$$

OR

Dr. Revaluation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Buildings	10,000	By Loss distributed to:	
To Provision For Doubtful Debts	1,200	Khushboo	8,000
To Salary Outstanding	4,800	Leela	4,800
		Teena	3,200
	16,000		16,000

Dr. Leela's Capital A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Profit and Loss A/c	2,400	By Balance b/d	56,000
To Revaluation A/c	4,800	By Khushboo's Capital A/c	30,000
To Bank A/c	20,800	By Teena's Capital A/c	12,000
To Leela's Loan A/c	70,000		
	98,000		98,000

Dr. Leela's Loan Account Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2023			2023		
Jun. 30	To Bank A/c	36,750	Apr. 1	By Leela's Capital A/c	70,000
Sep. 30	To Bank A/c	35,875	Jun. 30	By Interest A/c	1,750
			Sep. 30	By Interest A/c	875
		72,625			72,625

Working Note:

$$\text{Leela's Share in Goodwill} = ₹ 1,40,000 \times \frac{3}{10} = ₹ 42,000$$

This will be adjusted through capital accounts of Khusboo and Teena in the ratio of 5 : 3. i.e., ₹ 30,000 and ₹ 12,000.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Equity Share Application and Allotment A/c (Being application money received)		24,00,000	24,00,000
(ii)	Share Application and Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c To Bank A/c To Calls in Advance A/c (Being application money transferred to share capital, share final call and refunded)		24,00,000	10,00,000 6,00,000 4,00,000 4,00,000
(iii)	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call due)		10,00,000	10,00,000
(iv)	Bank A/c Dr. Calls-in-Arrears A/c Dr. Calls-in-Advance A/c Dr. To Share First and Final Call (Being money received on first and final call)		5,94,000 6,000 4,00,000	10,00,000
(v)	Share Capital A/c Dr. To Share Forfeiture A/c To Call-in-Arrears A/c (Being shares of Kanwar forfeited)		20,000	14,000 6,000
(vi)	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being forfeited shares reissued)		14,000 6,000	20,000
(vii)	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being gain on forfeited shares reissued transferred to capital reserve)		8,000	8,000

Working Note:

$$\text{Shares allotted to Kanwar} = 2,500 \times \frac{2,00,000}{2,50,000} = 2,000$$

First and Final Call money due (2,000 × ₹ 5) ₹ 10,000

Less: Excess Application and Allotment money adjusted (500 × ₹ 8) ₹ 4,000

First and Final Call money unpaid ₹ 6,000

OR
Books of OLA Ltd.
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 85,000 shares)		34,00,000	34,00,000
(ii)	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Being application money transferred to share capital, share allotment and refunded)		34,00,000	24,00,000 6,00,000 4,00,000
(iii)	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment money due on 60,000 shares)		51,00,000	36,00,000 15,00,000
(iv)	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Equity Share Allotment A/c (Being allotment money received on 56,000 shares)		42,00,000 3,00,000	45,00,000
(v)	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeited A/c To Calls-in-Arrears A/c (Being 4,000 shares forfeited for non-payment of allotment money)		4,00,000 1,00,000	2,00,000 3,00,000
(vi)	Bank A/c Dr. Share Forfeited A/c Dr. To Equity Share Capital A/c (Being 3,000 shares reissued @ ₹ 80 per share)		2,40,000 60,000	3,00,000
(vii)	Share Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of forfeited shares transferred to capital reserve)		90,000	90,000

Working Notes:

(i) Application money received = 85,000 × ₹ 40 = 34,00,000

Pro-rata allotment on shares applied for = $60,000 \times \frac{5}{4} = 75,000$

Amount refund on shares applied = ₹ 85,000 – ₹ 75,000 = ₹ 10,000

$$(ii) \text{ Shares applied by Ankur} = 4,000 \times \frac{5}{4} = 5,000$$

Amount due on allotment from Ankur (4,000 × ₹ 85)	₹ 3,40,000
Less: Excess amount adjusted (1,000 × ₹ 40)	₹ 40,000
Amount unpaid on allotment	₹ 3,00,000

(iii) Amount transferred to capital reserve

$$\begin{aligned}
 &= \left(\frac{\text{Amount of Shares forfeited}}{\text{Number of Shares forfeited}} \times \text{Number of shares reissued} \right) - \text{Loss on reissue of shares} \\
 &= \left(\frac{\text{₹ 2,00,000}}{4,000} \times 3,000 \right) - \text{₹ 60,000} \\
 &= \text{₹ 1,50,000} - \text{₹ 60,000} = \text{₹ 90,000}
 \end{aligned}$$

25.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr.		3,96,000	
	To Debtors A/c			76,000
	To Stock A/c			2,00,000
	To Furniture A/c			20,000
	To Leasehold Premises A/c			1,00,000
	(Being assets transferred to realisation A/c)			
(ii)	Creditors A/c Dr.		36,000	
	Amit's Wife's Loan A/c Dr.		60,000	
	To Realisation A/c			96,000
	(Being third party liabilities transferred to realisation A/c)			
(iii)	Bank A/c Dr.		4,08,000	
	To Realisation A/c			4,08,000
	(Being assets realised) (1,50,000 + 74,000 + 90,000 + 94,000)			
(iv)	Realisation A/c Dr.		17,100	
	To Bank A/c (18,000 – 5%)			17,100
	(Being creditors paid)			
(v)	Realisation A/c Dr.		70,000	
	To Amit's Capital A/c			70,000
	(Being realisation expenses and Amit's wife's loan paid off by Amit)			

(vi)	Realisation A/c	Dr.	20,900	
	To Gaurav's Capital A/c			12,540
	To Amit's Capital A/c			8,360
	(Being profit on realisation distributed between partners)			
(vii)	Gaurav's Loan A/c	Dr.	40,000	
	To Bank A/c			40,000
	(Being Gaurav's loan paid)			
(viii)	Gaurav's Capital A/c	Dr.	2,12,540	
	Amit's Capital A/c	Dr.	1,78,360	
	(1,00,000 + 70,000 + 8,360)			
	To Bank A/c			3,90,900
	(Being amount paid to partners as final settlement of accounts)			

Working Note:

$$\begin{aligned} \text{Profit on Realisation} &= ₹ 96,000 + ₹ 4,08,000 - (₹ 3,96,000 + ₹ 17,100 + ₹ 70,000) \\ &= ₹ 5,04,000 - ₹ 4,83,100 = ₹ 20,900 \end{aligned}$$

26. (i) ₹ 9,00,000

(ii) ₹ 90,000

(iii) ₹ 90,000

(iv) Nil as there is balance in securities premium equal to loss on issue of debentures.

(v) Statement of Profit and Loss A/c

	Dr.	90,000	
To Interest on Debentures A/c			90,000
(Being interest on debentures written off)			

(vi) Securities Premium A/c

	Dr.	90,000	
To Loss on Issue of Debentures A/c			90,000
(Being loss on issue of debentures written off)			

27. (b) Other Long-Term Liabilities

OR

(b) Other Current Liabilities

28. (a) Both Statements are correct.

29. (b) Outflow in Investing Activity

OR

(c) Cash flow from investing activities ₹ 98,000

30. (d) All of above
31. (a) Major Head: Current Assets; Sub head: Inventories
- (b) While calculating Inventory Turnover Ratio 'Loose Tools' is not included in Inventories.
- (c) Objectives: (i) Assessing the ability of the enterprise to meet its short-term and long-term commitments, (ii) Assessing the earning capacity of the enterprise.
32. (a) (i) Increase, as cost of Revenue from Operations will increase because of decrease in closing inventory by ₹ 40,000 and average inventory will also decrease.
- (ii) Increase, as cost of Revenue from Operations will not change because of decrease in purchases and decrease in closing inventory by the same amount i.e. ₹ 35,000.
- (b) Net Profit before Interest and Tax = ₹ 3,00,000

$$\begin{aligned}\text{Capital Employed} &= \text{Net Fixed Assets} + \text{Net Working Capital} \\ &= ₹ 10,00,000 + ₹ 5,00,000 \\ &= ₹ 15,00,000\end{aligned}$$

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100 \\ &= \frac{₹ 3,00,000}{₹ 15,00,000} \times 100 = 20\%\end{aligned}$$

33.

Comparative Statement of Profit and Loss

for the year ended 31st March 2022 and 2023

Particulars (A)	31 st March 2022 (₹)	31 st March 2023 (₹)	Absolute Change (₹)	% Change
	A	B	C = B - A	D = C/A × 100
I. Revenue from Operations	20,00,000	36,00,000	16,00,000	80
II. Expenses				
(a) Cost of Material Consumed	10,00,000	12,00,000	2,00,000	20
(b) Other Expenses	1,00,000	2,40,000	1,40,000	140
Total Expenses	11,00,000	14,40,000	3,40,000	30.9
III. Profit before Tax (I - II)	9,00,000	21,60,000	12,60,000	140
IV. Tax @ 50%	4,50,000	10,80,000	6,30,000	140
V. Profit after Tax (III - IV)	4,50,000	10,80,000	6,30,000	140

OR

Common Size Statement of Profit and Loss

for the year ended on 31st March 2022 and 2023

Particulars	Absolute Amounts (₹)		Percentage of Balance Sheet Total (%)	
	2021-22	2022-23	2021-22	2022-23
Revenue from Operations	40,00,000	60,00,000	100.00	100.00
<i>Add:</i> Other Income	60,000	1,50,000	1.5	2.50
Total Revenue	40,60,000	61,50,000	101.50	102.50
<i>Less:</i> Expenses				
Purchase of Stock in Trade	30,40,000	43,20,000	76.00	72.00
Changes in Inventories	(80,000)	1,20,000	(2.00)	2.00
Other Expenses	2,00,000	3,60,000	5.00	6.00
Total Expenses	31,60,000	48,00,000	79.00	80
Profit before Tax (Total Revenue – Total Expenses)	9,00,000	13,50,000	22.5	22.5

34.

Cash Flow Statement of Pinnacle Ltd.

for the year ended 31st March 2023

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		28,000
B. Cash Flows from Investing Activities:		
Purchase of Plant and Machinery	(3,95,000)	
Sale of Plant and Machinery	1,02,000	
Cash Flow from Investing Activities		(2,93,000)
C. Cash Flows from Financing Activities		
Issue of Share Capital	4,00,000	
Issue of 9% Debentures	1,00,000	
Interest paid on 9% Debentures	(27,000)	
Cash Flow from Financing Activities		4,73,000
Net Increase in Cash and Cash Equivalents (A+B+C)		2,08,000
<i>Add:</i> Opening Balance of Cash and Cash Equivalents:		
Current Investments	20,000	
Cash and Cash Equivalents	1,40,000	1,60,000
Closing Balance of Cash and Cash Equivalents:		
Current Investments	1,30,000	
Cash and Cash Equivalents	2,38,000	3,68,000

Working Notes:**Dr. Plant and Machinery A/c Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,04,000	By Accumulated Depreciation A/c	23,000
To Statement of Profit and Loss	12,000	By Bank A/c	1,02,000
To Bank A/c	3,95,000	By Balance c/d	8,86,000
	10,11,000		10,11,000

Dr. Accumulated Depreciation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant and Machinery A/c	23,000	By Balance b/d	80,000
To Balance c/d	1,40,000	By Depreciation A/c	83,000
	1,63,000		1,63,000