

Solutions to RAC/Set-3

1. (A) (d) Profit ₹1,12,000

Or

(B) (a) Both (A) and (R) are correct, and (R) is the correct explanation of (A).

2. (d) ₹ 10,00,000

3. (A) (c) ₹ 3,600

Or

(B) (b) Capital Reserve ₹ 20,000

4. (d) Neera ₹ 10,000; Meera ₹ 7,500

5. (c) 8%

6. (A) (d) ₹ 11,00,000 Or (B) (a) ₹ 22,00,000

7. (c) ₹ 40,000

8. (A) (a) Bad Debts A/c	Dr.	15,000	
To Sundry Debtors A/c			15,000
Provision for Doubtful Debts A/c	Dr.	15,000	
To Bad Debts A/c			15,000

Or

(B) (c) J's Current A/c	Dr.	60,000	
To G's Capital A/c			48,000
To H's Capital A/c			12,000

9. (c) ₹ 21,500

10. (b) 11 : 4 : 5

11. (b) ₹ 33,500

Average profit = Normal profit + Super profit

Super profit = ₹ 54,000 ÷ 4 = ₹ 13,500

Normal profit = 10% of ₹ 2,00,000 = ₹ 20,000

12. (c) ₹ 1,20,000

13. (b) ₹ 96,000

14. (b) ₹ 80,000

15. (A) (a) ₹ 13,000

Or

(B) (a) ₹ 10,500

$3/4 \times [(\text{₹ } 22,200 - \text{₹ } 1,200 \text{ (Interest on Loan)} - \text{₹ } 15,000 \text{ (Interest on Capital)} - \text{₹ } 20,000 \text{ (Salary)})]$

$= 3/4 \times (\text{₹ } 14,000) = (\text{₹ } 10,500)$

16. (a) ₹ 2,56,000

17. Dr.

Rahul's Capital Account

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rahul's Executors' A/c	1,97,750	By Balance b/d	1,25,000
		By Kamal's Capital A/c (Goodwill)	37,500
		By Neeraj's Capital A/c (Goodwill)	15,000
		By Workmen Compensation Reserve A/c	9,000
		By Profit and Loss Suspense A/c	7,500
		By Interest on Capital A/c	3,750
	1,97,750		1,97,750

Working Notes:

$$(i) \text{ Rahul's share of goodwill} = ₹ 1,75,000 \times \frac{3}{10} = ₹ 52,500$$

$$(ii) \text{ Rahul's share of profit} = ₹ 75,000 \times \frac{3}{10} \times \frac{4}{12} = ₹ 7,500$$

$$(iii) \text{ Interest on capital} = ₹ 1,25,000 \times \frac{4}{12} \times \frac{9}{100} = ₹ 3,750$$

18. (A) Calculation of Actual average profits:

Particulars	(₹)	(₹)
Profit for 2022-23	3,00,000	
Add: Abnormal Loss	30,000	3,30,000
Loss for 2023-24		(1,00,000)
Profit for 2024-25	2,50,000	
Less: Overvaluation of closing stock	(30,000)	2,20,000
Total Profits		4,50,000

$$\begin{aligned} \text{Actual Average Profits} &= \frac{\text{Total Profits}}{\text{No. of Years}} \\ &= \frac{₹ 4,50,000}{3} = ₹ 1,50,000 \end{aligned}$$

$$\begin{aligned} \text{Value of Goodwill} &= \text{Actual Average Profit} \times \text{No. of years' purchase} \\ &= ₹ 1,50,000 \times 2 = ₹ 3,00,000 \end{aligned}$$

Or

$$\begin{aligned} (B) \text{ Interest on Sudhir's Capital} & \left(₹ 80,000 \times \frac{9}{100} \right) & ₹ 7,200 \\ \text{Interest on Deepak's Capital} & \left(₹ 50,000 \times \frac{9}{100} \right) & ₹ 4,500 \\ & & \underline{₹ 11,700} \end{aligned}$$

Net profit available = ₹ 7,800 which is less than the total Interest on Capital i.e., ₹ 11,700

Thus the Net profit will be divided in ratio of Interest on Capital i.e., 8 : 5. (7,200 : 4,500)

$$\text{So Actual Interest on Sudhir's Capital} = ₹ 7,800 \times \frac{8}{13} = ₹ 4,800$$

$$\text{Actual Interest on Deepak's Capital} = ₹ 7,800 \times \frac{5}{13} = ₹ 3,000$$

In the Books of Sudhir and Deepak
Profit and Loss Appropriation Account

Dr.

for the year ended 31st March 2025

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital:		By Profit and Loss A/c (Net Profit)	7,800
Sudhir's Capital A/c	4,800		
Deepak's Capital A/c	3,000		
	7,800		
	7,800		7,800

19.

In the Books of Ronit Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Share Allotment A/c Dr. To Share Capital A/c (Being allotment money due)		1,50,000	1,50,000
(ii)	Bank A/c Dr. Calls-in-Arrear A/c Dr. To Share Allotment A/c To Calls-in-Advance A/c (Being receiving allotment money)		1,52,200 1,800	1,50,000 4,000
(iii)	Share First Call A/c Dr. To Share Capital A/c (Being first call money due)		2,00,000	2,00,000
(iv)	Bank A/c Dr. Calls-in-Arrear A/c Dr. Calls-in-Advance A/c Dr. To Share First Call A/c (Being receiving first call money)		1,93,600 2,400 4,000	2,00,000

20.

In the books of Nidhi, Kunal and Kabir

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 March 31	Workmen's Compensation Reserve A/c Dr. To Workmen's Compensation Claim A/c To Nidhi's Capital A/c To Kunal's Capital A/c To Kabir's Capital A/c (Being workmen's compensation reserve used for claim and remaining amount distributed among partners in their old profit sharing ratio)		20,000	2,000 6,000 6,000 6,000

March 31	Investment Fluctuation Fund A/c	Dr.	40,000	
	Revaluation A/c	Dr.	30,000	
	To Investment A/c			70,000
	(Being marketable of Investment decrease and shortfall of IFR changed from Revaluation A/c)			
March 31	Nidhi's Capital A/c	Dr.	10,000	
	Kunal's Capital A/c	Dr.	10,000	
	Kabir's Capital A/c	Dr.	10,000	
	To Revaluation A/c			30,000
	(Being loss on Revaluation transferred to Partner's Capital A/c)			

21.

**In the Books of Aditi, Saurabh and Malik
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	20,000	
	To Aditi's Capital A/c			12,000
	To Saurabh's Capital A/c			8,000
	(Being capital brought by Aditi and Saurabh after adjustment made on the basis of Malik's capital.)			

Working Notes:

(i) *Calculation of New Profit-sharing Ratio:*

Let Total Profit = 1,

$$\text{Malik's Share} = \frac{1}{4}$$

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

$$\text{Aditi's Share} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20};$$

$$\text{Saurabh's Share} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$$

$$\text{New Profit-sharing Ratio} = \frac{9}{20} : \frac{6}{20} : \frac{1}{4} \text{ or } 9 : 6 : 5$$

(ii) *Total Capital of New Firm and New Capital of Existing Partners:*

$$\text{Let Total Capital of New Firm} = ₹ 40,000 \times \frac{4}{1} = ₹ 1,60,000$$

$$\text{Aditi's Capital} = ₹ 1,60,000 \times \frac{9}{20} = ₹ 72,000;$$

$$\text{Saurabh's Capital} = ₹ 1,60,000 \times \frac{6}{20} = ₹ 48,000$$

(iii) *Calculation of Actual Costs to be paid off/brought by the Old Partners:*

	Aditi (₹)	Saurabh (₹)
(a) New Capital	72,000	48,000
(b) Adjusted Old Capital	60,000	40,000
Capital brought in Cash	<u>12,000</u>	<u>8,000</u>

22.

Journal of Amrit Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. To Share Forfeited A/c To Calls-in-Arrears A/c (Being 5000 shares were forfeited for non-payment of call money).		50,000	35,000 15,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Being 2,000 of forfeited shares were reissued at a premium of ₹ 3 per share)		26,000	20,000 6,000
	Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain on reissue of shares transferred to Capital Reserve Account)		14,000	14,000

Dr.**Share Forfeited Account****Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Capital Reserve A/c	14,000	By Share Capital A/c	35,000
To Balance c/d (Bal. Fig.)	21,000		
	35,000		35,000

23. (A)

Journal of Vishant Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 April 1	Bank A/c Dr. To 9% Debentures Application & Allotment A/c (For application money received for 20,000, 9% debentures @ 100 each at a premium of 10%)		22,00,000	22,00,000
April 1	9% Debentures Application & Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 9% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (For 20,000, 9% debentures of ₹ 100 each issued at a premium of 10% redeemable at a premium of 5%)		22,00,000 1,00,000	20,00,000 2,00,000 1,00,000
April 1	Sundry Assets A/c Dr. Goodwill A/c (Balancing Figure) Dr. To Liabilities A/c To Vendor (For sundry assets and liabilities taken over)		3,50,000 10,000	1,40,000 2,20,000

April 1	Vendor To 9% Debentures A/c To Securities Premium A/c (For 2,000 debentures issued at 10% premium for purchase consideration)	Dr.	2,20,000	2,00,000 20,000
April 1	Bank A/c To Bank Loan A/c (For loan taken from Bank)	Dr.	4,00,000	4,00,000
April 1	Debentures Suspense A/c To 9% Debentures A/c (For 4,500, 9% debentures of ₹ 100 each issued as collateral security)	Dr.	4,50,000	4,50,000

Or

(B)

In the books of Manika Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Share Application A/c (Being application money received on 92,000 shares)	Dr.	2,76,000	2,76,000
(ii)	Share Application A/c To Share Capital A/c To Bank A/c To Share Allotment A/c (Being application money adjusted and surplus refunded)	Dr.	2,76,000	1,80,000 6,000 90,000
(iii)	Share Allotment A/c To Share Capital A/c To Securities Premium A/c (Being allotment money due on 60,000 shares of ₹ 5 each including premium)	Dr.	3,00,000	1,80,000 1,20,000
(iv)	Bank A/c To Share Allotment A/c (Being allotment money received except 4,000 shares)	Dr.	1,90,000	1,90,000
(v)	Share First and Final Call A/c To Share Capital A/c (Being call money due on 60000 shares of ₹ 4 each)	Dr.	2,40,000	2,40,000
(vi)	Bank A/c To Share First and Final A/c (Being call money received except 7,000 share)	Dr.	2,12,000	2,12,000
(vii)	Share Capital A/c Securities Premium A/c To Shares Forfeited A/c To Share Allotment A/c To Share First and Final Call A/c (Being 4,000 shares forfeited for non-payment of allotment and call Money)	Dr. Dr.	40,000 8,000	12,000 20,000 16,000

(viii)	Bank A/c	Dr.	16,000	
	Shares Forfeited A/c	Dr.	4,000	
	To Share Capital A/c			20,000
	(Being 2,000 shares were reissued as fully paid for ₹ 8 per share)			
(ix)	Shares Forfeited A/c $\left[\frac{₹ 12,000}{4000(s)} \times 2,000(s) \right] - ₹ 4,000$	Dr.	2,000	
	To Capital Reserve A/c			2,000
	(Being transfer of Shares Forfeited A/c to Capital Reserve)			

Working Notes:

Share Allotment money due:	₹ 3,00,000
Less: allotment money received on application:	(₹ 90,000)
Less: Share allotment money received :	(₹ 1,90,000)
Share allotment money not received :	<u>₹ 20,000</u>

No. of shares on which allotment money not received and forfeited = ₹ 20,000/5 = 4,000 shares

24. (A) In the Books of Nita, Mita and Sita

Dr.		Revaluation Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Provision for Doubtful Debts A/c	5,000	By Land A/c	18,000		
To Machinery A/c	10,000	By Creditors A/c	2,350		
To Patents A/c	2,000				
To Profits transferred to:					
Nita's Capital A/c	1,675				
Mita's Capital A/c	1,340				
Sita's Capital A/c	335				
	<u>20,350</u>				<u>20,350</u>

Dr.		Partners' Capital Accounts						Cr.	
Particulars	Nita (₹)	Mita (₹)	Sita (₹)	Particulars	Nita (₹)	Mita (₹)	Sita (₹)		
To Goodwill A/c	13,500	10,800	2,700	By Balance b/d	85,000	54,000	36,000		
To Nita's Capital A/c (Goodwill)	-	33,600	8,400	By General Reserve A/c	10,000	8,000	2,000		
To Nita's Loan A/c	1,25,175	-	-	By Revaluation A/c	1,675	1,340	335		
To Balance c/d (Bal. Fig.)	-	18,940	27,235	By Mita's Capital A/c (Goodwill)	33,600	-	-		
				By Sita's Capital A/c (Goodwill)	8,400	-	-		
	<u>1,38,675</u>	<u>63,340</u>	<u>38,335</u>		<u>1,38,675</u>	<u>63,340</u>	<u>38,335</u>		

Working Note:

Calculation of Goodwill:

Total Profits = ₹ 34,000 + ₹ 42,000 + ₹ 50,000 = ₹ 1,26,000

Average Profit = $\frac{₹ 1,26,000}{3} = ₹ 42,000$

Goodwill = 2 × ₹ 42,000 = ₹ 84,000

Nita's share $\frac{5}{10} \times ₹ 84,000 = ₹ 42,000$

Or

(B) In the Books of Hari, Ravi and Chavi**Dr. Realisation Account Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Profit on revaluation transferred to:		By Furniture A/c	50,000
Hari 's Capital A/c	36,000	By Provision for doubtful debts A/c	10,000
Ravi 's capital A/c.	24,000		
	<u>60,000</u>		<u>60,000</u>

Dr. Partners' Capital Accounts Cr.

Particulars	Hari	Ravi	Chavi	Particulars	Hari	Ravi	Chavi
To Ravi's Current A/c		1,36,000		By Balance b/d	5,00,000	5,00,000	-
To Balance c/d	7,20,000	4,80,000	4,00,000	By Cash A/c	-	-	4,00,000
				By Premium for Goodwill A/c	30,000	20,000	-
				By Workmen's Compensation Reserve A/c	18,000	12,000	-
				By Revaluation A/c	36,000	24,000	-
				By General Reserve A/c	90,000	60,000	-
				By Hari's Current A/c	46,000	-	-
	<u>7,20,000</u>	<u>6,16,000</u>	<u>4,00,000</u>		<u>7,20,000</u>	<u>6,16,000</u>	<u>4,00,000</u>

25. In the Books of Arun, Varun and Tarun**Dr. Realisation Account Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant A/c	80,000	By Creditors A/c	1,20,000
To Furniture A/c	45,000	By Arun Capital A/c (Plant)	45,000
To Motor Van A/c	25,000	By Bank A/c:	
To Debtors A/c	71,000	Plant	50,000
To Stock A/c	30,000	Furniture	40,000
To Cash A/c (Creditors)	1,00,000	Debtors	<u>70,000</u>
To Cash A/c (Realisation Expenses)	5,000	By Varun Capital A/c (Motor van)	30,000
		By Partners' Capital A/c (Loss):	
		Arun	500
		Varun	300
		Tarun	<u>200</u>
	<u>3,56,000</u>		<u>1,000</u>
			<u>3,56,000</u>

Dr. Partners' Capital Accounts Cr.

Particulars	Arun (₹)	Varun (₹)	Tarun (₹)	Particulars	Arun (₹)	Varun (₹)	Tarun (₹)
To Realisation A/c (Loss)	500	300	200	By Balance b/d	68,000	50,000	27,000
To Realisation A/c (Assets Taken)	45,000	30,000	-				
To Cash A/c	22,500	19,700	26,800				
	<u>68,000</u>	<u>50,000</u>	<u>27,000</u>		<u>68,000</u>	<u>50,000</u>	<u>27,000</u>

Dr.	Bank Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	14,000	By Realisation A/c	1,05,000
To Realisation A/c (Assets)	1,60,000	(Creditors + Realisation Expenses)	
		By Partner's Capital A/c:	
		Arun	22,500
		Varun	19,700
		Tarun	26,800
	1,74,000		69,000
			1,74,000

26. (i) (a) 45,000 shares

[Pro-rata Ratio = 3 : 2

Shares Applied : Share Allotted

3 : 2

$x : 30,000$

$2x = 90,000$

$x = 45,000$ shares]

(ii) (c) ₹ 4 [Application Money Per share = $\frac{₹ 1,80,000}{45,000(s)} = ₹ 4$]

(iii) (d) ₹ 3

[First and Final call money per share = ₹ 10 – ₹ 4 (Application Money)

– ₹ 3 (Allotment Money) = ₹ 3

Allotment money per share = $\frac{\text{Allotment money not received}}{\text{Number of allotted shares}}$
 $= \frac{₹ 90,000}{30,000 \text{ Shares}} = ₹ 3 \text{ per shares]$

(iv) (c) ₹ 28,000

Allotment money received by the Company:	₹
Total amount due on Allotment = 30,000(s) × ₹ 3	= 90,000
Less: Excess Application money adjusted to Share Allotment	= 60,000
	₹ 30,000
Less: Calls-in-Arrears 2,000(s) × ₹ 3	= 6,000
Less: 1,000(s) × ₹ 4	= 4,000
Net amount received in Allotment	= 28,000

(v) (a) ₹ 6,000

Amount transferred to Capital Reserve:	
Amount forfeited on 1,000 shares	= $\frac{₹ 12,000}{2,000(s)} \times 1,000(s)$
	= ₹ 6,000
Less: Discount on Reissue	= NIL
Amount transferred to Capital Reserve	= ₹ 6,000

(vi) (b) Purchase of fixed assets

27. (A) (d) ₹ 3,00,000

Or

(B) (b) ₹ 28,800

28. (d) Only (ii) and (iii) are correct.

29. (A) (d) Both (A) and (R) are incorrect.

Or

(B) (c) Issue of shares for cash

30. (a) Cash payments to and on behalf of the employees

31. (a) Two examples of Contingent Liabilities except Bills of Exchange discounted and Arrears of Dividend:

(i) Claim against the company not acknowledged as debt

(ii) Guarantee given by the company

(b) Proposed Dividend — Disclosed in the Notes to Accounts under “Other Information” (not shown in Balance Sheet as per Schedule III).

(c) Interest received on Investments — Shown under “Other Income” in the Statement of Profit and Loss.

32. (A) **Common-size Statement of Profit and Loss**

For the year ended 31st, March, 2025 and 2024

Particulars	Note No.	Absolute Amount		Percentage of Revenue from Operations (Net Sales)	
		31st March, 2024 (₹)	31st March, 2025 (₹)	31st March, 2024 (%)	31st March, 2025 (%)
		I. Revenue from Operations	7,50,000	10,00,000	100.00
II. Other Income	75,000	1,00,000	10.00	10.00	
III. Total Revenue (I + II)		8,25,000	11,00,000	110.00	110.00
IV. Expenses					
(a) Purchases of Stock-in-Trade		6,00,000	7,50,000	80.00	75.00
(b) Change in Inventories of Stock-in-Trade		10,000	(50,000)	1.33	(5.00)
(c) Other Expenses		7,500	10,000	1.00	1.00
Total Expenses		6,17,500	7,10,000	82.33	71.00
V. Profit before Tax (III – IV)		2,07,500	3,90,000	27.67	39.00
VI. <i>Less: Income Tax</i>		1,03,750	1,95,000	13.83	19.50
VII. Profit after Tax (V – VI)		1,03,750	1,95,000	13.84	19.50

Or

(B)

Common Size Balance Sheet of Marvel Ltd

as at 31.3.2024 and 31.3.2025

Particulars	Note No.	Absolute Amount		Percentage of Balance Sheet Total	
		31 st March 2024 (₹)	31 st March 2025 (₹)	31 st March 2024 (₹)	31 st March 2025 (₹)
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds:					
(a) Equity Share Capital		15,00,000	30,00,000	30	37.5
(b) Reserves and Surplus		5,00,000	10,00,000	10	12.5
2. Non-current liabilities		20,00,000	20,00,000	40	25
3. Current liabilities		10,00,000	20,00,000	20	25
Total		50,00,000	80,00,000	100	100
II. ASSETS					
1. Non-Current Assets:		30,00,000	40,00,000	60	50
2. Current Assets:					
(a) Inventories		20,00,000	40,00,000	40	50
Total		50,00,000	80,00,000	100	100

33. (A) (a) (i) Current ratio will improve because both current liabilities and current assets will decrease by same amount.

(ii) Current ratio will improve because current assets will increase by the amount received in cash as sale proceeds.

(iii) Current ratio will improve because current assets will increase by 10% profit.

(iv) Current ratio will reduce because of increase in current liabilities.

(b) Working Capital = Capital Employed – Fixed Assets
 = ₹ 7,50,000 – ₹ 5,00,000 = ₹ 2,50,000

Calculation of Revenue from Operations:

When, Sales is ₹ 100, Gross Profit is ₹ 20, then Cost is ₹ 100 – ₹ 20 = ₹ 80

When, cost is ₹ 5,00,000; Sales = ₹ 5,00,000 × 100/80 = ₹ 6,25,000

$$\begin{aligned} \text{Working Capital Turnover Ratio} &= \frac{\text{Revenue from Operations}}{\text{Working Capital}} \\ &= \frac{\text{₹ 6,25,000}}{\text{₹ 2,50,000}} = 2.5 \text{ Times} \end{aligned}$$

Or

(B) For the year 2023-24

$$\text{Gross profit} = \frac{25x}{100} \quad (x = \text{Cost of revenue from operations})$$

$$\frac{x}{4} = \text{₹ } 50,00,000 - x$$

$$x = \text{₹ } 40,00,000$$

Cost of revenue from operations = ₹ 40,00,000

$$\begin{aligned} \text{Inventory Turnover Ratio} &= \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}} \\ &= \frac{\text{₹ 40,00,000}}{\frac{\text{₹ 50,00,000} + \text{₹ 7,00,000}}{2}} = \frac{\text{₹ 40,00,000}}{\text{₹ 6,00,000}} \\ &= 6.67 \text{ times} \end{aligned}$$

For 2024-25

Cost of Revenue from Operations = y

$$\frac{y}{4} = \text{₹ 75,00,000} - y$$

$$y = \text{₹ 60,00,000}$$

Cost of Revenue from Operations = ₹ 60,00,000

$$\begin{aligned} \text{Inventory turnover ratio} &= \frac{\text{₹ 60,00,000}}{\frac{\text{₹ 70,00,000} + \text{₹ 17,00,000}}{2}} = \frac{\text{₹ 60,00,000}}{\text{₹ 12,00,000}} \\ &= 5 \text{ times} \end{aligned}$$

34.

Cash Flow Statement of Ajanta Ltd.
for the year ended 31st March, 2025

Sr. No.	Particulars	Details (₹)	Amount (₹)
A.	Cash Flows from Operating Activities:		
	Net Profit before tax and Extraordinary items	(20,000)	
	Adjustments for non-cash and non-operating items:		
	<i>Add:</i> Loss on sale of Fixed Assets	3,000	
	Depreciation on Fixed Tangible Assets	12,000	
	Operating profit before change in working capital	(5,000)	
	<i>Add:</i> Increase in current liabilities and Decrease in current assets		
	Inventory	15,000	
	<i>Less:</i> Decrease in current liabilities and Increase in current assets		
	Prepaid Expenses	(5,000)	
	Trade Payables	(45,000)	
	Cash used in Operating Activities	(40,000)	(40,000)
B.	Cash Flow from Investing Activities:		
	Sale of Fixed Tangible Assets	10,000	
	Purchase of Intangible Assets	(50,000)	
	Sale of Intangible Assets	60,000	
	Net Cash used in Investing Activities	20,000	20,000
C.	Cash flow from Financing Activities:		
	Proceeds from issue of Share Capital	50,000	
	Net Cash from Financing Activities	50,000	50,000
D.	Net increase in cash and cash equivalents (A + B + C)		30,000
E.	<i>Add:</i> Cash and Cash equivalents at the beginning		10,000
F.	Cash and Cash equivalents at the end		40,000

Working Notes:

Net Profit before tax and Extraordinary items = (₹ 50,000) – (₹ 30,000) = (₹ 20,000)

Dr. Property, Plant and Equipment (Machinery) Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	1,10,000	By Accumulated Depreciation A/c	7,000
		By Bank A/c (sales)	10,000
		By Statement of Profit and Loss	3,000
		By Balance c/d	90,000
	1,10,000		1,10,000

Dr. Accumulated Depreciation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Fixed Assets A/c	7,000	By Balance b/d	5,000
To Balance c/d	10,000	By Statement of Profit and Loss	12,000
	17,000		17,000

Dr. Intangible Assets Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	70,000	By Bank A/c (Sold) (Bal. Fig.)	60,000
To Bank A/c (Purchases)	50,000	By Balance c/d	60,000
	1,20,000		1,20,000