

[Pre-Board Paper based on CBSE pattern]

Time Allowed: 3 Hours]

[Maximum Marks: 80

General Instructions:

1. This question paper contains **34** questions. All questions are compulsory.
2. This question paper is divided into two parts, **Part A and B**.
3. **Part-A** is compulsory for all the candidates.
4. **Part-B** has two options *i.e.* (i) Analysis of Financial Statements and (ii) Computerised Accounting.

Students must attempt only one of the given options as per the subject opted.

5. Question Nos. **1 to 16** and **27 to 30** carry **1** mark each.
6. Question Nos. **17 to 20, 31 and 32** carry **3** marks each.
7. Question Nos. **21, 22 and 33** carry **4** marks each.
8. Question Nos. **23 to 26 and 34** carry **6** marks each.
9. There is no overall choice. However, an internal choice has been provided in **7** questions of **one** mark, **2** questions of **three** marks, **1** question of **four** marks and **2** questions of **six** marks.

PART – A**Accounting for Partnership Firms and Companies**

1. Shiv and Shakti are partners sharing profits and losses in the ratio of 3 : 2. Shiv surrendered $\frac{1}{5}$ th from his share and Shakti surrendered $\frac{1}{5}$ th of his share in favor of new partner Mohan. What will be the Mohan's share?
 (a) $\frac{2}{25}$ (b) $\frac{7}{25}$ (c) $\frac{6}{25}$ (d) $\frac{3}{25}$

[NCERT Part I, Page 51]

2. **Assertion (A):** In order to compensate a partner for contributing capital to the firm in excess of the profit sharing ratio, firm pays interest on partner's capital.

Reason (R): Interest on capital is treated as a charge against profits.

- (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

[Conceptual Application]

3. One of the conditions, in addition to others, for allotment of shares is
 (a) Resolution in general meeting
 (b) Receiving minimum subscriptions
 (c) Full subscription by public
 (d) Full payment on application

[Conceptual Application]

Or

Uncalled capital is that portion of the _____ which has not yet been called up, and the portion of such uncalled capital to be called only in the event of winding up of the company is called _____

- (a) Subscribed Capital, Reserve Capital (b) Issued Capital, Reserve Capital
(c) Authorised Capital, Capital Reserve (d) None of the above [NCERT Part II, Page 4-5]

4. Rahul, Sahil and Ketan are partners sharing profits and losses in the ratio of 5 : 3 : 2. Rahul had drawn ₹ 20,000 at the beginning of every month, Sahil had drawn ₹ 60,000 at the beginning of every quarter, Ketan had drawn ₹ 2,40,000 during the year. Interest on drawings was to be charged @ 10% p.a. Who will be charged with highest interest on drawings?

- (a) Rahul (b) Sahil
(c) Ketan (d) Equal interest on drawing for all

[NCERT Part I, Page 20-22, 24-26]

Or

Tiger, a partner carries on the business that is competitive in nature with the firm and profit of ₹ 50,000 earned from it, then profit of ₹ 50,000:

- (a) Shall be retained by the Tiger, partner (b) Shall be paid to the firm
(c) Can be retained or paid to the firm (d) Both (a) and (b) [NCERT Part I, Page 4]

5. Which of the following statements is correct?

- (a) Interest on Partner's Loan is always credited to Partner's Capital Account.
(b) Drawings against Capital is considered while calculating interest on Capital.
(c) A partner who has invested more capital in the firm will get interest on excess capital.
(d) If Partnership Deed is silent, interest @ 6% p.a. will be charged on the drawings made by the partner. [Conceptual Application]

6. V Ltd. forfeited 200 shares of ₹ 100 each held by Devi for non-payment of allotment money of ₹ 40 per share (including premium of ₹ 10 per share). The first and final call of ₹ 20 per share was not yet called. In the forfeiture entry, share capital account will be:

- (a) Debited by ₹ 20,000 (b) Debited by ₹ 18,000
(c) Debited by ₹ 16,000 (d) Credited by ₹ 16,000 [NCERT Part II, Page 40]

Or

Akash Ltd. acquired assets of ₹ 10,00,000 and took over creditors of ₹ 10,000 from Sona Ltd. Akash Ltd. issued 8% Debentures of ₹ 100 each at a discount of 10% as purchase consideration. What will be the number of debentures issued? [NCERT Part II, Page 90-93]

- (a) 9,000 (b) 10,000 (c) 11,000 (d) 10,100

7. U, V and W share profits in the ratio of 5 : 4 : 3. W retires and the new ratio is 5 : 3. If W is given ₹ 12,000 as goodwill, Journal entry will be:

- | | | | |
|---------------------|-----|--------|--------|
| (a) U's Capital A/c | Dr. | 2,000 | |
| V's Capital A/c | Dr. | 10,000 | |
| To W's Capital A/c | | | 12,000 |
| (b) U's Capital A/c | Dr. | 10,000 | |
| V's Capital A/c | Dr. | 2,000 | |
| To W's Capital A/c | | | 12,000 |
| (c) U's Capital A/c | Dr. | 7,500 | |
| V's Capital A/c | Dr. | 4,500 | |
| To W's Capital A/c | | | 12,000 |
| (d) U's Capital A/c | Dr. | 6,666 | |
| V's Capital A/c | Dr. | 5,334 | |
| To W's Capital A/c | | | 12,000 |

[NCERT Part I, Page 114-117]

8. Sandeep, Gajanan and Tarun are partners in a firm sharing profits in the ratio of 3 : 3 : 2. They decided to share future profits and losses in the ratio of 1 : 1 : 1 with effect from 1st April 2025. They decided to record the effect of the following without affecting their book values.

(i) Profit and Loss A/c (Cr.) ₹ 24,000

(ii) General Reserve ₹ 12,000

The necessary adjusting entry for the same will be:

(a) Tarun's Capital A/c	Dr.	3,000	
To Sandeep's Capital A/c			1,500
To Gajanan's Capital A/c			1,500
(b) Sandeep's Capital A/c	Dr.	1,500	
Gajanan's Capital A/c	Dr.	1,500	
To Tarun's Capital A/c			3,000
(c) Tarun's Capital A/c	Dr.	3,000	
To Gajanan's Capital A/c			3,000
(d) None of these			

[Conceptual Application]

Or

Bunty and Babli were partners sharing profits and losses in the ratio of 5 : 3. On 1st April, 2025 they admitted Rani as a new partner and new ratio was decided as 3 : 2 : 1.

Goodwill of the firm was valued as ₹ 3,60,000. Rani couldn't bring any amount for goodwill. Amount of goodwill share to be credited to accounts of Bunty and Babli will be:

(a) ₹ 37,500 and ₹ 22,500 respectively

(b) ₹ 30,000 and ₹ 30,000 respectively

(c) ₹ 36,000 and ₹ 24,000 respectively

(d) ₹ 45,000 and ₹ 15,000 respectively

[NCERT Part I, Page 70]

9. During dissolution of firm, partner's wife's loan is transferred to:

(a) Her husband's capital a/c

(b) Realisation a/c

(c) Revaluation a/c

(d) Mrs. Partner's loan a/c [Conceptual Application]

10. Girdhar, a partner withdrew ₹ 5,000 in the beginning of each quarter and interest on drawings was calculated as ₹ 1,500 at the end of accounting year 31 March 2025. What is the rate of interest on drawings charged?

(a) 6% p.a.

(b) 8% p.a.

(c) 10% p.a.

(d) 12% p.a.

[NCERT Part I, Page 21-22]

11. Which of the following statements is true if goodwill is not a purchased goodwill?

(a) It is not shown in the Balance Sheet.

(b) It is shown in the Balance Sheet.

(c) It may or may not be shown in the Balance Sheet.

(d) It is partly shown in the Balance Sheet.

[Conceptual Application]

From the given hypothetical situation, answer Q.12 – Q.14.

Accounts Guru Ltd. invited applications for 15,000, 12% Debentures of ₹ 100 each at a premium of ₹ 60 per debenture, repayable after 5 years along with the same amount of premium.

The full amount was payable on application. Applications were received for 18,000 debentures. The company decided to make pro-rata allotment.

12. How much amount will be received at the time of application?

(a) ₹ 28,00,000

(b) ₹ 29,00,000

(c) ₹ 28,80,000

(d) ₹ 30,00,000

[Conceptual Application]

13. How much amount will be credited to Securities Premium A/c?
 (a) ₹ 15,00,000 (b) ₹ 9,20,000
 (c) ₹ 11,00,000 (d) ₹ 9,00,000 [NCERT Part I, Page 21-22]
14. How much amount will be credited to Premium on redemption of debentures A/c?
 (a) ₹ 15,00,000 (b) ₹ 28,00,000
 (c) ₹ 9,00,000 (d) ₹ 18,00,000 [Conceptual Application]
15. P and Q are partners in a firm. P is to get commission of 10% of net profit before charging any commission. Q is to get a commission of 10% on net profit after charging all commissions. Net profit for the year ended 31st March 2025, was ₹ 1,10,000. Find out the commission of Q.
 (a) ₹ 9,900 (b) ₹ 9,000 (c) ₹ 10,000 (d) ₹ 11,000 [Conceptual Application]

Or

Harry, Potter and Ali are partners sharing profit in the ratio of 5 : 4 : 1. Ali is given a guarantee that his minimum share of profit in any given year would be at least ₹ 10,000. Any Deficiency would be borne by Harry and Potter equally. Profit for the year was ₹ 80,000. What will be the Harry's share in the profit of the firm?

- (a) ₹ 40,000 (b) ₹ 39,000
 (c) ₹ 38,000 (d) ₹ 41,000 [NCERT Part I, Page 26-28]
16. Which of these will be paid first at the time of dissolution of partnership firm?
 (a) Partner's Capital (b) Partner's Loan
 (c) Partner's Wife's Loan (d) All to be paid rateably [NCERT Part I, Page 159]
17. Anmol and Gagan were partners sharing profits in the ratio 3 : 2. Indu was admitted into the firm for 1/4th share of profits. Indu brought ₹ 40,000 as her capital. The capitals of Anmol and Gagan after all adjustments relating to goodwill, revaluation of assets and liabilities etc are ₹ 60,000 and ₹ 40,000 respectively. It is agreed that capitals should be according to the new profit sharing ratio. Pass the necessary Journal entries for the amount of actual cash to be paid off or brought in by the old partners. [NCERT Part I, Page 83-89]
18. Sun, Moon and Star are partners in a firm sharing the profit and loss in the ratio of 4/9 : 1/3 : 2/9. Earth joins the firm as a new partner for 1/9 share in profits. Sun would retain his original share. Calculate the new profit sharing ratio and sacrificing ratio. [Conceptual Application]

Or

Varun and Kuber are partners in a business. Balance in Capital and Current Accounts on 31st March 2025 were:

	Capital Account	Current Account
Varun	₹ 5,00,000	₹ 80,000
Kuber	₹ 3,50,000	₹ 20,000 (Dr.)

Profits of the last five consecutive years ending 31st March were: 2021 ₹ 60,000; 2022 Loss ₹ 40,000; 2023 ₹ 1,30,000; 2024 ₹ 2,00,000 and 2025 ₹ 2,50,000.

General Reserve appeared in the books at ₹ 50,000.

If the normal rate of return is 10%, find the value of Goodwill by Capitalization of Average Profit Method. [Conceptual Application]

19. Fill in the blanks in the following entries:

**In the book of ZX Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Sundry Creditors A/c To To (Being business of Mohan and Co. purchased for a consideration of ₹ 15,00,000)		18,00,000	2,10,000
	 Dr. Dr. To 9% Debentures A/c (Being purchase consideration paid to Mohan and Co. by issue of 9% Debentures of ₹ 150 each at a discount of ₹ 50 per debenture)			

20. Rupali and Anvika were partners in a firm sharing profits in the ratio of 7 : 5. Their respective fixed capitals were Rupali ₹ 10,00,000 and Anvika ₹ 7,00,000. The partnership deed provided for the following:

- (i) Interest on capital @ 12% p.a.
- (ii) Rupali's salary ₹ 6,000 per month and Anvika's salary ₹ 60,000 per year.

The profit for the year ended 31.3.2025 was ₹ 5,04,000 which was distributed equally without providing interest on capital and salary. Pass an adjustment entry. **[Conceptual Application]**

21. Account Guru Ltd. forfeited 470 equity shares of ₹ 20 each issued at a premium of ₹ 3 per share for the non-payment of allotment money of ₹ 8 (including premium ₹ 3) and first call of ₹ 5 per share. Final call of ₹ 5 per share was not made. Out of these, 235 shares were reissued at ₹ 19 each fully paid.

Pass necessary Journal entries for the above transactions and prepare Share Forfeited Account in the Books of Accounts Guru Ltd. **[Conceptual Application]**

22. M, N and O were partners in a firm sharing profits in the ratio of 4 : 5 : 1. On 31st March 2025 their firm was dissolved. On this date the Balance Sheet showed a balance of ₹ 1,34,000 in Debtors Account and a balance of ₹ 14,000 in Provision for Doubtful Debts Account. Both the accounts were closed by transferring their balances to Realisation Account. ₹ 4,000 of the debtors became bad and nothing could be realized from them on dissolution. N agreed to look after the dissolution work for which he was allowed a remuneration of ₹ 16,000. N also agreed to bear dissolution expenses for which he was allowed a lump sum payment of ₹ 4,000. Actual dissolution expenses were ₹ 6,500 and the same were paid from the firm's cash. Loss on dissolution amounted to ₹ 37,000.

Pass the necessary Journal entries for the above transactions on the dissolution of the partnership firm. **[Conceptual Application]**

23. Edutech an educational company of ATPL Ltd. had a share capital of ₹ 60,00,000 divided in Equity Shares of ₹ 100 each and 10,000, 9% Debentures of ₹ 100 each as part of capital employed.

The company need additional funds of ₹ 36,00,000 for which they decided to issue debentures in such a way that they got required funds after issuing debentures of the same class as earlier, at 10% discount. These debentures were to be redeemed at 15% premium after 4 years. These debentures were issued on 1st October 2024. You are required to:

- (i) Pass entries for issue of debentures.
- (ii) Prepare Loss on Issue of Debentures Account assuming there was an existing balance in Securities Premium Account of ₹ 6,40,000.
- (iii) Pass entries for interest on debentures on 31st March 2025 assuming interest is payable on 30th September and 31st March every year. **[Conceptual Application]**

Or

Guru Ltd. invited applications for issuing 80,000 equity shares of ₹ 10 each at a premium of ₹ 10 per share. The amount was payable as follows:

On Application and Allotment: ₹ 10 (including ₹ 5 premium)

On First and Final Call: ₹ 10 (including ₹ 5 premium)

Applications for 1,00,000 shares were received. Applications for 10,000 shares were rejected and application money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess application money received from applicants to whom shares were allotted on pro-rata basis was adjusted towards sums due on first and final call. All calls were made and were duly received except the first and final call money from Kumar who had applied for 1,800 shares. His shares were forfeited. The forfeited shares were reissued at ₹ 9 per share fully paid up.

Pass necessary Journal entries for the above transactions in the books of Guru Ltd.

[Conceptual Application]

24. Following is the Balance Sheet as at 31st March 2025 of Meera and Sarthak, who share profits and losses in the ratio of 3 : 2.

Balance sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs:		Plant and Machinery	1,00,000
Meera 1,00,000		Land and Building	80,000
Sarthak 1,00,000	2,00,000	Debtors 1,20,000	
General Reserve	1,50,000	Less: Provision for	
Workmen Compensation Reserve	50,000	Doubtful Debts 10,000	1,10,000
Creditors	1,00,000	Stock	1,20,000
		Cash	90,000
	5,00,000		5,00,000

On 1st April 2025, they admit Rohit into partnership on the following terms:

- Provision for Doubtful Debts would be increased by ₹ 20,000.
- Value of Land and Building would be increased to ₹ 1,80,000.
- Value of Stock would be increased by ₹ 40,000.
- Liability against the Workmen Compensation Reserve is determined at ₹ 20,000.
- Rohit brought ₹ 1,00,000 in cash as his share of goodwill.
- Rohit would bring in further cash as would make his capital equal to 20% of the total capital of the new firm after the above revaluation and adjustments are carried out.

Pass necessary Journal entries for above adjustments.

[Conceptual Application]

Or

X, Y and Z were partners in firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st March 2025, was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs:		Machinery	4,70,000
X 2,00,000		Investments	1,10,000
Y 1,80,000		Debtors 1,20,000	
Z 1,20,000	5,00,000	Less: Provision for	
Workmen Compensation Fund	60,000	Doubtful Debts 10,000	1,10,000
Employees' Provident Fund	1,10,000	Stock	1,40,000
Creditors	1,90,000	Cash	30,000
	8,60,000		8,60,000

On 1st April 2025, Z retires from the firm on the following terms:

- (i) Provision for doubtful debts was to be maintained at 10% on debtors.
- (ii) Stock was undervalued by ₹ 10,000.
- (iii) An old customer, whose account was written off as bad, paid ₹ 15,000.
- (iv) 20% of the Investments were taken by X at book value.
- (v) Claim on account of workmen's compensation amounted to ₹ 70,000.
- (vi) Creditors included a sum of ₹ 27,000 which was not likely to be claimed.
- (vii) Goodwill valued at ₹ 60,000.

Pass necessary Journal entries on retirement of Z.

[NCERT Part I, Page 121-122]

25. Neil, Nitin and Mukesh were partners in a firm sharing profits and losses in the ratio 4 : 3 : 2. Their Balance Sheet as on 31st March 2025 was as follows:

Balance Sheet of Neil, Nitin and Mukesh
as at March 31, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Plant and Machinery	6,40,000
Neil	4,00,000	Stock	2,30,000
Nitin	3,00,000	Sundry Debtors	1,40,000
Mukesh	2,00,000	Cash at Bank	40,000
General Reserve	90,000		
Creditors	60,000		
	10,50,000		10,50,000

Nitin died on 31st July 2025. According to the partnership deed, the executors of the deceased partner are entitled to:

- (a) Balance of Partner's Capital Account
- (b) Salary @ ₹ 6,000 per month
- (c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death calculated on the basis of average of three completed years' profits before death.

Profits for 2022-23, 2023-24 and 2024-25 were ₹ 80,000, ₹ 90,000 and ₹ 1,00,000 respectively.

Nitin withdrew ₹ 6,000 on 15th May 2025.

[NCERT Part I, Page 142-144]

Prepare Nitin's Capital Account to be redeemed to his executors.

26. Peak Performance Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On application – ₹ 5 per share (including premium)

On allotment – 3 per share

On first and final call – Balance

Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment.

All calls were made and duly received except allotment and first and final call from Naveen who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid.

Answer the following questions on the basis of the above information:

- (i) How much excess application money is adjusted to Share Allotment?
 (a) ₹ 6,00,000 (b) ₹ 4,00,000 (c) ₹ 2,00,000 (d) ₹ 50,000
- (ii) How much excess application money has been refunded?
 (a) ₹ 6,00,000 (b) ₹ 4,00,000 (c) ₹ 2,00,000 (d) ₹ 50,000
- (iii) State the amount of Call-in-Arrears on Allotment.
 (a) ₹ 12,000 (b) ₹ 24,000 (c) ₹ 36,000 (d) ₹ 10,000
- (iv) How much amount is received for First and Final Call?
 (a) ₹ 7,76,000 (b) ₹ 8,00,000 (c) ₹ 6,00,000 (d) ₹ 7,67,000
- (v) How much amount will be credited to Share Forfeited Account at the time of forfeiture of Naveen's shares?
 (a) ₹ 21,600 (b) ₹ 18,000 (c) ₹ 24,000 (d) ₹ 36,000
- (vi) What amount will be credited to "Securities Premium Account" at the time of reissue of shares?
 (a) ₹ 36,000 (b) ₹ 18,000 (c) ₹ 48,000 (d) ₹ 30,000

[Conceptual Application]

PART – B Analysis of Financial Statement

27. Financial statement analysis includes _____ and _____ of financial statements:
- (a) Analysis, Preparation (b) Preparation, Interpretation
 - (c) Preparation, Analysis (d) Analysis, Interpretation

[NCERT Part II, Page 171]

Or

Assertion (A): Inventory Turnover Ratio shows how efficiently stock is converted into sales.

Reason (R): It is calculated as Cost of Revenue from Operations ÷ Average Inventory.

- (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

[Conceptual Application]

28. Revenue from Operations ₹ 2,00,000; Inventory Turnover ratio 5 times; Gross Profit 25%. Find out the value of Closing Inventory, if Closing Inventory is ₹ 8,000 more than the Opening Inventory.
- (a) ₹ 38,000 (b) ₹ 22,000 (c) ₹ 34,000 (d) ₹ 36,000

[Conceptual Application]

29. From the following information, determine the inflow of cash from sale of machinery:

Particulars	31-3-2025	31-3-2024
Machinery	₹ 5,00,000	₹ 3,00,000

Additional Information:

Depreciation for the year ended 31-3-2025 was ₹ 50,000. Purchase of machinery during the year ₹ 4,00,000. Part of machinery was sold at a profit of ₹ 50,000

- (a) ₹ 2,00,000 (b) ₹ 2,50,000 (c) ₹ 3,00,000 (d) ₹ 3,50,000

[NCERT Part II, Page 263]

Or

Dividend paid by finance company is classified under which kind of activity while preparing Cash Flow Statement?

- (a) Operating Activity (b) Investing Activity
- (c) Financing Activity (d) None of Above

[Conceptual Application]

30. Which of the following transactions will result inflow of cash?
- Cash withdrawn from bank 71,000.
 - Issue of 9% Debentures of ₹ 1,00,000 to the vendors of Machinery.
 - Received from debtors 74,000.
 - Redeemed 10% Debentures by converting into equity shares. **[Conceptual Application]**
31. Classify following items under major heads and sub-heads (if any) in the Balance Sheet of a company as per the Schedule III of the Companies Act, 2013.
- Securities Premium
 - Unpaid Dividend
 - Investment in Debentures
 - Stores and Spares
 - Interest due on Calls-in-Arrears
 - Bills Payable **[NCERT Part II, Page 158-159]**
32. From the following Balance sheet as at 31st March 2025 and 2024, prepare Comparative Balance Sheet:

Particulars	Note No.	31 st March 2025 (₹)	31 st March 2024 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
Share Capital		1,75,000	1,50,000
2. Non-Current Liabilities:			
Long-term Borrowings		50,000	1,00,000
3. Current Liabilities:			
Trade Payables		75,000	50,000
Total		3,00,000	3,00,000
II. ASSETS			
1. Non-Current Assets:			
Property, Plant and Equipment and Intangible Assets		2,00,000	1,50,000
2. Current Assets:			
Trade Receivables		1,00,000	1,50,000
Total		3,00,000	3,00,000

[NCERT Part II, Page 179-181]

Or

Prepare a Common-size Statement of Profit and Loss from the following information for the year ended 31st March, 2025:

Particulars	Note No.	31st March, 2025 (₹)
Revenue from Operations		17,00,000
Cost of Revenue from Operations		9,20,000
Employee Benefit Expenses		3,40,000
Other Incomes		90,000
Taxes Payable @ 50%		

[NCERT Part II, Page 183-184]

33. (a) On the basis of the below information, compute Return on Capital Employed:

Net Profit after Interest and Tax ₹ 50,000; Current Assets ₹ 2,00,000; Current Liabilities ₹ 1,00,000; Tax rate 20%; Fixed Assets ₹ 3,00,000; 10% Long-term Debt ₹ 2,00,000.

[NCERT Part II, Page 228-229]

- (b) Cost of Revenue from Operations is ₹ 1,50,000, Operating expenses are ₹ 60,000, Revenue from Operations is ₹ 2,50,000. Calculate Operating Ratio.

[NCERT Part II, Page 225]

Or

State with reason whether the following transactions will increase, decrease or not change the 'Return on Investment':

- Purchase of machinery worth ₹ 2,00,000 by issue of equity shares.
- Charging depreciation of ₹ 5,000 on machinery.
- Redemption of debentures in cash ₹ 70,000.
- Converting ₹ 50,000, 9% debentures into equity shares.

[Conceptual Application]

34. Read the following hypothetical text and answer the given questions on the basis of the same:

KFC started to provide finance training in online and offline mode in 2019. The main objective was to improve financial literacy in India. It has acquired funding through equity and borrowing from banks. Balance Sheets of year ending 31st March 2024 and 2025 are as follows:

Particulars	Note No.	31 st March 2024 (₹)	31 st March 2025 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
(a) Share Capital		2,00,000	2,50,000
(b) Reserves and Surplus	1	50,000	70,000
2. Non-Current Liabilities:			
Long-term Borrowings	2	1,00,000	80,000
3. Current Liabilities:			
(a) Trade Payables	3	60,000	1,60,000
(b) Other Current Liabilities	4	25,000	20,000
Total		4,35,000	5,80,000
II. ASSETS			
1. Non-Current Assets:			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	5	1,50,000	2,00,000
(ii) Intangible Assets	6	10,000	2,000
(b) Long-term Loans and Advances		1,00,000	1,30,000
2. Current Assets:			
(a) Inventories		70,000	90,000
(b) Trade Receivables		40,000	60,000
(c) Cash and Cash Equivalents		65,000	98,000
Total		4,35,000	5,80,000

Notes to Accounts:

Note No.	Particulars	31 st March 2024 (₹)	31 st March 2025 (₹)
1.	Reserves and Surplus: General Reserve	50,000	70,000
2.	Long-term Borrowings: 12% Debentures	1,00,000	80,000
3.	Trade Payables: Creditors	40,000	60,000
	Bills Payable	20,000	1,00,000
4.	Other Current Liabilities: Outstanding Expenses	25,000	20,000
5.	Property, Plant and Equipment: Machinery	2,00,000	2,60,000
	Less: Provision for Depreciation	(50,000)	(60,000)
		1,50,000	2,00,000
6.	Intangible Assets: Goodwill	10,000	2,000

Additional Information:

- (a) During the year a piece of machinery with a book value of ₹ 30,000 and provision for depreciation on it ₹ 10,000 was sold at a loss of 50% on its book value.
- (b) Debentures were redeemed on 31st March 2025.

You are required to calculate:

- (i) Operating profit before working capital changes
- (ii) Cash flow from operating activities
- (iii) Cash flow from investing activities
- (iv) Cash flow from financing activities
- (v) Closing cash and cash equivalents

[NCERT Part 2, Page 258-259, 268-270]

SOLUTIONS

1. (b) $\frac{7}{25} \left[\frac{1}{5} + \left(\frac{1}{5} \times \frac{2}{5} \right) = \frac{1}{5} + \frac{2}{25} = \frac{7}{25} \right]$

2. (c) (A) is true but (R) is false.

3. (b) Receiving minimum subscriptions

Or

(a) Subscribed Capital, Reserve Capital

4. (b) Sahil

Or

(b) Shall be paid to firm

5. (b) Drawings against Capital is considered while calculating interest on Capital.

6. (c) Debited by ₹ 16,000

Or

(c) 11,000

7. (b) U's Capital A/c

Dr. 10,000

V's Capital A/c

Dr. 2,000

To W's Capital A/c

12,000

Or

8. (a) Tarun's Capital A/c

Dr. 3,000

To Sandeep's Capital A/c

1,500

To Gajanan's Capital A/c

1,500

Or

(d) ₹ 45,000 and ₹ 15,000 respectively

9. (b) Realisation a/c

10. (d) 12% p.a. $\left[₹ 1,500 \times \frac{12}{7.5} \times \frac{1}{₹ 5,000 \times 4} \times 100 \right]$

11. (a) It is not shown in the Balance Sheet.

12. (c) ₹ 28,80,000 $[18,000 (\text{Deb}) \times ₹ 160 = ₹ 28,80,000]$

13. (d) ₹ 9,00,000 $[15,000 (\text{Deb}) \times ₹ 60 = ₹ 9,00,000]$

14. (c) ₹ 9,00,000 $[15,000 (\text{Deb}) \times ₹ 60 = ₹ 9,00,000]$

15. (b) ₹ 9,000 $[(₹ 1,10,000 - ₹ 11,000) \times \frac{10}{110} = ₹ 9,000]$

Or

(b) ₹ 39,000

16. (c) Partner's Wife's Loan

17.

**In the Books of Anmol and Gagan
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Anmol Capital A/c To Gagan's Capital A/c (Being amount brought in by Anmol and Gagan for capital adjustment on the basis of Indu's capital)		20,000	12,000 8,000

Working Notes:Indu is admitted for $\frac{1}{4}$ th share.

$$\text{Remaining Share for Anmol and Gagan} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{New Share of Anmol} = \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$$

$$\text{New Share of Gagan} = \frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$$

$$\text{New Ratio} = \text{Anmol} : \text{Gagan} : \text{Indu} = 9 : 6 : 5$$

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

	Anmol (₹)	Gagan (₹)
New Capital	72,000	48,000
Less: Existing Capital	60,000	40,000
Cash Brought In	12,000	8,000

18. Let total profit of the firm = 1

$$\text{Share of Earth and Sun} = \frac{1}{9} + \frac{4}{9} = \frac{5}{9}$$

$$\text{Remaining Share} = 1 - \frac{5}{9} = \frac{4}{9}$$

New share of Moon and Star are calculated by dividing the remaining share in 3 : 2

$$\text{Moon's new share} = \frac{4}{9} \times \frac{3}{5} = \frac{12}{45}$$

$$\text{Star's new share} = \frac{4}{9} \times \frac{2}{5} = \frac{8}{45}$$

Thus new profit sharing ratio of Sun, Moon, Star and Earth

$$= \frac{4}{9} : \frac{12}{45} : \frac{8}{45} : \frac{1}{9} = \frac{20}{45} : \frac{12}{45} : \frac{8}{45} : \frac{5}{45} = 20 : 12 : 8 : 5$$

$$\text{Sacrificing ratio} = \left(\frac{1}{3} - \frac{12}{45} \right) : \left(\frac{2}{9} - \frac{8}{45} \right) = \frac{3}{45} : \frac{2}{45} = 3 : 2$$

Or

$$\text{Average Profit} = \frac{₹ 6,00,000 + (₹ 40,000) + ₹ 1,30,000 + ₹ 2,00,000 + ₹ 2,50,000}{5} = ₹ 1,20,000$$

$$\text{Capitalized value of Average Profit} = ₹ 1,20,000 \times \frac{100}{10} = ₹ 12,00,000$$

$$\text{Capital Employed} = ₹ 9,60,000 (₹ 5,00,000 + ₹ 3,50,000 + ₹ 80,000 - ₹ 20,000 + ₹ 50,000)$$

$$\text{Goodwill} = \text{Capitalized Value} - \text{Capital Employed} = ₹ 12,00,000 - ₹ 9,60,000 = ₹ 2,40,000$$

19.

**In the books of ZX Ltd.
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Sundry Creditors A/c To Mohan and Co. To Capital Reserve A/c (Being business of Mohan and Co. purchased for a consideration of ₹ 15,00,000)		18,00,000	2,10,000 15,00,000 90,000
	Mohan and Co. Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Being purchase consideration paid to Mohan and Co. by issue of 9% Debentures of ₹ 150 each at a discount of ₹ 50 per debenture)		15,00,000 7,50,000	22,50,000

20.

**In the Books of Rupali and Anvika
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 Mar 31	Anvika's Current A/c Dr. To Rupali's Current A/c (Being omission of partnership deed provisions)		38,000	38,000

Working Note:**Statement of Adjustment**

Particulars	Rupali (₹)	Anvika (₹)	Total (₹)
Interest on Capital omitted	1,20,000	84,000	2,04,000
Salary to be provided	72,000	60,000	1,32,000
Remaining profit in 7 : 5 (₹ 5,04,000 – ₹ 2,04,000 – ₹ 1,32,000)	98,000	70,000	1,68,000
Amount to be received (Cr.)	2,90,000	2,14,000	5,04,000
Amount already received (₹ 5,04,000 in 1 : 1) (Dr.)	2,52,000	2,52,000	5,04,000
Net Adjustment	38,000 (Cr.)	38,000 (Dr.)	—

21.

**In the Books of Accounts Guru
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (470(s) × ₹ 15) Dr. Securities Premium A/c (470(s) × ₹ 3) Dr. To Shares Forfeited A/c (470(s) × ₹ 5) To Shares Allotment A/c (470(s) × ₹ 8) To Shares First Call A/c (470(s) × ₹ 5) (Being 470 shares forfeited for non-payment of allotment and first call)		7,050 1,410	2,350 3,760 2,350
	Bank A/c (235(s) × ₹ 19) Dr. Shares Forfeited A/c (235(s) × ₹ 1) Dr. To Shares Capital A/c (235(s) × ₹ 20) (Being 235 forfeited shares reissued at ₹ 19 each fully paid)		4,465	16,000
	Shares Forfeited A/c Dr. To Capital Reserve A/c (Being gain (profit) on reissue of 235 forfeited shares transferred to Capital Reserve)		940	940

Dr.		Share Forfeited Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Share Capital A/c	235	By Share Capital A/c	2,350		
To Capital Reserve A/c	940				
To Balance c/d	1,175				
	2,350		2,350		

22. **In the Books of M, N and O**
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 Mar 31	Bank A/c Dr. To Realisation A/c (Being payment received from debtors)		1,30,000	1,30,000
Mar 31	Realisation A/c Dr. To N's Capital A/c (Being remuneration paid for dissolution work)		16,000	16,000
Mar 31	Realisation A/c Dr. To N's Capital A/c (Being amount provided for being dissolution expenses)		4,000	4,000
Mar 31	N's Capital A/c Dr. To Bank A/c (Being dissolution expenses paid by firm on behalf of the partner)		6,500	6,500
Mar 31	M's Capital A/c Dr. N's Capital A/c Dr. O's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to partners' capital accounts)		14,800 18,500 3,700	37,000

23. (i) **In the Books of ATPL Ltd.**
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2024 Oct. 1	Bank A/c Dr. To Debentures Application and Allotment A/c (Being debenture application amount received)		36,00,000	36,00,000
Oct. 1	Debentures Application and Allotment A/c Dr. Loss on Issue of Debentures A/c (₹ 4,00,000 + ₹ 6,00,000) Dr. To 9% Debentures A/c (40,000(D) × ₹ 100) To Premium on redemption of Debentures A/c (Being debentures issued at 10% discount redeemable at 15% premium)		36,00,000 10,00,000	40,00,000 6,00,000

Working Note:

Number of Debentures issued = ₹ 36,00,000 / ₹ 90 = 40,000 debentures

(ii) **Dr.** **Loss on Issue of Debentures Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2024 Oct. 1	To 9% Debentures A/c	4,00,000	2025 Mar. 31	By Securities Premium A/c	6,40,000
Oct. 1	To Premium on Redemption of Debentures A/c	6,00,000	Mar. 31	By Statement of Profit and Loss	3,60,000
		10,00,000			10,00,000

(iii) **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 Mar. 31	Debentures Interest A/c To Debenturesholders' A/c (Being interest due on debentures)	Dr.	1,80,000	1,80,000
Mar. 31	Debentureholders' A/c To Bank A/c (Being interest on debentures paid)	Dr.	1,80,000	1,80,000
Mar. 31	Statement of Profit and Loss To Debentures Interest A/c (Being debenture interest written off)	Dr.	1,80,000	1,80,000

Or

In the Books of Guru Ltd.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c To Equity Share Application and Allotment A/c (Being application and allotment money received)	Dr.	10,00,000	10,00,000
(ii)	Equity Share Application and Allotment A/c To Equity Share Capital A/c To Securities Premium A/c To Calls-in-Advance A/c To Bank A/c (Being application and allotment money transferred to share capital)	Dr.	10,00,000	4,00,000 4,00,000 1,00,000 1,00,000
(iii)	Equity Share First and Final Call A/c To Equity Share Capital A/c To Securities Premium A/c (Being first and final call money due)	Dr.	8,00,000	4,00,000 4,00,000
(iv)	Bank A/c Calls-in-Arrears A/c (WN – i) Calls-in-Advance A/c To Equity Share First and Final Call A/c (Being first and final call money received)	Dr. Dr. Dr.	6,86,000 14,000 1,00,000	8,00,000

(v)	Equity Share Capital A/c	Dr.	16,000	
	Securities Premium A/c	Dr.	8,000	
	To Share Forfeiture A/c (WN – ii)			10,000
	To Calls-in-Arrear			14,000
(Being 1,600 shares forfeited)				
(vi)	Bank A/c	Dr.	14,400	
	Share Forfeiture A/c	Dr.	1,600	
	To Share Capital A/c			16,000
	(Being 1,600 forfeited shares reissued)			
(vii)	Share Forfeiture A/c (₹ 10,000 – ₹ 1,600)	Dr.	8,400	
	To Capital Reserve A/c			8,400
	(Being gain on forfeited shares transferred to capital reissued)			

Working Note:

(i) Shares Alloted to Kumar = $1,800 \times \frac{80,000}{90,000} = 1,600$ Shares

First and Final Call money due from Kumar (1,600(s) × ₹ 10)	=	₹ 16,000
Less: Excess Application and Allotment money adjusted (200(s) × ₹ 10)	=	₹ 2,000
Allotment money unpaid by Kumar	=	<u>₹ 14,000</u>

(ii) **Amount forfeited on Kumar's Share**

Amount Received on Application and Allotment (1,800(s) × ₹ 10)	=	₹ 18,000
Less: Money adjusted for Securities Premium (1,600(s) × ₹ 5)	=	₹ 8,000
	=	<u>₹ 10,000</u>

24.

**In the Books of Meera, Sarthak and Rohit
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025	Revaluation A/c	Dr.	20,000	
April 1	To Provision for Doubtful Debts A/c			20,000
	(Being provision for doubtful debts increased)			
April 1	Land and Building A/c	Dr.	1,00,000	
	Stock A/c	Dr.	40,000	
	To Revaluation A/c			1,40,000
	(Being value of land and building and stock increased)			
April 1	Revaluation A/c	Dr.	1,20,000	
	To Meera's Capital A/c			72,000
	To Sarthak's Capital A/c			48,000
	(Being profit on revaluation distributed)			
April 1	General Reserve A/c	Dr.	1,50,000	
	To Meera's Capital A/c			90,000
	To Sarthak's Capital A/c			60,000
	(Being general reserve distributed)			

April 1	Workmen Compensation Reserve A/c To Workmen Compensation Claim A/c To Meera's Capital A/c To Sarthak's Capital A/c (Being workmen compensation reserve adjusted for claim and balance transferred to old partners)	Dr.	50,000	20,000 18,000 12,000
April 1	Cash A/c To Rohit's Capital A/c (WN) To Premium for Goodwill A/c (Being capital and premium brought in by Rohit)	Dr.	2,50,000	1,50,000 1,00,000
April 1	Premium for Goodwill A/c To Meera's Capital A/c To Sarthak's Capital A/c (Being premium for goodwill credited to sacrificing partners)	Dr.	1,00,000	60,000 40,000

Working Note:

Amount brought by Rohit for his capital contribution

$$\begin{aligned}
 &= [(\text{₹ } 2,00,000 \text{ (Capitals of Meera and Sarthak)} + \text{₹ } 1,50,000 \text{ (General Reserve)} \\
 &\quad + \text{₹ } 30,000 \text{ (Balance of Workmen Compensation Reserve)} + \text{₹ } 1,20,000 \text{ (Revaluation Profit)} + \text{₹ } 1,00,000 \text{ (Revaluation on profit Premium for Goodwill)})] \times \frac{5}{4} \times \frac{1}{5} \\
 &= \text{₹ } 6,00,000 \times \frac{5}{4} \times \frac{1}{5} = \text{₹ } 1,50,000
 \end{aligned}$$

Or

In the Books of X, Y and Z Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2025 April 1	X's Capital A/c To Investments A/c (Being 20% of investments taken by partner X)	Dr.	22,000	22,000
April 1	Revaluation A/c To Provision for Doubtful Debts A/c To Claim for Workmen Compensation A/c (Being provision for doubtful debts and excess claim of workmen compensation transferred to revaluation account)	Dr.	12,000	2,000 10,000
April 1	Stock A/c Cash A/c Creditors' A/c To Revaluation A/c (Being gain on stock, creditors and bad debts recovered transferred to revaluation account)	Dr. Dr. Dr.	10,000 15,000 27,000	52,000

April 1	Revaluation A/c To X's Capital A/c To Y's Capital A/c To Z's Capital A/c (Being gain on revaluation transferred to old partners)	Dr.	40,000	20,000 13,333 6,667
April 1	X's Capital A/c Y's Capital A/c To Z's Capital A/c (Being share of goodwill adjusted in gaining ratio i.e 3 : 2)	Dr. Dr.	6,000 4,000	10,000
April 1	Z's Capital A/c To Z's Loan A/c (Being balance of Z's capital transferred to his loan A/c) (1,20,000 + 6,667 + 10,000)	Dr.	1,36,667	1,36,667

25. Dr.

Nitin's Capital Account

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Drawings A/c	6,000	By Balance b/d	3,00,000
To Nitin's Executors' A/c	4,18,000	By Salary A/c	24,000
(Bal. fig.)		By Neil's Capital A/c (Goodwill)	40,000
		By Mukesh's Capital A/c (Goodwill)	20,000
		By Profit and Loss Suspense A/c	10,000
		By General Reserve A/c	30,000
	4,24,000		4,24,000

Working Notes:

Calculation of Nitin's share of Goodwill:

$$\text{Average Profit for the last 3 years} = \frac{\text{₹ } 80,000 + \text{₹ } 90,000 + \text{₹ } 1,00,000}{3} = \text{₹ } 90,000$$

$$\begin{aligned} \text{Goodwill of the firm} &= \text{Average Profits of the last three years} \times \text{Number of years of purchase} \\ &= \text{₹ } 90,000 \times 2 = \text{₹ } 1,80,000 \end{aligned}$$

$$\text{Nitin's Share of Goodwill} = \text{₹ } 1,80,000 \times \frac{3}{9} = \text{₹ } 60,000$$

Calculation of Nitin's Share of Profit:

$$\text{Average Profit of last 3 years} = \text{₹ } 90,000$$

$$\text{Profits till the date of death} = \text{₹ } 90,000 \times \frac{4}{12} = \text{₹ } 30,000$$

$$\text{Nitin's Share of Profits} = \text{₹ } 30,000 \times \frac{3}{9} = \text{₹ } 10,000$$

26. (i) (c) ₹ 2,00,000 (ii) (d) ₹ 50,000 (iii) (a) ₹ 12,000
 (iv) (a) ₹ 7,76,000 (v) (c) ₹ 24,000 (vi) (b) ₹ 18,000
27. (d) Analysis, Interpretation

Or

- (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).
28. (c) ₹ 34,000

$$[\text{Cost of Revenue from operations} = ₹ 2,00,000 \times \frac{75}{100} = ₹ 1,50,000]$$

$$\text{Average Inventory} = \frac{₹ 1,50,000}{5} = ₹ 30,000$$

$$\therefore \frac{\text{Closing Inventory} + \text{Closing Inventory} - ₹ 8,000}{2} = ₹ 30,000$$

$$2 \text{ Closing Inventory} - ₹ 8,000 = ₹ 60,000$$

$$2 \text{ Closing Inventory} = ₹ 68,000$$

$$\text{Closing Inventory} - \frac{₹ 68,000}{2} = ₹ 34,000]$$

29. (a) ₹ 2,00,000

Dr.		Machinery Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Balance b/d	3,00,000	By Bank A/c (Bal. Fig.)	2,00,000	
To Bank A/c	4,00,000	By Statement of Profit and Loss (Depreciation)	50,000	
To Statement of Profit and Loss (Profit)	50,000	By Balance c/d	5,00,000	
	7,50,000		7,50,000	

Or

- (c) Financing Activity
30. (c) Received from debtors 74,000,

31.	Sr. No.	Items	Major Head	Sub-Head
	(i)	Securities Premium	Shareholders' Fund	Reserves and Surplus
	(ii)	Unpaid Dividend	Current Liabilities	Other Current Liabilities
	(iii)	Investment in Debentures	Non-Current Assets	Non-Current Investment
	(iv)	Stores and Spares	Current Assets	Inventories
	(v)	Interest due on Calls-in-Arrears	Current Assets	Other Current Assets
	(vi)	Bills Payable	Current Liabilities	Trade Payable

32.

Comparative Balance Sheet
as at 31st March 2024 and 2025

Particulars (A)	31 st March 2024 (₹) A	31 st March 2025 (₹) B	Absolute Change (₹) C = B – A	% Change D = C/A × 100
I. EQUITY AND LIABILITIES				
1. Shareholders' Funds:				
Share Capital	1,50,000	1,75,000	25,000	16.67
2. Non-Current Liabilities:				
Long-term Borrowings	1,00,000	50,000	(50,000)	(50)
3. Current Liabilities:				
Trade Payable	50,000	75,000	25,000	50
Total	3,00,000	3,00,000	—	—
II. ASSETS				
1. Non-Current Assets:				
Property, Plant and Equipment and Intangible Assets	1,50,000	2,00,000	50,000	33.33
2. Current Assets:				
Trade Receivables	1,50,000	1,00,000	(50,000)	(33.33)
Total	3,00,000	3,00,000	—	—

Or

Common-size Statement of Profit and Loss
for the year ended 31st March 2025

Particulars	Note No.	Absolute Amount	Percentage based on Revenue from operations
		2024-25 (₹)	2024-25 (%)
I. Revenue from Operations		17,00,000	100.00
II. Other Income		90,000	5.29
III. Total Revenue (I + II)		17,90,000	105.29
IV. Less: Expenses			
(a) Cost of Revenue from Operations		9,20,000	54.12
(b) Employee Benefit Expenses		3,40,000	20.00
Total Expenses (a + b)		12,60,000	74.12
V. Profit before Tax (III – IV)		5,30,000	31.18
VI. Less : Tax Expenses @ 50%		2,65,000	15.59
VII. Profit after Tax (V – VI)		2,65,000	15.59

$$\begin{aligned}
 33. (a) \quad \text{Return on Capital Employed} &= \frac{\text{Profit before Interest and Tax}}{\text{Capital Employed}} \times 100 \\
 &= \frac{\text{₹ } 82,500}{\text{₹ } 4,00,000} \times 100 = 20.63\%
 \end{aligned}$$

Working Notes:

$$\text{Net Profit after Interest and Tax} = \text{₹ } 50,000$$

$$\text{Let Profit before tax} = \text{₹ } 50,000 \times \frac{100}{80} = \text{₹ } 62,500$$

$$\text{Interest on Long-term Debts} = \text{₹ } 2,00,000 \times 10/100 = \text{₹ } 20,000$$

Profit before Interest and Tax = ₹ 62,500 + ₹ 20,000 = ₹ 82,500

Capital Employed = Fixed Assets + Current Asset – Current Liabilities
= ₹ 3,00,000 + ₹ 2,00,000 – ₹ 1,00,000 = ₹ 4,00,000

(b) Operating Ratio = $\frac{\text{Operating Cost}}{\text{Revenue from Operations}} \times 100$

Operating Cost = Cost of Revenue from Operations + Operating Expenses
= ₹ 1,50,000 + ₹ 60,000 = ₹ 2,10,000

Operating Ratio = $\frac{₹ 2,10,000}{₹ 2,50,000} \times 100 = 84\%$

Or

- (i) Purchase of machinery worth ₹ 2,00,000 by issue of equity shares will decrease the Return on Investment because return remain unchanged but capital employed have increased.
- (ii) Charging depreciation will decrease the ROI because capital employed remain unchanged but profit have decreased.
- (iii) Redemption of debentures in cash will increase the ROI because profit remain unchanged but capital employed have decreased.
- (iv) Converting debentures into equity shares will not change the ROI because capital employed has increased and decreased in the same amount.

34.	Sr. No.	Particulars	Amount (₹)
	(i)	Net Profit before tax and Extraordinary items (₹ 70,000 – ₹ 50,000)	20,000
		Add: Loss on Sale of Machinery	15,000
		Depreciation charged on Machinery	20,000
		Goodwill amortized	8,000
		Interest on Debentures	12,000
		Operating Profit before working capital changes	75,000
	(ii)	Operating Profit before working capital changes	75,000
		Add: Increase in creditors	20,000
		Increase in Bills Payable	80,000
		Less: Decrease in outstanding expenses	(5,000)
		Increase in inventories	(20,000)
		Increase in trade receivables	(20,000)
		Cash Flow from Operating Activities (Inflow)	1,30,000
	(iii)	Sale of Machinery	15,000
		Less: Purchase of Machinery	(1,00,000)
		Loans advanced	(30,000)
		Cash Flow from Investing Activities (Outflow)	(1,15,000)
	(iv)	Issue of Shares	50,000
		Less: Debentures Redeemed	(20,000)
		Interest on Debentures	(12,000)
		Cash Flow from Financing Activities (Inflow)	18,000
	(v)	Net Cash inflow during the year (1,30,000 – 1,15,000 + 18,000)	33,000
		Add: Opening Cash and Cash Equivalents	65,000
		Closing Cash and Cash Equivalents	98,000

Working Notes:

Dr.		Machinery Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Balance b/d	2,00,000	By Provision for Depreciation A/c	10,000	
To Bank A/c (Balancing figure)	1,00,000	By Bank A/c	15,000	
		By Statement of Profit and Loss (Loss)	15,000	
		By Balance c/d	2,60,000	
	3,00,000		3,00,000	

Dr.		Provision for Depreciation Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Machinery A/c	10,000	By Balance b/d	50,000	
To Balance c/d	60,000	By Statement of Profit & Loss (Depreciation A/c (Balancing figure))	20,000	
	70,000		70,000	