PART B

3 MARKS QUESTION

1.Income statement for the year ended 31st March, 2005 and 2006

Particular	Rs(2005)	Rs(2006)
Revenue from operations	25,000	32,500
Less: Cost of Material Consumed	11,850	16,590
Less: Finance Cost	1,150	4,910
Profit before tax	12,000	11,000
Less: Tax 50%		

Compute percentage changes from 2005 to 2006.

2. Current assets of a company are Rs 5,00,000; current ratio=2.5:1 and Quick ratio=1:1. Calculate the value of current liabilities, liquid assets and stock.

3. Current ratio of a company is 3:1, working capital is Rs 30,000. Calculate the amount of current assets and current liabilities.

4. The following figures are taken from balance sheet

Equity share capital	1,10,000
6% preference share capital	30,000
General reserve	50,000
Reserve for contingencies	20,000
6%Mortgage debenture	50,000
Sundry creditors	20,000
Preliminary expenses	5,000
Prepaid expenses	4,000

5.Handa Ltd. Has stock of Rs 20,000. Total liquid assets are Rs 1,00,000 and quick ratio is 2:1. Calculate current ratio.

6.Explain briefly the meaning and significance of the following ratios:

(a) Current Ratio (b) Quick Ratio (c) Debt Equity Ratio

6 MARKS QUESTION

1. From the following statement calculate the cash generated from operating activities:

Particular	2011 (Rs)	2012 (Rs)
1. Equity and Liabilities		
1. Shareholder's Fund		
(a) Equity Share Capital	60,000	60,000
(b) Reserve and Surplus		
Profit and loss balance	30,000	50,000
2. Non-Current Liabilities:		
6% Debentures	70,000	80,000
3. Current Liabilities:		
Trade Payables:		
Creditors	40,000	25,000
Bills Payable	20,000	25,000
Other Current Liabilities	50,000	45,000
Total	2,70,000	2,85,000
2. Assets		
1. Non-Current Assets		
Fixed Assets-Gross Block	1,50,000	1,40,000
Non Current Investment	40,000	30,000
2. Current Assets		
Inventory	30,000	45,000
Trade receivables	30,000	40,000
Cash	20,000	30,000
Total	2,70,000	2,85,000

2.The following information has been extracted from the books of pure Con Company. Using the information calculate the cash flow from investing activities:

Land acquired during the year	6,00,000
Investment purchased	2,90,000
Machinery purchased	4,00,000
Sale of Building	5,20,000
Sale of machinery	1,50,000
Receipt for permission of use of patent	1,70,000
Interest received on debentures held as investments	90,000

3.From the following Balance sheet of Varun Ltd. As on 31-3-2011 and 31-3-2012, prepare a Cash Flow Statement

Particular	2011	2012
1.EQUITY AND LIABILITIES		
Share Capital	1,25,000	1,50,000
Profit and Loss Balance	60,000	75,000
Bank Loan		20,000
Bills Payable	20,000	35,000
Trade Payables	50,000	45,000
Total	2,55,000	3,25,000
2.ASSETS		
Fixed Assets	20,000	30,000
Long term loan	15,000	10,000
Inventory	87,000	1,20,000
Trade Receivable	98,000	90,000
Cash	35,000	75,000
Total	2,55,000	3,25,000

Additional information:

(1) During the year Rs 15,000 depreciation was charged on fixed assets.
(2) Company has paid Rs 12,000 interim dividend during the year.

4.From the following information , prepare Cash Flow Statement :

	2012	2013
1.EQUITY AND LIABILITIES		
Shareholder's Fund:		
Equity and Liabilities	80,000	55,000
12% Preference Share Capital	20,000	25,000
Reserve and Surplus		
General Reserve	4,000	4,000
Profit and Loss Balance	2,400	2,000
Non Current Liabilities:		
15% Debenture	14,000	12,000
Current Liabilities:		
Creditors	22,000	24,000
Provision for taxation	8,400	6,000
Proposed dividend	11,600	10,000
Cash Credit	13,600	25,000
TOTAL	1,76,000	1,63,000
2.ASSETS		
Non Current Assets:		

Fixed Assets	80,000	82,000
Less: Accumlated Depreciation	(30,000)	(22,000)
	50,000	60,000
Current Assets:		
Debtors	48,000	40,000
Stock	70,000	60,000
Prepaid Expenses	1,000	600
Cash in Hand	7,000	2,400
TOTAL	1,76,000	1,63,000

Additional information:

(1) Provision for tax made Rs 9,400

(2) Fixed assets sold for Rs 10,000, their cost Rs 20,000 and accumulated depreciation till date of sale is Rs 6,000

(3) An interim dividend paid during the year Rs9,000

5. From the following Balance Sheet of Raja Mills Ltd., prepare a statement of cash flow:

	2013	2014
1.EQUITY AND LIABILITIES		
Shareholder's Funds		
Share Capital	4,00,000	5,00,000
Reserve and Surplus:		
General Reserve	1,00,000	1,20,000
Profit and Loss Balance	61,000	61,200
Non Current Liabilities:		
12% Bank Loan	1,40,000	
Current liabilities:		
Creditors	2,80,000	2,60,000
Bills Payable	20,000	10,400
Provision for taxation	60,000	70,000
TOTAL	10,61,000	10,21,600
2.ASSETS		
Non Current Assets:		
Machinery	3,00,000	3,38,000
Business Premises	4,00,000	3,80,000
Current Assets:		
Cash	1,000	27,200
Stock	1,60,000	1,28,000
Debtors	2,00,000	1,48,000
TOTAL	10,61,000	10,21,600

Additional information:

(1) Dividend paid during the year Rs 46,000

(2) Depreciation on Machinery written off Rs 28,000

(3) Provision for taxation was made as Rs 66,000

(4) Income Tax paid during the year includes Rs 4,600 on account of dividend tax
(5) Bank loan was repaid in the beginning of the year 2013-14

PART A

ISSUE OF SHARES

8 MARKS QUESTION

1.Shyam Ltd. Invited applications for issuing 80,000 Equity shares of Rs 10 each at a premium of Rs 40 per share. The amount was payable as follows:
On Application Rs35 per share (including Rs 30 per premium)
On Allotment Rs8 per share(including Rs 4 per premium)
On first call and final call- Balance
Application for 77,000 shares were received. Shares were allotted to all the applicants. Sundram to whom 7,000 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made. Satyam the holder of 500 shares failed to pay the first and final call. His shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at Rs 50 per shares fully paid up. The re-issued shares included all the shares of Satyam.
Pass necessary journal entries for the above transactions in the books of Shyam Ltd.

2.Petromax Ltd., issued 50,000 shares of Rs10 each at a premium of Rs 2 per share payable as Rs 3 on application , Rs 5 including premium on allotment and the balance in equal installments over two calls. Applications were received for 92,000 shares and the allotment was done as under:

(A) Applicants of 40,000 shares	Allotted 30,000 shares
(B) Applicants of 40,000 shares	Allotted 20,000 shares
(C) Applicants of 12,000 shares	Nil

Suresh who had applied for 2,000 shares(category A)did not pay any money other than the application money. Chander who was allotted 800 shares(category B) paid the call money due along with allotment.

All other allottees paid their dues as per schedule.

Pass necessary journal entries in the books of Petromax Ltd. to record the above.

3. Moneywell Company issued for public subscription 50,000 equity shares of the value of Rs 10 each at a discount of 10% payable as follows:
Rs 2 0n application

Rs 3 on allotment
Rs 2 on the first call
Rs 2 on the final call
The company received applications for 1,25,000 shares. The allotment was done as follows:

(a) Applicants of 15,000 shares were refunded the application money.
(b) Applicants of 60,000 shares were allotted 30,000 shares.
(c) The remaining applicants were allotted 20,000 shares.

The excess application money to be adjusted against allotment and calls, if any.

Mohan , a shareholder, who had applied for 3,000 shares (group b) failed to pay the allotment money and both the calls. Ramesh , a shareholder (group c) who has allotted 1,500 shares paid the calls money along with the allotment money. Pass necessary journal entries to record the above .

4. Ashish Ltd. invited for issuing 75,000 Equity shares of Rs 10 each at a discount of 10%. The amount was payable as follows:
On application- Rs 2 per share
On allotment- Rs 2 per share
On first &final call- balance
Applications for 1,50,000 shares were received. Application for 25,000 shares were rejected and application money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with these applications was adjusted towards sums due on allotment. Suman, who had paid for 1,250 shares , failed to pay allotment and first and final call money. Dev did not pay the first and final call on his 1,000 shares. All these were forfeited and later on 1,000 of these shares were reissued at Rs 17 per share fully paid up. The re-issued shares include all the shares of Suman.
Pass the necessary journal entries in the books of Ashish Ltd. for the above transactions.
5. X Ltd. invited applications for issuing 2,00,000 equity shares of Rs 10 each. The amount was payable as follows:

On application Rs 2.50

On allotment Rs5.00

On first and final call Rs2.50

Applications for 3,50,000 shares were received and the allotment was made as follows:

Category	Share applied	Share allotted
1	50,000	40,000
2	1,00,000	60,000
3	2,00,000	1,00,000

All the shares were allotted on pro rata basis and excess application money was adjusted towards sums due on allotment .

Madhu who belonged to category 1 and to whom 800 shares were allotted failed to pay the allotment money. Her shares were forfeited immediately after allotment was not received. Pooja who belonged to category 3 and who had applied for 400 shares failed to pay the final call. Her shares were forfeited after the final call.

Out of the forfeited shares 80%shares were reissued as fully paid up @Rs 9 per shares included all the forfeited shares of Pooja.

Pass necessary journal entries in the books of X ltd.

DISSOLUTION OF A FIRM

1.A,B and C are partners in a firm sharing profits in the ratio of 5:3:2. Their balance sheet on 31-3-2014 was as follows:

Liabilities	Rs	Assets	Rs
Capitals:		Plant	24,000
A	20,000	Furniture	3,000
B	25,000	Debtors	14,000
C	12,500	Investment in Mutual Funds	12,000
Bank o/d	19,000	(Market value Rs 50,000)	
Mrs C's loan	7,000	Bills Receivable	9,000
Creditors	18,000	Stock	30,000
Bills Payable	8,500	Loan to B	12,000
		Cash in Hand	6,000
	1,10,000		1,10,000

B died on 1st April,2014, and the firm was dissolved. Investment in mutual fund was realized at its market value and other assets realised at its market value and other assets realised only 50% of its book value. Loan to B was adjusted against his capital. A liability for Rs 1,500 not shown in the balance sheet, had to be paid. The expenses on realisation came to Rs 1,500. Prepare the Realisation Account, Partners capital Account, and Cash Account to close the books of the firm.

2.X,Yand Z were partners sharing profits in the ratio of 2:2:1. Their balance sheet as on March 31,2012, the date on which they dissolve their firm, was as follows:

Liabilities	Rs	Assets		Rs
X Capital A/c	1,27,500	Other Sundry Assests		1,17,000
Y Capital A/c	1,10,000	Furniture		11,000
Z Capital A/c	17,000	Debtors	1,24,200	
Loan	11,500	Less: Provision for	(1,200)	
Creditors	16,000	doubtful debt		1,23,000
		Stock		17,800
		Cash		13,200
	2,82,000			2,82,000

It was agreed that:

(a) X to take over Furniture at Rs 8,000, debtors amounting to Rs 1,20,000 at 1,17,200 and the creditors of Rs 16,000 were to be paid by him at this figure.
(b) Y is to take over all stock for Rs 17,000 and some sundry assets at Rs 72,000 (being 10% less than the book value).
(c) Z to take over remaining sundry assets at 80% of the book value and assume the responsibility of discharge of loan together with accrued interest of 2,300.
(d) The expenses of realization were Rs 2,700. The remaining debtors were sold to a debt collecting agency at 50% of the Book value.
Prepare Realisation A/c, Partners Capital A/cs and Cash A/c.

3. A,B and C were in partnership whose Balance Sheet as on 31st December ,2008 stood as follows:

Liabilities	Rs	Assets	Rs
Sundry Creditors	16,000	Sundry Debtors	10,000
Bills Payable	19,000	Stock	15,000
Capital A /cs:		Land & Building	70,000
A	28,000	Investments	30,000
B	37,000	Bank	30,000
C	44,000		
Current A/c			
A	2,000		
B	3,000		
C	6,000		
	1,55,000		1,55,000

It was agreed upon by the partners to dissolve the partnership on the above date as under:

(1) C will take the investments on an agreed value of Rs 29,000.
(2) Other assets to be disposed off as – Land & Buildings for Rs 80,000, Debtors for Rs 9,000 and Stock for Rs 14,000.

(3) The creditors to be paid Rs 15,000 in full settlement of account.
(4) Bills Payable were paid in full.
(5) Expenses of realisation amounting to Rs 2,000 were met by A.
You are required to give journal entries and ledger accounts to close the books.

4. ANju ,Manju, and Sanju were partners in a firm sharing profits in the ratio of 2:2:1. On 28.2.2008,their Balance Sheet was as follows:

Liabilities	Rs	Assets	Rs
Creditors	50,000	Bank	60,000
Bank Loan	35,000	Debtors	75,000
Provident Fund	15,000	Stock	40,000
Investment Fluctuation Fund	10,000	Investments	20,000
Commission Received in Advance	8,000	Plant	50,000
		Profit and Loss	3,000
Capitals A/cs:			
Anju	50,000		
Manju	50,000		
Sanju	30,000		
	2,48,000		2,48,000

On this date, the firm was dissolved. Anju was appointed to realise the assets. Anju was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation.
Firm had to pay Rs 8,500 for outstanding salary, not provided for earlier. Compensation paid to employees amounted to Rs 17,000. This liability was not provided for in the above Balance Sheet Rs 20,000 had to be paid for provident fund.
Prepare Realisation Account, Capital Accounts of Partners and Bank Account.

5. Deepak , Kavita and Kiran are partners in a firm sharing profit and losses in the ratio of 2:2:1. They decided to dissolvethe partnership and appointed Deepak to realize the assets and pay the liabilities. He is to receive 5% commission on the amounts finally paid to other partner as capital. He was also to bear all the expenses of realisation. The Balance Sheet of the firm on that date of Dissolution was as follows:

Liabilities	Rs	Assets	Rs
Creditors	60,000	Debtors	32,000
Employee’s Provident Fund	20,000	Investments	15,000
Commission received in advance	10,000	Furniture	35,000
		Machinery	1,00,000
Bank O/d	23,000	Stock	36,000
Capital A/c:		Prepaid Expenses	3,000
Deepak	60,000	Profit and Loss A/c	22,000
Kavita	50,000		
Kiran	20,000		
	2,43,000		2,43,000

Deepak realized the assets as follows : Debtors Rs 24,000, Furniture Rs 25,000, Machinery Rs 80,000;Stock at 60% of its book value and Investments at 75% of its value. Expenses of realisation amounted to Rs 2,000. Firm had to pay Rs 5,000 for o/s salaries not provided earlier. Commission received in advance is returned to the customer Rs 25,000 had to be paid for employees provident fund.
Prepare the necessary accounts.