ANSWERS 3

1. (b) 6,000

   Hint Number of debentures issued $= \frac{5,40,000}{100-10} = \frac{5,40,000}{90} = 6,000$ debentures

2. (b) Receipts and payments
3. (c) private placement
4. (a)

Bank A/c Dr	2,60,000	
To Z's Capital A/c		2,00,000
To Premium for Goodwill A/c		60,000

5. (b) Capital Reserve ₹ 10,00,000

   Hint = Assets Liabilities − Purchase Consideration
   = (40,00,000 + 5,00,000 + 8,00,000 + 20,00,000) − 3,00,000 − 60,00,000
   = ₹ 10,00,000

6. (c) Redeemable preference shares
7. (b)

Subscription A/c Dr	—	
To Income and Expenditure A/c		—

8. (d) All of these
9. (c) Cash and cash equivalent = ₹ 40,000
10. (a) 12,000 debentures

    Hint Purchase Consideration = Net Assets = 22,40,000 − 4,00,000
    = ₹ 18,40,000

    ₹ 4,00,000 paid in cash and balance of ₹ 14,40,000 by issue of debentures at premium.

    ∴ No. of debentures issued $= \frac{14,40,000}{120} = 12,000$ debentures

11. Purchased
12. ₹ 30,00,000

    Hint Paid-up share capital = 30,000 × 100 = ₹ 30,00,000
    - Share capital is always calculated by nominal value not added premium.
    - In this question, both capital amount is same, because of no calls-in-arrears in this question.

13. Funds which are received for any specific work are known as specific fund/donations. Specific fund which is received by a NPO is the liability for that organisation. It is presented in the liabilities side of the balance sheet.

14. **Receipts and Payments Account**
    for the year ending...

Dr | | | Cr

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d		By Investment Purchased	2,72,000
Cash in Hand	17,000	By Rent Paid	68,000
Cash at Bank	85,000	By General Expenses	73,100
To Subscription	5,61,000	By Postage and Stationery	6,800
To Donations	1,19,000	By Courier Charges	3,400
		By Sundry Expenses	8,500
		By Balance c/d	
		Cash in Hand	40,800
		Cash at Bank	3,09,400
		(Balancing figure)	
	7,82,000		7,82,000

Or

Calculation of the Stationery Consumed during the Year

Particulars		Amt (₹)
Opening Stock of Stationery on 1st April, 2018		7,500
(+) Amount Paid to Creditors	17,000	
Advance Payment for Stationery on 31st March, 2018	1,500	
Creditors for Stationery on 31st March, 2019	1,600	20,100
		27,600
(−) Creditors for Stationery on 1st April, 2018	(5,500)	
Advance Paid for Stationery on 31st March, 2019	(1,200)	
Closing Stock of Stationery on 31st March, 2019	(3,500)	(10,200)
Stationery Consumed to be Debited to Income and Expenditure Account		17,400

15. **JOURNAL**

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2020 Jan 1	Cash/Bank A/c	Dr		10,00,000	
	To **Vikas's Capital** A/c				8,00,000
	To Premium for Goodwill A/c (WN 1)				2,00,000
	(Being share of capital and goodwill is brought by the Vikas in cash)				
Jan 1	Premium for Goodwill A/c	Dr		2,00,000	
	To **Rahul's Capital A/c**				1,00,000
	To **Modi's Capital A/c**				1,00,000
	(Being brought amount of goodwill is distributed between sacrificing partners in **1 : 1**)				
Jan 1	Rahul's Capital A/c	Dr		50,000	
	Modi's Capital A/c	Dr		50,000	
	To **Cash/Bank** A/c				1,00,000
	(Being goodwill (Half) withdrew by the sacrificing partners)				

Working Notes

1. Average profit of last 3 years $= \frac{7,00,000 + 8,00,000 + 15,00,000}{3} = \frac{30,00,000}{3} =$ ₹ 10,00,000
2. Goodwill of the firm = Average profit × Number of years' purchase = 10,00,000 × 1 = ₹ 10,00,000

   Vikas's share of premium for goodwill $= 10,00,000 \times \frac{1}{5} =$ ₹ 2,00,000

16. **Profit and Loss Appropriation Account**
    for the year ending 31st March, 2019

Dr | | | Cr

Particulars		Amt ₹	Particulars	Amt ₹
To Interest on Capital A/cs			By Net Profit as per Profit and Loss A/c	3,75,000
X (2,00,000 × 6/100)	12,000		By Interest on Drawings A/cs	
Y (1,50,000 × 6/100)	9,000	21,000	X (40,000 × 6/100 × 6/12)	1,200
To Reserve Fund A/c		35,610	Y (30,000 × 6/100 × 6/12)	900
To Profit Transferred to Partners' Capital A/cs				
X	1,60,245			
Y	1,60,245	3,20,490		
		3,77,100		3,77,100

Note In the absence of date of drawings, interest on drawings has been calculated on an average basis for 6 months.

Working Note

Calculation of Amount Transferred to Reserve Fund

Distributable profits = Profit + Interest on drawings − Interest on capital

= 3,75,000 + 1,200 + 900 − 12,000 − 9,000 = ₹ 3,56,100

Amount transferred to reserve fund = $3{,}56{,}100 \times \frac{10}{100}$ = ₹ 35,610

17.

In the Books of Arihant & Co

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2019 Apr 1	Bank A/c (10,000 × 95)	Dr		95,000	
	To 12% Debentures A/c				95,000
	(Being 10,000, 12% debentures issued at 5% discount)				
Apr 1	12% Debentures A/c	Dr		95,000	
	Loss on Issue of Debentures A/c	Dr		15,000	
	To 12% Debentures A/c (10,000 × 10)				1,00,000
	To Premium on Redemption of Debentures A/c (10,000 × 1)				10,000
	(Being debenture money due with the terms of issue and redemption)				
2020 Mar 31	Securities Premium Reserve A/c	Dr		10,000	
	General Reserve A/c	Dr		2,000	
	Statement of Profit and Loss	Dr		3,000	
	To Loss on Issue of Debentures A/c				15,000
	(Being loss on issue of debentures is written-off completely in same year)				

Working Note

Loss on issue of debentures = Discount on issue of debentures + Premium on redemption of debentures

= 5,000 + 10,000 = ₹ 15,000

Or

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
(i)	Incorporation Expense A/c (10,000 × 10)	Dr		1,00,000	
	To Equity Share Capital A/c				1,00,000
	(Being shares issued to promoters)				
(ii)	Sundry Assets A/c	Dr		3,30,000	
	To Mr Rajesh				3,30,000
	(Being assets purchased from Mr Rajesh)				
	Mr Rajesh (30,000 × 11)	Dr		3,30,000	
	To Share Capital A/c (30,000 × 10)				3,00,000
	To Securities Premium Reserve A/c (30,000 × 1)				30,000
	(Being shares issued to Mr Rajesh)				

Number of shares issued = $\frac{3{,}30{,}000}{10+1}$ = 30,000

18.

Income and Expenditure Account

for the year ending...

Dr | Cr

Expenditure		Amt (₹)	Income		Amt (₹)
To Salary	64,400		By Subscription	8,74,000	
(−) Outstanding for Previous Year	(6,900)		(−) Outstanding for Previous Year	(1,84,000)	
	57,500			6,90,000	
(+) Outstanding for Current Year	2,300	59,800	(+) Outstanding for Current Year	23,000	7,13,000
To Electricity Expenses		6,900	By Donations		46,000
To Tournament Expenses		27,600			
To Travelling Expenses		23,000			
To Meeting Expenses		13,800			
To Rent		41,400			
To Periodicals (66,700 − 43,700)		23,000			
To Printing and Stationery		34,500			
To Postage		9,200			
To Surplus, i.e. Excess of Income over Expenditure		5,19,800			
		7,59,000			7,59,000

19. (i)

Adjusting Journal Entry

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	P's Current A/c	Dr		1,000	
	To R's Current A/c				1,000
	(Being the interest on capital wrongly provided, now adjusted)				

Working Note

Adjustment Table

Particulars	P (₹)	Q (₹)	R (₹)	Total
A. Amount already Recorded				
Interest on Capital @ 10%	5,000	10,000	15,000	30,000
Share of Profit (36,000 − 30,000) in ratio of 1 : 1 : 1	2,000	2,000	2,000	6,000
	7,000	12,000	17,000	36,000
B. Amount which should have been Recorded				
Interest on Capital @ 12%	6,000	12,000	18,000	36,000
Net Effect (A − B)	1,000 (Dr)	Nil	1,000 (Cr)	Nil

(ii) Goodwill is 3 times average super profit.

3 × Average super profit = ₹ 18,000

∴ Average super profit = ₹ 6,000

Capital invested = Total assets − Outside liabilities

Capital invested = 15,00,000 − 12,00,000 = ₹ 3,00,000

Normal profit = Capital Invested × $\frac{\text{Rate}}{100}$

Normal profit = $3{,}00{,}000 \times \frac{10}{100}$ = ₹ 30,000

Super profit = Average profit − Normal profit

6,000 = Average profit − 30,000

∴ Average profit = ₹ 36,000

Average profit = $\frac{\text{Actual profits in last 3 years}}{\text{Number of years}}$

36,000 = $\frac{\text{Actual profits in last 3 years}}{3}$ = ₹ 1,08,000

∴ Actual profit in last 3 years = ₹ 1,08,000

20.

Raju's Capital Account

Dr Particulars	Amt (₹)	Particulars	Cr Amt (₹)
To Raju's Loan A/c	37,995	By Balance b/d	17,000
		By Interest on Capital A/c (17,000 × 10% × 3/12)	425
		By Mahesh's Capital A/c	11,900
		By Mukesh's Capital A/c	5,950
		By General Reserve A/c	2,720
	37,995		37,995

Working Note

$$\text{Average profit} = \frac{17{,}000 + 30{,}600 + 23{,}800}{3}$$

$$= \frac{71{,}400}{3} = ₹\,23{,}800$$

Firm's goodwill = 23,800 × 3

= ₹ 71,400

Raju's share of goodwill = $71{,}400 \times \frac{1}{4}$

= ₹ 17,850

to be contributed by Mahesh and Mukesh in gaining ratio, i.e. 2 : 1.

21.

Revaluation Account

Dr Particulars	Amt (₹)	Particulars		Cr Amt (₹)
To Stock A/c	5,000	By Provision for Doubtful Debts A/c (₹ 20,000 – ₹ 5,000)		15,000
To Plant and Machinery A/c	17,000	By Loss Transferred to		
		Vishvesh's Capital A/c	4,200	
		Yogesh's Capital A/c	2,800	7,000
	22,000			22,000

Partners' Capital Account

Dr Particulars	Vishvesh (₹)	Yogesh (₹)	Nishant (₹)	Particulars	Vishvesh (₹)	Yogesh (₹)	Cr Nishant (₹)
To Revaluation A/c (Loss)	4,200	2,800	–	By Balance b/d	3,00,000	1,50,000	–
To Balance c/d	3,31,500	1,82,900	2,00,000	By Bank A/c	–	–	2,00,000
				By Premium for Goodwill A/c	35,700	35,700	–
	3,35,700	1,85,700	2,00,000		3,35,700	1,85,700	2,00,000

Balance Sheet of the New Firm

as at 1st April, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Bills Payable		80,000	Cash at Bank		3,91,400
Creditors		1,50,000	Stock (₹ 50,000 – ₹ 5,000)		45,000
Outstanding Rent		20,000	Debtors	2,00,000	
Capital A/cs			(–) Provision for Doubtful Debts	(5,000)	1,95,000
Vishvesh	3,31,500		Prepaid Expenses		10,000
Yogesh	1,82,900		Plant and Machinery	3,40,000	
Nishant	2,00,000	7,14,400	(–) Depreciation	(17,000)	3,23,000
		9,64,400			9,64,400

Bank Account

Dr Particulars	Amt (₹)	Particulars	Cr Amt (₹)
To Balance b/d	1,20,000	By Balance c/d	3,91,400
To Nishant's Capital A/c	2,00,000		
To Premium (Goodwill) A/c	71,400		
	3,91,400		3,91,400

Working Note

1. **Calculation of Sacrificing Ratio**

Sacrificing ratio = Old share – New share

Vishvesh = $\frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$; Yogesh = $\frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$

Sacrificing ratio of Vishvesh and Yogesh = $\frac{1}{10} : \frac{1}{10}$ or 1 : 1

2. **Calculation of Hidden Goodwill**

Nishant contributes ₹ 2,00,000 for $\frac{2}{10}$th share

∴ Total capital of the firm should be = ₹ 2,00,000 × $\frac{10}{2}$

= ₹ 10,00,000

But the actual total capital of Vishvesh, Yogesh (after adjustment of revaluation loss) and Nishant is [(₹ 3,00,000 + ₹ 1,50,000 – ₹ 7,000, i.e. loss on revaluation) + ₹ 2,00,000] = ₹ 6,43,000

Therefore, hidden goodwill = ₹ 10,00,000 – ₹ 6,43,000

= ₹ 3,57,000

Nishant's share = 1/5th of ₹ 3,57,000 = ₹ 71,400

Or

Revaluation Account

Dr Particulars		Amt (₹)	Particulars	Cr Amt (₹)
To Provision for Doubtful Debts A/c		600	By Building A/c	10,000
To Machinery A/c		7,200	By Creditors A/c	1,800
To Outstanding Repair A/c		3,000	By Prepaid Insurance A/c	2,000
To Profit Transferred to				
A's Capital A/c	1,500			
B's Capital A/c	1,000			
C's Capital A/c	500	3,000		
		13,800		13,800

Partners' Capital Account

Dr Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	Cr C (₹)
To B's Capital A/c	9,000	–	3,000	By Balance b/d	90,000	60,000	30,000
To Cash A/c	–	9,000	–	By Reserve A/c	3,000	2,000	1,000
To B's Loan A/c	–	66,000	–	By Revaluation A/c (Profit)	1,500	1,000	500
To Balance c/d	85,500	–	28,500	By A's Capital A/c	–	9,000	–
				By C's Capital A/c	–	3,000	–
	94,500	75,000	31,500		94,500	75,000	31,500

Balance Sheet
as at 31st March, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Outstanding Repairs		3,000	Building		1,10,000
Creditors		13,800	Debtors	20,000	
			(–) Provision for Doubtful Debts	(1,000)	19,000
Capital A/cs			Machinery		40,800
A	85,500		Prepaid Insurance		2,000
C	28,500	1,14,000	Stock		18,000
B's Loan A/c		66,000	Cash		7,000
		1,96,800			1,96,800

Working Notes

1. **Calculation of Gaining Ratio**

Old ratio ⇒ 3 : 2 : 1, New ratio ⇒ 3 : 1

Gaining ratio = New share – Old share

$A = \frac{3}{4} - \frac{3}{6} = \frac{9-6}{12} = \frac{3}{12}$, $C = \frac{1}{4} - \frac{1}{6} = \frac{3-2}{12} = \frac{1}{12}$

Gaining ratio = 3 : 1

2. **Calculation of B's Share of Goodwill**

Firm's goodwill = ₹ 36,000

B's share of goodwill = $36{,}000 \times \frac{2}{6}$ = ₹ 12,000, to be contributed by A and C in their gaining ratio, i.e. 3 : 1.

3. Dr **Cash Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	16,000	By B's Capital A/c	9,000
		By Balance c/d	7,000
	16,000		16,000

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Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Building A/c	Dr		60,000	
	To Vendor A/c				60,000
	(Being the building purchased)				
	Vendor A/c (6,000 × 10)	Dr		60,000	
	To Share Capital A/c				60,000
	(Being the issue of 6,000 shares of ₹ 10 each as fully paid in payment of building purchased)				
	Bank A/c (8,000 × 2)	Dr		16,000	
	To Share Application A/c				16,000
	(Being the amount received in respect of application money on 8,000 shares @ ₹ 2 per share)				
	Share Application A/c	Dr		16,000	
	To Share Capital A/c (8,000 × 2)				16,000
	(Being the transfer of application money to share capital account)				
	Share Allotment A/c	Dr		8,000	
	To Share Capital A/c (8,000 × 1)				8,000
	(Being the amount due on allotment of 8,000 shares @ ₹ 1 per share as per resolution of the board of directors)				
	Bank A/c (7,750 × 1) (WN 1)	Dr		7,750	
	To Share Allotment A/c				7,750
	(Being the amount received on the allotment of 7,750 shares @ ₹ 1 per share)				

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Share First Call A/c	Dr		8,000	
	To Share Capital A/c (8,000 × 1)				8,000
	(Being the amount due on first call of 8,000 shares @ ₹ 1 per share as per resolution of the board of directors)				
	Bank A/c (7,250 × 1)	Dr		7,250	
	To Share First Call A/c				7,250
	(Being the amount received on the first call on 7,250 shares @ ₹ 1 per share)				
	Share Second Call A/c	Dr		8,000	
	To Share Capital A/c (8,000 × 1)				8,000
	(Being the amount due on second call on 8,000 shares @ ₹ 1 per share as per resolution of the board of directors)				
	Bank A/c (6,000 × 1)	Dr		6,000	
	To Share Second Call A/c				6,000
	(Being the amount received on the second call on 6,000 shares @ ₹ 1 per share)				
	Share Capital A/c (750×5)	Dr		3,750	
	To Forfeited Shares A/c (WN 4)				2,000
	To Share Allotment A/c (250 × 1)				250
	To Share First Call A/c [(500 × 1) + (250 × 1)]				750
	To Share Second Call A/c [(500 × 1) + (250 × 1)]				750
	(Being 750 shares forfeited as per board's resolution)				

Working Notes

1. A holder of 250 equity shares paid only application money. He has not paid allotment money and call money. Therefore, allotment money has been received on 7,750 shares (8,000 – 250) @ ₹ 1 each, i.e. ₹ 7,750.
2. First call money has not been paid by the holder of 250 equity shares and the holder of 500 equity shares. In total, first call money has not been received on 750 equity shares.
3. Second call money has not been paid by the holder of 250 equity shares, holder of 500 equity shares and holder of 1,250 equity shares. In total, second call money has not been received on 2,000 equity shares.

Statement Showing Money Received and Not Received

Shares	Application (₹ 2)	Allotment (₹ 1)	First Call (₹ 1)	Second Call (₹ 1)
6,000	✓	✓	✓	✓
1,250	✓	✓	✓	✗
500	✓	✓	✗	✗
250	✓	✗	✗	✗
Money Received	8,000 × 2 = ₹ 16,000	7,750 × 1 = ₹ 7,750	7,250 × 1 = ₹ 7,250	6,000 × 1 = ₹ 6,000
Money not Received	—	250 × 1 = ₹ 250	750 × 1 = ₹ 750	2,000 × 1 = ₹ 2,000

✓ – Money received, ✗ – Money not received

4. **Amount Forfeited**

	Amt (₹)
(i) For 250 equity shares, application money @ ₹ 2 per equity share	500
(ii) For 500 equity shares, application money @ ₹ 2 per equity share and allotment money @ ₹ 1 per equity share	1,500
	₹ 2,000

Note Unless and until the forfeited shares are re-issued, the balance on the forfeited shares account will be shown as a separate item in the balance sheet under the heading of share capital.

Or

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Bank A/c (1,50,000 × 2)	Dr		3,00,000	
	To Equity Share Application A/c				3,00,000
	(Being application money on 1,50,000 shares received @ ₹ 2 per share)				
	Equity Share Application A/c	Dr		3,00,000	
	To Equity Share Capital A/c (1,00,000 × 2)				2,00,000
	To Equity Share Allotment A/c				1,00,000
	(Being application money on 1,00,000 shares @ ₹ 2 per share transferred and on 1,00,000 shares adjusted on allotment)				
	Equity Share Allotment A/c	Dr		5,00,000	
	To Equity Share Capital A/c (1,00,000 × 2)				2,00,000
	To Securities Premium Reserve A/c (1,00,000 × 3)				3,00,000
	(Being allotment money transferred on 1,00,000 shares at ₹ 5 including premium of ₹ 3 per share)				
	Bank A/c	Dr		3,99,200	
	Calls-in-Arrears A/c	Dr		800	
	To Equity Share Allotment A/c				4,00,000
	(Being allotment money received)				
	Equity Share First and Final Call A/c	Dr		6,00,000	
	To Equity Share Capital A/c (1,00,000 × 6)				6,00,000
	(Being first and final call transferred on 1,00,000 shares @ ₹ 6 per share)				
	Bank A/c	Dr		5,98,800	
	Calls-in-Arrears A/c (200 × 6)	Dr		1,200	
	To Equity Share First and Final Call A/c				6,00,000
	(Being first and final call on 1,15,200 shares received)				
	Equity Share Capital A/c (200 × 10)	Dr		2,000	
	Securities Premium Reserve A/c (200 × 3)	Dr		600	
	To Share Forfeited A/c				600
	To Calls-in-Arrears A/c (800 + 1200)				2,000
	(Being shares of Amar forfeited)				
	Bank A/c (170 × 9)	Dr		1,530	
	Share Forfeited A/c (170 × 1)	Dr		170	
	To Equity Share Capital A/c (170 × 10)				1,700
	(Being 170 forfeited shares re-issued at ₹ 9 per share fully paid)				
	Share Forfeited A/c	Dr		340	
	To Capital Reserve A/c				340
	(Being profit on forfeited transferred to capital reserve)				

Working Notes

1. **Calculation of Amount not Received from Amar**

Step 1 Allotted shares computation $= \frac{1,00,000}{1,50,000} \times 300 = 200$ shares

Step 2 Calculation of Amount not Received

	Amt (₹)
Application money already received (300 × 2)	600
(−) He should pay on application (200 × 2)	(400)
Excess money	200
He should pay on allotment (200 × 5)	1,000
(−) Excess money	(200)
Amount not received	800

2. **Amount Transferred to Capital Reserve**

$\Rightarrow \frac{\text{Amount of share forfeiture}}{\text{Number of shares forfeited}} \times \text{Number of share re-issued} = \frac{600}{200} \times 170 = 510$

(170)

340

23. (a) ₹ 4,00,000

Hint If gross profit is 20% of net sales, then it will be 25% of COGS

So, Gross Profit = COGS × 25%

$\Rightarrow \quad 1,00,000 = \text{COGS} \times \frac{25}{100}$

$\Rightarrow \quad 1,00,000 \times \frac{100}{25} = \text{COGS}$

$\therefore \quad$ COGS = ₹ 4,00,000

24. (c) ₹ 4,00,000

Hint Working Capital = Current Assets − Current Liabilities

4,00,000 = 8,00,000 − Current Liabilities

Current Liabilities = 8,00,000 − 4,00,000 = ₹ 4,00,000

25. (c) Both (a) and (b)

26. (a) Inflow ₹ 40,000

Hint	
Proceeds from equity shares	1,50,000
(−) Redemption of preference shares (@ premium)	(1,10,000)
Cash inflow from financing activities	40,000

Note Information related to price of equity share will not affect the transaction.

27. (b) current assets

28. long-term borrowings

29. Cash equivalents are held in the business for meeting short-term cash commitments rather than for investment.

30.

S. No.	Items	Main Heads	Sub-heads
(i)	Contingent Liabilities and Commitments	To be shown as Notes to Accounts below the Balance Sheet	–
(ii)	Fixed Deposits from the Public	Non-current Liabilities	Long-term Borrowings
(iii)	Advance Recoverable in Cash	Current Assets	Other Current Assets
(iv)	Forfeited Shares Account	Shareholders' Funds	Subscribed Capital (shown by way of deduction)

Or

Transaction	Effect on Debt to Equity Ratio	Reasons
(i)	Increase	Total shareholders' funds are decreased by the amount of profits appropriated for dividend but long-term debts remain unchanged. Upon the declaration of dividend by the company, the profits to the extent of dividend declared become a current debt and hence, shareholders' funds are decreased and current liabilities are increased by the amount of dividend declared.
(ii)	Decrease	This would decrease the ratio as the shareholders' fund would increase to the extent of capital issued without a subsequent change in long-term loan
(iii)	Decrease	The long-term debt will decrease and shareholders' fund will increase.
(iv)	Decrease	Total long-term debts are decreased, but total shareholders' funds remain unchanged.

31.

Comparative Statement of Profit and Loss
for the years ended 31st March, 2019 and 2020

	Particulars	Note No.	31st March, 2019 (₹) A	31st March, 2020 (₹) B	Absolute Change (Increase or Decrease) (₹) C = B − A	Percentage Change (Increase or Decrease) (%) $D = \frac{C}{A} \times 100$
I.	Revenue from Operations (Sales)		3,00,000	3,50,000	50,000	16.67
II.	Expenses					
	Purchases of Stock-in-trade		1,80,000	2,10,000	30,000	16.67
	Changes in Inventories of Stock-in-trade		20,000	15,000	(5,000)	(25)
	Employees Benefit Expenses		15,000	17,500	2,500	16.67
	Other Expenses		5,000	7,500	2,500	50
	Total Expenses		2,20,000	2,50,000	30,000	13.64
III.	Net Profit (I − II)		80,000	1,00,000	20,000	25

Or

(i) $\text{Inventory Turnover Ratio} = \dfrac{\text{Cost of Revenue from Operations (Cost of Goods Sold)}}{\text{Average Inventory}}$

$$6 = \frac{\text{Cost of Revenue from Operations (Cost of Goods Sold)}}{8{,}000}$$

$$\text{Cost of Revenue from Operations} = ₹\,8{,}000 \times 6$$
$$= ₹\,48{,}000$$
$$\text{Gross Profit} = 25\% \text{ of } ₹\,48{,}000$$
$$= ₹\,12{,}000$$

Therefore, Revenue from Operations (Sales) = Cost of Revenue from Operations + Gross Profit

$$= ₹\,48{,}000 + ₹\,12{,}000$$
$$= ₹\,60{,}000$$

(ii) Total Revenue from Operations $= ₹\,50{,}000$

$$\text{Gross Profit} = \frac{1}{4} \text{ on cost} = \frac{1}{5} \text{ on sales}$$
$$= \frac{1}{5} \times ₹\,50{,}000 = ₹\,10{,}000$$

Cost of Revenue from Operations = Net Revenue from Operations − Gross Profit

$$= ₹\,50{,}000 - ₹\,10{,}000 = ₹\,40{,}000$$

Cost of Revenue from Operations = Opening Inventory + Net Purchases − Closing Inventory

$$₹\,40{,}000 = \text{Opening Inventory} + ₹\,30{,}000 - ₹\,6{,}000$$
$$\therefore \quad \text{Opening Inventory} = ₹\,16{,}000$$

32.

Cash Flow from Investing Activities
for the year ended...

Particulars	Amt ₹
Proceeds from Sale of Machinery	40,000
Payment on Purchase of Machinery (WN 1)	(1,20,000)
Proceeds from Sale of Patents (WN 3)	2,00,000
Cash Flow from Investing Activities	1,20,000

Working Notes

1. Dr **Machinery Account** Cr

Particulars	Amt ₹	Particulars	Amt ₹
To Balance b/d	8,00,000	By Bank A/c (Sale of machinery)	40,000
To Profit on Sale of Machinery A/c (Statement of profit and loss)	8,000	By Accumulated Depreciation A/c (Depreciation on machinery sold)	48,000
To Bank A/c (Purchases) (Balancing figure)	1,20,000	By Balance c/d	8,40,000
	9,28,000		9,28,000

Profit on Sale = Sale Price − Book Value of Machinery = ₹ 40,000 − ₹ 32,000 (80,000 − 48,000) = ₹ 8,000

2. Dr **Accumulated Depreciation Account** Cr

Particulars	Amt ₹	Particulars	Amt ₹
To Machinery A/c (Depreciation on machinery sold)	48,000	By Balance b/d	2,00,000
		By Depreciation A/c (Statement of profit and loss) (Balancing figure)	68,000
To Balance c/d	2,20,000		
	2,68,000		2,68,000

3. Dr **Patents Account** Cr

Particulars	Amt ₹	Particulars	Amt ₹
To Balance b/d	5,60,000	By Bank A/c (Sale) (Balancing figure)	2,00,000
To Profit on Sale of Patents A/c (Statement of profit and loss) (Given)	40,000	By Amortisation A/c (Statement of profit and loss)	80,000
		By Balance c/d	3,20,000
	6,00,000		6,00,000