

Answers to RSPL/1

Part A

(Accounting for Partnership Firms and Companies)

- No, the accountant is wrong as goodwill is not to be shown in the books of account unless money or money's worth has been paid for it. The amount of goodwill brought in by the new partner is to be distributed amongst the old partners in their sacrificing ratio.
- Interest on Drawings = $(₹ 5,000 \times 6) \times 6\% \times 7/12 = ₹ 1,050$.
- Yes, the decision taken by the Board of Directors is as per Section 52 (2) of the Companies Act, 2013 and is beneficial for shareholders as it will maximise the return to them.
- Employee Stock Option is a right given to the employees to purchase or subscribe for the shares of the company at a future date at a pre-determined price.
- Reshma's new share = $7/10 - (1/2 \times 1/5) = 7/10 - 1/10 = 6/10$
Richa's new share = $3/10 - (1/2 \times 1/5) = 3/10 - 1/10 = 2/10$
New Profit sharing ratio of Reshma, Richa and Mona is 6:2:2 or 3:1:1.

6. **In the books of Sneha and Saranya**
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Realisation A/c To Saranya's Capital A/c (Being the amount of remuneration payable to Saranya for undertaking the dissolution work of the firm)	Dr.	5,000	5,000

7. **Rishwin Limited**
Balance Sheet (extract)
as at.....

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds:			
(a) Share Capital	1	7,50,000	
		7,50,000	
II. ASSETS			
1. Current Assets:			
(a) Cash and Cash Equivalents	2	6,80,000	
(b) Other Current Assets:			
Share Issue Expenses		20,000	
Incorporation Expenses		50,000	
		7,50,000	

Notes to Accounts:

Particulars	₹
1. Share Capital:	
Authorised Capital	20,00,000
2,00,000 Equity shares of ₹ 10 each	
Issued Capital:	
75,000 Equity shares of ₹ 10 each	7,50,000
(Of the above shares 5,000 shares are allotted as fully paid-up to pursuant to contracts without payments being received in cash)	
Subscribed Capital:	
Subscribed and fully paid-up	
75,000 equity shares of ₹ 10 each fully paid-up	7,50,000
2. Cash and Cash Equivalents:	
Cash at Bank (7,00,000 – 20,000)	6,80,000

8. In the books of Naresh Limited
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015	Sundry Assets A/c Dr.		14,50,000	
April 1	To Creditors A/c			50,000
	To Pawan Ltd.			12,00,000
	To Capital Reserve A/c			2,00,000
	(Being business assets and liabilities taken over for a consideration)			
	Pawan Ltd. A/c Dr.		12,00,000	
	To Bank A/c			1,00,000
	To 9% Debentures A/c			10,00,000
	To Securities Premium A/c			1,00,000
	(Being issue of 10,000, 10% debentures of ₹ 100 each at a premium of 10%)			

Values communicated by the Company to the society :

- (a) Discharge its social responsibility towards the environment by aiming at using less paper.
(b) Educate employees to use computers and improve their efficiency.

9. In the books of Abhilash Ltd.
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014	Bank A/c Dr.		60,00,000	
April 1	To Debenture Application and Allotment A/c			60,00,000
	(Being the application money received on 50,000; 9% debentures @ ₹ 120)			
	Debenture Application and Allotment A/c Dr.		60,00,000	
	To 9% Debentures A/c			50,00,000
	To Securities Premium Reserve A/c			10,00,000
	(Being 50,000 debentures allotted to applicants)			

2015	Debenture Interest A/c	Dr.	4,50,000	
March 31	To Debentureholders A/c			4,05,000
	To TDS A/c			45,000
	(Being interest payable on 11% debentures provided and tax deducted at source @ 10%)			
	TDS A/c	Dr.	45,000	
	To Bank A/c			45,000
	(Being the TDS deposited in government account)			
	Debentureholders A/c	Dr.	4,05,000	
	To Bank A/c			4,05,000
	(Being interest paid to debentureholders)			

10.

**In the books of Rohan, Rishabh and Raghav
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015	General Reserve A/c	Dr.	55,000	
April 1	Contingency Reserve A/c	Dr.	20,000	
	To Rohan's Capital A/c			15,000
	To Rishabh's Capital A/c			22,500
	To Raghav's Capital A/c			37,500
	(Being reserves distributed in old ratio at the time of reconstitution)			
	Rohan's Capital A/c	Dr.	10,000	
	Rishabh's Capital A/c	Dr.	15,000	
	Raghav's Capital A/c	Dr.	25,000	
	To Goodwill A/c			30,000
	To Profit and Loss A/c			20,000
	(Being existing goodwill and losses written off in old ratio at the time of reconstitution)			
	Rohan's Capital A/c	Dr.	9,000	
	To Raghav's Capital A/c			9,000
	(Being compensation of goodwill adjusted between existing partners Rohan gains by 3/10 and Raghav sacrifices by 3/10) (3/10 × 30,000)			

11.

**In the books of X, Y and Z
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015	X's Capital A/c	Dr.	10,000	
April 1	Y's Capital A/c	Dr.	6,000	
	To Z's Capital A/c			16,000
	(Being adjustment of goodwill on Z's retirement)			

Working note (i)

Z's share of goodwill = ₹ 1,00,000 – ₹ 84,000 = ₹ 16,000

Shared by X and Y in their gaining ratio 5:3.

X's share = ₹ 16,000 × 5/8 = ₹ 10,000

Y's share = ₹ 16,000 × 3/5 = ₹ 6,000

Working note (ii)

X's new capital (₹ 3,20,000 × 5/8)	=	₹ 2,00,000
Less: Old capital (₹ 1,50,000 – ₹ 10,000)	=	₹ 1,40,000
X to bring in cash	=	₹ 60,000
Y's new capital (₹ 3,20,000 × 3/8)	=	₹ 1,20,000
Less: Old capital (₹ 1,20,000 – ₹ 6,000)	=	₹ 1,14,000
Y to bring in cash	=	₹ 6,000

12.

Adjustment Table

Particulars	Aman		Angad		Aryan		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Salary		8,000					8,000	
Commission				6,000			6,000	
Medical Ins. Prem.						7,000	7,000	
Distribution of Loss	12,000		6,000		3,000			21,000
Net adjustment		₹ 4,000		Nil	₹ 4,000			
		Dr.			Cr.			

In the books of Aman, Angad and Aryan**Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
31st March 2015	Aman's Capital A/c To Aryan's Capital A/c (Being adjusting entry passed)	Dr	4,000	4,000

13. Dr.

Realisation Account

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sundry Assets:		By Outstanding expenses	10,000
Machinery	90,000	By Creditors	70,000
Furniture	45,000	By Employees' Provident Fund	50,000
Debtors	52,000	By Bank Loan	50,000
Stock	30,000	By Roshan Capital (Furniture)	36,000
To Roshan Capital (Commission)	5,000	By Ahmed Capital (Stock)	18,000
To Bank:		By Bank:	
Bank Loan	55,000	Debtors	45,000
(including interest)		Stock	11,000
Employees Provident Fund	50,000	Machinery	72,000
Outstanding expenses	8,000		1,28,000
Creditors	70,000	By Realisation Loss:	
Realisation Expenses	800	Ahmed	26,280
	1,83,800	Roshan	17,520
	<u>4,05,800</u>		<u>43,800</u>
			<u>4,05,800</u>

Dr. Capital Account Cr.

	Ahmed (₹)	Roshan (₹)		Ahmed (₹)	Roshan (₹)
To Profit & Loss A/c	9,000	6,000	By Balance b/d	75,000	30,000
To Realisation A/c (Loss)	26,280	17,520	By Realisation A/c		5,000
To Realisation A/c	18,000	36,000	By Bank A/c		24,520
To Bank A/c	21,720				
	75,000	59,520		75,000	59,520

Dr. Bank Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	53,000	By Realisation A/c	1,83,800
To Realisation A/c	1,28,000	By Ahmed's Capital A/c	21,720
To Roshan's Capital A/c	24,520		
	2,05,520		2,05,520

**14. In the books of Kiran, Kapil and Keshav
Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)	
30 th Sept 2015	General Reserve A/c Dr.		24,000		
	To Kiran's Capital A/c			10,000	
	To Kapil's Capital A/c			8,000	
	To Keshav's Capital A/c			6,000	
	(Being general reserve transferred to capital accounts)				
	Kiran's Capital A/c Dr.		15,000		
	Kapil's Capital A/c Dr.		12,000		
	Keshav's Capital A/c Dr.		9,000		
	To Goodwill A/c			36,000	
	(Being the existing amount of goodwill written off)				
Kiran's Capital A/c Dr.		7,500			
Kapil's Capital A/c Dr.		6,000			
To Keshav's Capital A/c			13,500		
(Being adjustment of goodwill)					
Profit & Loss Suspense A/c Dr.		9,000			
To Keshav's Capital A/c			9,000		
(Being Keshav's share of profit till his death, i.e., ₹ 72,000 × 3/12 × 6/12)					
Interest on Capital A/c Dr.		5,000			
To Keshav's Capital A/c			5,000		
(Being adjustment of interest on capital, i.e., ₹ 1,00,000 × 10% × 6/12)					
Keshav's Capital A/c Dr.		1,24,500			
To Keshav's Executors' A/c			1,24,500		
(Being amount owed to Keshav transferred to his executors account)					

Working Notes:

Calculation of Goodwill = $\frac{(\text{₹ } 72,000 + \text{₹ } 58,000 + \text{₹ } 32,000)}{3} \times 1 = \text{₹ } 54,000$

Keshav's share = ₹ 54,000 × 3/12 = ₹ 13,500

Gaining ratio of Kiran and Kapil = 5:4

Kiran's share = ₹ 13,500 × 5/9 = ₹ 7,500

Kapil's share = ₹ 13,500 × 4/9 = ₹ 6,000

Dr.			Keshav's Executor's Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)			
2015 Sep 30	To Bank A/c	5,500	2015 Sep 30	By Keshav's Capital A/c	1,24,500			
2016 Mar 31	To Bank A/c	45,617	2016 Mar 31	By Interest A/c	5,950			
Mar 31	To Balance c/d	79,333						
		1,30,450			1,30,450			
2016 Sep 30	To Bank A/c	43,633	2016 April 1	By Balance b/d	79,333			
2017 Mar 31	To Bank A/c	41,650	2017 Sep 30	By Interest A/c	3,967			
		85,283	2017 Mar 31	By Interest	1,983			
					85,283			

15.

In the books of Bharat Limited**Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 Apr 1	Bank A/c To 9% Debentures Application A/c (Being issue of 10,000, 9% debentures of ₹ 100 each at a premium of 20%)	Dr.	12,00,000	12,00,000
	9% Debentures Application A/c To 9% Debentures A/c To Securities Premium Reserve A/c (Being acceptance of 10,000, 9% debentures of ₹ 100 each @ ₹ 120 per debenture)	Dr.	12,00,000	10,00,000 2,00,000
2015 Mar 31	Own Debentures A/c To Bank A/c (Being purchase of 500 own debentures @ ₹ 95 each, 300 own debentures @ ₹ 97 each and 200 own debentures @ ₹ 98 each for immediate cancellation)	Dr.	96,200	96,200
Mar 31	Own Debentures A/c To Bank A/c (Being the expenses met for purchase of debentures paid)	Dr.	500	500
Mar 31	9% Debentures A/c To Own Debentures A/c To Gain on Cancellation of Debentures A/c (Being cancellation of own 1,000, 9% debentures purchased)	Dr.	1,00,000	96,700 3,300
Mar 31	Gain on Cancellation of Debentures A/c To Capital Reserve A/c (Being the profit on cancellation of own debentures transferred)	Dr.	3,300	3,300

16. Dr. Revaluation Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bad Debts A/c	4,000	By Revaluation Loss:	
To Provision for Doubtful Debts	7,000	Akhil's Capital A/c	12,800
To Investment A/c	5,000	Sameer's Capital A/c	3,200
	<u>16,000</u>		<u>16,000</u>

Dr. Partners' Capital A/c Cr.

Particulars	Akhil (₹)	Sameer (₹)	Hisham (₹)	Particulars	Akhil (₹)	Sameer (₹)	Hisham (₹)
To Investment A/c	20,000	5,000		By Balance b/d	2,25,000	1,75,000	
To Goodwill A/c	20,000	5,000		By Premium A/c	5,625	1,875	
To Revaluation A/c	12,800	3,200		By Hashim's Current A/c	5,625	1,875	
To Current A/c		1,19,550		By Workmen Compensation Fund	4,000	1,000	
To Balance c/d	2,45,000	55,000	1,00,000	By General Reserve	32,000	8,000	
				By Bank			1,00,000
				By Current A/c	25,550		
	<u>2,97,800</u>	<u>1,87,750</u>	<u>1,00,000</u>		<u>2,97,800</u>	<u>1,87,750</u>	<u>1,00,000</u>

Balance Sheet of Akhil, Sameer and Hisham

as at 31st March, 2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c:		Machinery	1,40,000
Akhil	2,45,000	Furniture	82,000
Sameer	55,000	Investments	20,000
Hisham	1,00,000	Stock	60,000
Current Account: Sameer	1,19,550	Debtors	70,000
Workmen Compensation Claim	15,000	Less: Provision for D/D	<u>7,000</u>
Employees Provident Fund	20,000	Cash at Bank (95,000+1,00,000+7,500)	2,02,500
Bills Payable	50,000	Cash in hand	24,000
Creditors	20,000	Current Account:	
		Hisham	7,500
		Akhil	25,550
	<u>6,24,550</u>		<u>6,24,550</u>

Working Notes:

Akhil's new share = $4/5 - (3/4 \times 1/4) = 4/5 - 3/16 = 49/80$

Sameer's new share = $1/5 - (1/4 \times 1/4) = 1/5 - 1/16 = 11/80$

New profit sharing ratio = 49:11:20

Total capital of the firm = ₹ 1,00,000 × 4/1 = ₹ 4,00,000

Akhil's share of capital = ₹ 4,00,000 × 49/80 = ₹ 2,45,000

Sameer's share of capital = ₹ 4,00,000 × 11/80 = ₹ 55,000

OR

Dr.		Revaluation Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Interest on Loan	2,250	By Stock	7,000		
To Provision for Bill Discounted	2,000	By Revaluation Loss:			
To Investment A/c	5,000	Suchita's Capital A/c	1,125		
		Sanjana's Capital A/c	900		
		Reshma's Capital A/c	225		
	9,250				9,250

Dr.		Partners' Capital A/c				Cr.	
Particulars	Suchita (₹)	Sanjana (₹)	Reshma (₹)	Particulars	Suchita (₹)	Sanjana (₹)	Reshma (₹)
To Profit & Loss A/c	10,000	8,000	2,000	By Balance b/d	2,20,000	1,50,000	80,000
To Revaluation A/c	1,125	900	225	By General Reserve	13,500	10,800	2,700
To Sanjana's Capital	6,000		6,000	By Suchita's Capital		6,000	
To Sanjana's Loan		1,63,900		By Reshma's Capital		6,000	
To Current A/c	6,375			By Current A/c			15,525
To Balance c/d	2,10,000		90,000				
	2,33,500	1,72,800	98,225		2,33,500	1,72,800	98,225

Balance Sheet of Suchita and Reshma
as at 31st March, 2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c:		Machinery	2,72,000
Suchita	2,10,000	Furniture	1,16,000
Reshma	90,000	Investments	25,000
Sanjana's Loan A/c	1,63,900	Debtors	25,000
Current account:		Less: Provision for D/D	6,000
Suchita	6,375	Stock	77,000
9% Bank Loan	50,000	Cash in hand	30,000
Creditors	20,000	Current Account:	
Bills Payable	10,000	Reshma	15,525
Interest on Loan	2,250		
Provision for Bill discounted	2,000		
	5,54,525		5,54,525

Working Notes:

Suchita's new share = $5/10 + (1/2 \times 4/10) = 5/10 + 2/10 = 7/10$

Reshma's new share = $1/10 + (1/2 \times 4/10) = 1/10 + 2/10 = 3/10$

Suchita's new capital = ₹ 3,00,000 × 7/10 = ₹ 2,10,000

Reshma's new capital = ₹ 3,00,000 × 3/10 = ₹ 90,000

Sanjana's share of goodwill = ₹ 30,000 × 4/10 = ₹ 12,000

17.

In the books of Avinash Limited**Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Application A/c (Being application money received on 50,000 shares)	Dr.	15,00,000	15,00,000
	Share Application A/c To Share Capital A/c To Securities Premium Reserve A/c To Bank A/c To Share Allotment A/c (Being application money adjusted and amount refunded against application rejected)	Dr.	15,00,000	7,50,000 1,50,000 1,50,000 4,50,000
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Being allotment money due)	Dr.	9,00,000	7,50,000 1,50,000
	Bank A/c To Share Allotment A/c (Being allotment money received except on 500 shares)	Dr.	4,42,500	442,500
	Share Capital A/c Securities Premium Reserve A/c To Share Allotment A/c To Share Forfeited A/c (Being 500 shares forfeited on non-payment of allotment money)	Dr. Dr.	25,000 2,500	7,500 20,000
	Share First & Final Call A/c To Share Capital A/c (Being first and final money due)	Dr.	14,75,000	14,75,000
	Bank A/c To Share First and Final Call A/c (Being first and final call amount received except on 1,500 shares)	Dr.	14,00,000	14,00,000
	Share Capital A/c To Share First and Final Call A/c To Share Forfeited A/c (Being 1,500 shares forfeited on non-payment of call money)	Dr.	1,50,000	75,000 75,000

Bank A/c	Dr.	1,10,000	
To Share Capital A/c			1,00,000
To Securities Premium Reserve A/c			10,000
(Being 1,000 shares re-issued @ ₹ 110 per share)			
Share Forfeited A/c	Dr.	47,500	
To Capital Reserve A/c			47,500
(Being share forfeited amount on re-issued shares transferred to capital reserve)			

Working Notes:

Richa allotted 500 shares.

Applied $500 \times 45/30 = 750$.

Amount excess received $(750 - 500) \times ₹ 30 = ₹ 7,500$.

Due from Richa against allotment $(500 \times ₹ 30) - ₹ 7,500 = ₹ 7,500$.

Allotment amount due ₹ 9,00,000

Less: Received with Application ₹ 4,50,000

Less: Richa's due against allotment ₹ 7,500

Amount received ₹ 4,42,500

Amount transferred to Capital Reserve $(₹ 20,000 + ₹ 75,000)/2 = ₹ 47,500$

OR

In the books of Amaya Limited

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	5,40,000	
	To Share Application A/c			5,40,000
	(Being application money received on 1,80,000 shares)			
	Share Application A/c	Dr.	5,40,000	
	To Share Capital A/c			3,00,000
	To Share Allotment A/c			2,10,000
	To Bank A/c			30,000
	(Being application money adjusted and amount refunded against applications rejected)			
	Share Allotment A/c	Dr.	5,00,000	
	To Share Capital A/c			3,00,000
	To Securities Premium Reserve A/c			2,00,000
	(Being allotment money due)			
	Bank A/c	Dr.	2,89,300	
	To Share Allotment A/c			2,89,300
	(Being allotment money received except on 500 shares)			

Share First and Final Call A/c To Share Capital A/c (Being first and final money due)	Dr.	4,00,000	4,00,000
Bank A/c To Share First and Final Call A/c (Being first and final call amount received except on 2,000 shares)	Dr.	3,92,000	3,92,000
Share Capital A/c	Dr.	20,000	
Securities Premium Reserve A/c To Share Allotment A/c To Share First and Final Call A/c To Share Forfeited A/c (Being 1,500 shares forfeited on non-payment of call money)	Dr.	1,000	700 8,000 12,300
Bank A/c	Dr.	11,250	
Share Forfeited A/c To Share Capital A/c (Being 500 shares of Aseem and 750 forfeited shares of Samira re-issued @ ₹ 9 per share fully paid)	Dr.	1,250	12,500
Share Forfeited A/c To Capital Reserve A/c (Being share forfeited amount on re-issued shares transferred to capital reserve)	Dr.	6,550	6,550

Working Notes:

Aseem allotted 500 shares.

Applied $500 \times 11/5 = 1,100$.

Amount excess received $(1,100 - 500) \times ₹ 3 = ₹ 1,800$.

Due from Aseem against allotment $(500 \times ₹ 5) - ₹ 1,800 = ₹ 700$.

Allotment amount due ₹ 5,00,000

Less: Received with Application ₹ 2,10,000

Less: Aseem's due against allotment ₹ 700

Amount received ₹ 2,89,300

Amount transferred to Capital Reserve:

Aseem $(1,100 \times ₹ 3) = ₹ 3,300$

Samira $(1,500 \times ₹ 6) / 2 = ₹ 4,500$

Total amount = ₹ 7,800

Less: Discount on re-issue = ₹ 1,250

Amount transferred to Capital Reserve = ₹ 6,550

Part B

(Financial Statement Analysis)

18. Interest paid on Long-term Borrowing is to be shown under Financing Activity while preparing Cash Flow Statement.
19. "Cash Equivalents" are the most liquid current assets that are readily convertible into cash, namely Cash in Hand, Cash at Bank and Marketable Securities.
20. (a)

		Sub-heading
(i)	Capital Redemption Reserve	Reserves and Surplus
(ii)	Goodwill	Non-Current Assets /Fixed Assets- Intangible
(iii)	Long Term Loans	Non-Current Liabilities/Long term borrowings
(iv)	Loose Tools	Current Assets/Inventories

- (b) The potential investors are interested in the safety of their investment, growth of the company to analyse the extent of increase in the market price of shares and solvency position of the company.

Lenders of the Company are interested in the short term and long term financial position of the company to analyse if their funds are safe and the company is capable in paying the interest and repayment of Principal amount on time.

21. **Common Size Income Statement**
for the year ended 31st March, 2015

Particulars	Note No.	Absolute Amount (₹)		% of revenue from operations	
		2014 (₹)	2015 (₹)	2014 (₹)	2015 (₹)
I. Revenue from Operations		1,20,000	1,80,000	100	100
II. Other Income		6,000	18,000	5	10
III. Total Revenue		1,26,000	1,98,000	105	110
IV. Expenses:					
Cost of Material Consumed		80,000	1,08,000	66.67	60
Finance Cost		12,000	18,000	10	10
Other Expenses		3,000	3,000	2.5	1.67
V. Total Expenses		95,000	1,29,000	79.17	71.67
VI. Profit before Tax (III-V)		31,000	69,000	25.83	38.33

22. (i) Inventory Turnover Ratio = $\frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

Cost of Revenue from Operations = Opening Inventory + Purchases + Carriage Inwards
– Closing Inventory

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

$$= \frac{₹ 44,000 + ₹ 1,83,000 + ₹ 4,000 - ₹ 56,000}{2}$$

$$= \frac{(₹ 44,000 + ₹ 56,000)}{2}$$

$$\text{Inventory Turnover Ratio} = \frac{\text{₹ } 1,75,000}{50,000} = 3.5 \text{ times}$$

$$(ii) \text{ Operating Ratio} = \frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Net Revenue from Operations}} \times 100$$

$$\begin{aligned} \text{Operating Expenses} &= \text{Office expenses} + \text{Selling and Distribution expenses} \\ &= \text{₹ } 10,000 + \text{₹ } 6,000 = \text{₹ } 16,000 \end{aligned}$$

$$\begin{aligned} \text{Net Revenue from Operations} &= \text{Revenue from Operations} - \text{Revenue from Operations Return} \\ &= \text{₹ } 3,36,250 - \text{₹ } 30,000 = \text{₹ } 3,06,250 \end{aligned}$$

$$\begin{aligned} \text{Operating Ratio} &= \frac{\text{₹ } 1,75,000 + \text{₹ } 16,000}{\text{₹ } 3,06,250} \times 100 \\ &= \frac{\text{₹ } 1,91,000}{\text{₹ } 3,06,250} \times 100 \\ &= \text{₹ } 62.37\% \end{aligned}$$

23.

Cash Flow Statement

for the year ended 31st March 2015

S. No.	Particulars	(₹)	(₹)
I.	Cash Flow from Operating Activities:		
	(A) Net profit before Tax (Working Note. 1)	41,000	
	Adjustment for Non-Cash and Non-Operating Items		
	(a) Depreciation on Machinery	25,500	
	(b) Share expense issue written off	2,000	
	(c) Profit on sale of Fixed Asset	(2,000)	
	Operating Profit before Working Capital changes	66,500	
	<i>Add:</i> Increase in Current Liabilities and Decrease in Assets		
	Increase in Accounts Payable	4,000	
	<i>Less:</i> Increase in Current Assets and Decrease in Current Liabilities		
	Increase in Inventories	(7,000)	
	Increase in Trade Receivables	(3,000)	
	Net Cash used in Operating Activities before Tax	60,500	60,500
II.	Cash Flow from Investing Activities:		
	Proceeds from sale of Fixed Assets	8,000	
	Purchase of Fixed Assets	(91,500)	
	Net Cash used in Investing Activities	(88,500)	(83,500)
III.	Cash Flow from Financing Activities:		
	Issue of Share Capital	34,000	
	Interim Dividend Paid	(7,000)	
	Net Cash inflow from Financing Activities	27,000	27,000
IV.	Net increase in Cash and Cash Equivalent (I+II+III)		4,000
V.	Cash and Cash Equivalent at the beginning of the year		3,000
VI.	Cash and Cash Equivalent at the end of the period (IV+V)		7,000

Working Notes:**1. Calculation of Profit before Tax:**

	Amount (₹)
Surplus, <i>i.e.</i> , Balance in Statement of Profit & Loss (29,000 – 15,000)	14,000
<i>Add:</i> Transfer to General Reserve	20,000
Interim Dividend	7,000
Net profit before Tax	41,000

2. Dr. Fixed Asset Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	80,000	By Depreciation A/c	25,500
To Profit & Loss A/c	2,000	By Bank (Sale)	8,000
To Bank A/c (Purchases) (Bal. Fig.)	91,500	By Balance c/d	1,40,000
	<u>1,73,500</u>		<u>1,73,500</u>