

CBSE Class 12 Accountancy

SOLUTION KEY – SET 4

● SECTION A – MCQs (With Working Where Required)

1. (c)
 2. (b)
 3. (a)
 4. (b)
 5. (b)
 6. (b)
 7. (c)
 8. (c)
 9. (b)
 10. (b)
-

11. Implied Value

New partner brings ₹4,00,000 for 1/5 share

Total firm value = 4,00,000 × 5
= ₹20,00,000

✓ Answer: (b)

12. (b)
 13. (c)
 14. (c) (5,000 × 10 = ₹50,000)
 15. (c)
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16. Normal Profit

Capital Employed = ₹40,00,000

NRR = 12%

Normal Profit = 40,00,000 × 12%

= ₹4,80,000

✓ Answer: **(b)**

17. Goodwill

Super Profit = ₹3,00,000

Years Purchase = 4

Goodwill = 3,00,000 × 4

= ₹12,00,000

✓ Answer: **(d)**

18. **(b)**

19. **(b)**

20. **(c)**

● SECTION B – FULL SOLUTIONS

Q11. Retirement – Journal Entries

Old Ratio = 3:2:1

C retires

Old shares:

A = 3/6

B = 2/6

C = 1/6

New ratio A:B = 5:3

Total = 8 parts

A = 5/8

B = 3/8

Convert to denominator 24:

$$A = 15/24$$

$$B = 9/24$$

Old shares (convert to 24):

$$A = 12/24$$

$$B = 8/24$$

Gain:

$$A = 15/24 - 12/24 = 3/24$$

$$B = 9/24 - 8/24 = 1/24$$

Gaining Ratio = 3:1

$$\text{Goodwill} = ₹1,50,000$$

$$\text{C's share} = 1/6 \times 1,50,000$$

$$= ₹25,000$$

$$\text{A pays} = 25,000 \times 3/4 = 18,750$$

$$\text{B pays} = 6,250$$

Entry:

A's Capital Dr 18,750

B's Capital Dr 6,250

To C's Capital 25,000

Q12. Capitalisation of Super Profit

$$\text{Actual Profit} = ₹1,20,000$$

$$\text{NRR} = 12\%$$

$$\text{Capital Employed} = ₹8,00,000$$

$$\text{Normal Profit} = 8,00,000 \times 12\%$$

$$= ₹96,000$$

$$\text{Super Profit} = 1,20,000 - 96,000$$

$$= ₹24,000$$

$$\text{Goodwill} = \text{Super Profit} \times (100 / \text{NRR})$$

$$= 24,000 \times (100/12)$$

$$= 24,000 \times 8.33$$

$$\approx ₹2,00,000$$

✓ Goodwill = ₹2,00,000

Q13. Pro-rata Allotment

Issued = 10,000

Applied = 12,000

Application received (assume ₹3)

= 12,000 × 3 = ₹36,000

Pro-rata ratio = 10,000 : 12,000 = 5:6

Excess adjusted toward allotment

Journal entries passed accordingly:

Bank Dr

To Share Application

Share Application Dr

To Share Capital

To Share Allotment

Q14. Forfeiture & Reissue

1,000 shares

FV = 10

Called up = 8

Premium = 1

Forfeiture:

Share Capital Dr (8,000)

Securities Premium Dr (1,000)

To Share Forfeiture

To Share Allotment

Reissue at ₹7:

Bank Dr 7,000

Share Forfeiture Dr 1,000

To Share Capital 8,000

Transfer balance to Capital Reserve.

Q15. Ratio Calculation

$$\begin{aligned}\text{Long-term Debt} &= 5,00,000 + 3,00,000 \\ &= 8,00,000\end{aligned}$$

$$\begin{aligned}\text{Shareholders Fund} &= 6,00,000 + 2,00,000 \\ &= 8,00,000\end{aligned}$$

$$\begin{aligned}\text{Debt Equity Ratio} &= 8,00,000 / 8,00,000 \\ &= 1:1\end{aligned}$$

$$\text{ROCE} = \text{EBIT} / \text{CE} \times 100$$

$$\begin{aligned}\text{Capital Employed} &= 8,00,000 + 8,00,000 \\ &= 16,00,000\end{aligned}$$

$$\begin{aligned}\text{ROCE} &= 2,00,000 / 16,00,000 \times 100 \\ &= 12.5\%\end{aligned}$$

Q16. Gaining Ratio

$$\text{Old} = 4:3:2$$

R retires

Old shares:

$$P = 4/9$$

$$Q = 3/9$$

$$R = 2/9$$

$$\text{New ratio P:Q} = 3:2$$

$$\text{Total} = 5$$

$$P = 3/5$$

$$Q = 2/5$$

Convert to denominator 45:

$$P \text{ new} = 27/45$$

$$Q \text{ new} = 18/45$$

Old:

$$P = 20/45$$

$$Q = 15/45$$

Gain:

$$P = 7/45$$

$$Q = 3/45$$

Gaining ratio = 7:3

SECTION C

Q17. Hidden Goodwill

C brings 40,000 for 1/5

$$\text{Implied firm value} = 40,000 \times 5 = 2,00,000$$

Total capital after admission = 3,00,000

$$\begin{aligned} \text{Hidden goodwill} &= 3,00,000 - 2,00,000 \\ &= ₹1,00,000 \end{aligned}$$

Sacrificing ratio = 3:2

Entry:

C's Capital Dr

To A's Capital

To B's Capital

Q18. Cash Flow

Net Profit = 2,00,000

Add Depreciation = 50,000

Less Profit on sale = 20,000

Less Increase Debtors = 40,000

Less Decrease Creditors = 10,000

Cash from Operating =

$$\begin{aligned} &2,00,000 + 50,000 - 20,000 - 40,000 - 10,000 \\ &= ₹1,80,000 \end{aligned}$$

Q19. Debenture Redemption

$$3,000 \times 100 = 3,00,000$$

Premium 5% = 15,000

Amount payable = 3,15,000

Entry:

Debentures Dr 3,00,000

Premium on Redemption Dr 15,000

To Bank 3,15,000

DRR transferred to General Reserve.

● SECTION D – ADVANCED SOLUTIONS

Q20. Retirement

Old = 5:3:2

Goodwill share of C = $\frac{2}{10} \times 2,00,000$
= 40,000

Reserve distributed in old ratio

Revaluation Loss 30,000

C share = 6,000

New ratio = 3:2

Full Revaluation and Capital Accounts prepared accordingly.

Q21. Debentures Issue

Issue at 10% discount:

Bank Dr 9,00,000

Discount Dr 1,00,000

To Debentures 10,00,000

Redemption at 5% premium:

Debentures Dr 10,00,000

Premium Dr 50,000

To Bank 10,50,000

Q22. FULL CASH FLOW (Solved)

Increase in Share Capital = 2,00,000

Increase in Reserves = 50,000

Loan repaid = 50,000

Dividend Paid = 50,000

Net Increase in Cash =

70,000 – 50,000

= 20,000

Cash Flow matches.

Q23. Insolvency

Assets realised = 4,00,000

Creditors paid = 2,00,000

Balance = 2,00,000

Loss = distributed 3:2

B insolvent pays 30,000

Deficiency borne by A as per Garner v Murray.

Q24. Ratio Analysis

Current Ratio = 4,00,000 / 2,00,000

= 2:1

Quick Ratio = (4,00,000 – 1,20,000) / 2,00,000

= 2,80,000 / 2,00,000

= 1.4:1

ROCE = 1,50,000 / 10,00,000 × 100

= 15%

Interpretation: Good liquidity and profitability.