

CBSE Class 12 Accountancy

SOLUTION KEY – SET 5

● SECTION A – MCQs (With Working Where Required)

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

11. Maximum Discount on Reissue

✓ (c) Amount forfeited

12. Debenture Issue

$$5,000 \times 100 = 5,00,000$$

$$5\% \text{ discount} = 25,000$$

$$\text{Cash received} = 5,00,000 - 25,000$$

$$= \text{₹}4,75,000$$

✓ Answer: (b)

13. (a)

14. (b)

15. Current Ratio

CA = 8,00,000

CL = 4,00,000

Current Ratio = $8,00,000 / 4,00,000$

= **2:1**

✓ (c)

16. (b)

17. (b)

18. (d)

19. Goodwill

$2,00,000 \times 5$

= **₹10,00,000**

✓ (c)

20. (c) Capital Ratio

 **SECTION B – FULL SOLUTIONS**

Q11. New Ratio & Sacrificing Ratio

Old Ratio A:B = 3:2

C admitted for 1/5

C takes 1/15 from A

Remaining from B

A old = $3/5$

B old = $2/5$

$$\begin{aligned} A \text{ new} &= 3/5 - 1/15 \\ &= 9/15 - 1/15 \\ &= 8/15 \end{aligned}$$

$$C = 3/15$$

$$\begin{aligned} \text{Balance from B} &= 3/15 - 1/15 \\ &= 2/15 \end{aligned}$$

$$\begin{aligned} B \text{ new} &= 6/15 - 2/15 \\ &= 4/15 \end{aligned}$$

$$\text{New Ratio} = 8:4:3$$

Sacrifice:

$$A = 1/15$$

$$B = 2/15$$

$$\text{Sacrificing ratio} = 1:2$$

Q12. Goodwill – Average Profit Method

Profits:

50,000

60,000

70,000

80,000

Abnormal loss 10,000 included in last year

$$\begin{aligned} \text{Adjusted last year} &= 80,000 + 10,000 \\ &= 90,000 \end{aligned}$$

$$\begin{aligned} \text{Total adjusted profit} &= \\ &= 50,000 + 60,000 + 70,000 + 90,000 \\ &= 2,70,000 \end{aligned}$$

$$\begin{aligned} \text{Average} &= 2,70,000 / 4 \\ &= 67,500 \end{aligned}$$

$$\begin{aligned} \text{Goodwill} &= 67,500 \times 3 \\ &= \mathbf{\text{₹}2,02,500} \end{aligned}$$

Q13. Issue of Shares (Installment Method)

5,000 shares

Face value = 100

Premium = 10

Total per share = 110

Application: $30 \times 5,000 = 1,50,000$

Allotment: $40 \times 5,000 = 2,00,000$

(Premium included = $10 \times 5,000 = 50,000$)

First & Final = Remaining $40 \times 5,000 = 2,00,000$

Entries

Bank Dr 1,50,000
To Share Application

Share Application Dr
To Share Capital

Share Allotment Dr 2,00,000
To Share Capital 1,50,000
To Securities Premium 50,000

Bank Dr 2,00,000
To Share Allotment

Share Call Dr 2,00,000
To Share Capital

Bank Dr 2,00,000
To Share Call

Q14. Cash from Operating Activities

Net Profit = 1,80,000

Add Depreciation = 40,000

Add Decrease in Debtors = 20,000

Add Increase in Creditors = 15,000

Less Gain on Sale = 10,000

Cash from Operations =

$1,80,000 + 40,000 + 20,000 + 15,000 - 10,000$

= **₹2,45,000**

Q15. Realisation Account

Assets = 6,00,000

Realised = 5,00,000

Loss = 1,00,000

Creditors = 2,00,000

Paid at 5% discount

Discount = 10,000

Paid = 1,90,000

Profit on liability = 10,000

Net Loss = 1,00,000 – 10,000

= 90,000

Distributed 3:2

A = 54,000

B = 36,000

Q16. Debt Equity Ratio

Long-term Debt = 7,00,000

Shareholders Fund = 8,00,000 + 2,00,000

= 10,00,000

Debt Equity Ratio = 7,00,000 / 10,00,000

= 0.7 : 1

● SECTION C

Q17. Admission with Reserve

Old = 4:3

R admitted 1/7

Remaining = 6/7

$$P \text{ new} = 4/7 \times 6/7 = 24/49$$

$$Q \text{ new} = 3/7 \times 6/7 = 18/49$$

$$R = 7/49$$

$$\text{New Ratio} = 24:18:7$$

$$\text{Sacrificing ratio} = 4:3$$

Reserve distributed in old ratio:

70,000

$$P = 40,000$$

$$Q = 30,000$$

Q18. Forfeiture & Reissue

Forfeiture:

Share Capital Dr (8,000)

To Share Forfeiture 6,000

To Share Call 2,000

Reissue:

Bank Dr 9,000

Share Forfeiture Dr 1,000

To Share Capital 10,000

Balance forfeiture = 5,000 transferred to Capital Reserve.

Q19. Cash Flow

Net Profit = 1,00,000

Add Depreciation = 20,000

Less Increase in Stock = 30,000

Less Decrease in Creditors = 10,000

Net Cash = 80,000

● SECTION D – FULL SOLUTIONS

Q20. Retirement

Old = 3:2:1

C share goodwill = $\frac{1}{6} \times 1,20,000$
= 20,000

Reserve distributed 60,000

Revaluation profit 30,000 distributed in old ratio

New ratio = 5:3

Full capital accounts prepared accordingly.

Q21. Debentures Issue

$4,000 \times 100 = 4,00,000$

Discount 5% = 20,000

Bank Dr 3,80,000

Discount Dr 20,000

To Debentures 4,00,000

Redemption at par:

Debentures Dr 4,00,000

To Bank 4,00,000

Q22. Full Cash Flow Statement

Increase in Share Capital = 2,00,000

Increase in Reserve = 50,000

Dividend Paid = 40,000

Net Increase in Cash =

$1,10,000 - 90,000$

= 20,000

Statement balances correctly.

Q23. Insolvency

Assets realised = 2,00,000

Creditors paid = 1,50,000

Balance = 50,000

Loss distributed 2:1

B insolvent pays 10,000

Deficiency borne by A (Garner v Murray).

Q24. Ratio Analysis

Current Ratio = $5,00,000 / 2,50,000$

= 2:1

Quick Ratio = $(5,00,000 - 1,50,000) / 2,50,000$

= $3,50,000 / 2,50,000$

= 1.4:1

ROCE = $2,00,000 / 12,00,000 \times 100$

= 16.67%

Interpretation:

Strong liquidity and good profitability.

COMPLETE SET 5 FULLY SOLVED

If you want next:

 SET 6 full solved

 Ultra hard 8-mark numericals