

CBSE Class 12 Accountancy

SOLUTION KEY – SET 7

● SECTION A – MCQs (With Working)

1. Hidden Goodwill

$$\begin{aligned} &= \text{Total capital} - \text{Net assets} \\ &= 10,00,000 - 8,00,000 \\ &= \text{₹}2,00,000 \end{aligned}$$

2. Capitalised Value of Average Profit

3. (a) Capital loss

4. (c) Amount forfeited

5. (c) Inventory

6. (d) Non-cash transaction

7. (a) Operating activity

8. Capital ratio

9. (b) Partial proportional allotment

10. (b) Non-cash expense

11. Current Ratio

$$\begin{aligned} &12,00,000 / 6,00,000 \\ &= 2:1 \end{aligned}$$

✓ (c)

12. (a) Increase in cash

13. Goodwill

$$\begin{aligned} &4,00,000 \times 3 \\ &= \text{₹}12,00,000 \end{aligned}$$

✓ (c)

14. (b) Redemption of preference shares

15. (b) Income

16. Share Capital

$$5,000 \times 10 \\ = ₹50,000$$

✓ (c)

● SECTION B – VERY SHORT NUMERICAL

Q17. Hidden Goodwill

C brings 75,000 for 1/6

$$\text{Implied firm value} = 75,000 \times 6 \\ = 4,50,000$$

Total capital after admission = 6,00,000

$$\text{Hidden goodwill} = 6,00,000 - 4,50,000 \\ = ₹1,50,000$$

Q18. Capitalisation Method

$$\text{Normal Profit} = 15,00,000 \times 15\% \\ = 2,25,000$$

Actual Profit = 3,00,000

Super Profit = 75,000

$$\text{Goodwill} = \text{Super Profit} \times (100/15) \\ = 75,000 \times 6.67 \\ \approx ₹5,00,000$$

Q19. Pro-rata Allotment

Applied = 18,000

Issued = 15,000

Ratio = 5:6

Excess application adjusted proportionately.

Q20. Debt Equity Ratio

Debt = 6,00,000 + 4,00,000

= 10,00,000

Shareholders Fund = 12,00,000 + 3,00,000

= 15,00,000

Debt Equity Ratio = 10,00,000 / 15,00,000

= **0.67 : 1**

● SECTION C – CASE BASED

Q21. Admission

Old = 3:2

R admitted 1/5

Remaining = 4/5

P = $\frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$

Q = $\frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$

R = $\frac{5}{25}$

New Ratio = 12:8:5

Sacrificing ratio = 3:2

Reserve 1,00,000 distributed old ratio:

P = 60,000

Q = 40,000

Land appreciation 60,000 distributed old ratio:

P = 36,000

Q = 24,000

Journal entries passed accordingly.

Q22. Retirement – Hidden Goodwill

C capital = 3,00,000

Firm capital = 15,00,000

C share = 2/10

Implied firm value = $3,00,000 \times (10/2)$
= 15,00,000

Hidden goodwill = 0

Adjustment in gaining ratio 2:1.

Q23. Forfeiture & Reissue

Forfeiture:

Share Capital Dr ($9 \times 3000 = 27,000$)

Securities Premium Dr ($2 \times 3000 = 6,000$)

To Share Forfeiture

To Share Call

Reissue:

Bank Dr 24,000

Share Forfeiture Dr 3,000

To Share Capital 27,000

Balance transferred to Capital Reserve.

Q24. Cash from Operating

Net Profit = 4,00,000

Add Depreciation = 1,00,000

Less Gain = 40,000

Less Increase Debtors = 80,000

Add Increase Creditors = 50,000

Operating Cash =

$4,00,000 + 1,00,000 - 40,000 - 80,000 + 50,000$

= 4,30,000

Dividend excluded.

Q25. Debenture Redemption

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

Premium 5% = 20,000

Amount payable = 4,20,000

DRR Investment sold for 2,70,000

Assume book value 2,50,000

Profit = 20,000

Entries passed accordingly.

Q26. Insolvency

Loss = 1,50,000

Distributed 2:1

A share = 1,00,000

B share = 50,000

A insolvent pays 20,000

Deficiency = 80,000

B bears in capital ratio.

● SECTION D – LONG NUMERICAL

Q27. Extreme Retirement

Old = 4:4:2

Goodwill share of C = $\frac{2}{10} \times 5,00,000$
= 1,00,000

Reserve 1,50,000 distributed

Revaluation Loss 70,000 distributed

Machinery undervaluation 80,000 credited

New ratio A:B = 3:2

Full accounts prepared accordingly.

Q28. Debentures

Issue:

Bank Dr (8,000 × 110)

= 8,80,000

To Debentures 8,00,000

To Securities Premium 80,000

DRR created = 20% × 8,00,000

= 1,60,000

Redemption:

Debentures Dr 8,00,000

Premium Dr 40,000

To Bank 8,40,000

Q29. FULL CASH FLOW

Net increase in cash =

2,60,000 – 2,00,000

= 60,000

Operating adjusted with depreciation & profit

Financing includes dividend 2,00,000

Statement balances.

Q30. Ratio Analysis

Current Ratio = 10,00,000 / 5,00,000

= 2:1

Quick Ratio = (10,00,000 – 3,00,000) / 5,00,000

= 7,00,000 / 5,00,000

= 1.4:1

ROCE = 5,00,000 / 25,00,000 × 100

= 20%

Interpretation:

Very strong liquidity & strong profitability.