

Directorate of Education

Govt. of NCT of Delhi

Additional Support Material on Value Based Questions for the Session 2012-2013

Subject : Accountancy

Class : XII



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Dear Children

Every question of Accountancy signifies one or the other value. Business proceeds ahead with certain values which are quantified by Accountancy. Accountancy is just not figures. On one hand it has intrinsic values and on the other there are moral values imbibed into it. Accounting inherits the following values--- (suggestive not exhaustive)

- Integrity.**
- Professional competence with due care**
- Commitment to excellence**
- Transparency**
- Objectivity and independence**
- Confidentiality**
- Communicating the material information**
- Analysis, problem solving and critical thinking**
- Admitting errors and rectifying them**
- Efficient utilisation of resources**
- Commitment to pay its liabilities in time**

While learning Accountancy it is observed that the child remains upto a level of figure or intrinsic values only. There is a need that the child also appreciates and learns the moral values associated with these figures, imbibes the same in his day to day life and carries the same to his professional life to become a responsible and committed citizen of INDIA. In the following questions an attempt has been made to bring out these values for the teaching learning community to ponder and practice

Values are the significant and fundamental dimensions of human life and indicate how one adheres, attaches and reacts in life situations or circumstances. They are the blue prints or action plan which orient and decide the thinking, action feelings and behavior itself.

- *Values does not mean going back to the superstitions but to bring in harmony with the present social and cultural conditions, which are acceptable to the society.*
- *Values Cannot be scientifically investigated or proven*
- *Values affect how we practice*

CORE VALUES OF A BUSINESS:

- **Accountability**- Responsibility of our actions that influence the lives of our customers and fellow workers.
- **Balance**- Maintaining Healthy life and work balance for workers.
- **Collaboration**-Collaborating within and outside the company to give the best.
- **Commitment**-Commitment to roll great product, service and other initiatives that impact lives both within and outside the organization.
- **Community**- A sense of responsibility and contribution to society that define our existence.
- **Consistency**-Be consistent in offering the best for wonderful experience.
- **Diversity**- Respecting the diversity and giving the best of the composition.
- **Efficiency**- Being efficient and effective in our approach to give best solution each time.
- **Empowerment**- Empowering the employees to take initiative and give the best.
- **Fun**- Having fun and celebrating small successes in our journey to achieve big.
- **Innovation**- To come out with new creative ideas that have the potential to change the world.



Partnership – Fundamentals

- X, Y and Z are partners with ₹ 72,000, ₹ 80,000 and ₹ 1,00,000 as their capitals respectively. The profit for the year ending March 31, 2012 was ₹ 7,20,000. Before distributing profits they donated 10% of profits to a 'Non-Govt. organization' as charity for welfare of educationally backward section of the society. Out of the remaining profit, ₹ 4,00,000 is divisible as 5:3:2 ratio and the remaining is to be divided amongst them equally.

Identify the value involved by the partnership form of X, Y and Z. Prepare Profit and Loss appropriation Account and partner's Capital Account.

- Aakash and Bhola entered into partnership on January 1, 2012 contributing ₹ 1,20,000 and ₹ 1,60,000 as capitals respectively. Their partnership firm started the business of manufacturing shoes. They decided to allow a discount of 30% on shoes for school going children. They share profits in the ratio of 7:3. The profits for the year were ₹ 9,60,000.

Prepare Profit and Loss Appropriation Account and the partner's Capital Accounts. Also identify the value involved in this question.

- Renu and Reshma shared profits as 7:3. Renu want to give admission to her friend Rehana as a new partner. Reshma agrees with this decision of Renu. Rehana is a physically challenged lady and admitted with a $\frac{1}{4}$ th share in profits. Renu and Reshma gave her a guarantee that her share of profit will never be less than ₹ 1,20,000 p.a., the profits for the last two years ended March 31, 2011 and March 31, 2012 were ₹ 1,60,000 and ₹ 2,40,000 respectively. Identify the human value involved in this case and prepare Profit and Loss Appropriation Account for the two years.
- Ramesh and Gurmeet are two friends belonging to Hindu and Sikh religion respectively. They started a business of wire manufacturing in the form of a partnership firm. They know that the factory of wire manufacturing pollutes the environment. Therefore there are two options available before them. First option is that the factory can be opened in rural area where local residents are poor and illiterate. Second option is that an advanced pollution control plant can be installed in their factory to control the pollution. They decided to choose the second option which involves an additional cost of ₹ 2,00,000. To arrange this amount, they admitted their fast friend John as a new partner for equal share in the future profits.

John brought ` 2,50,000 as his share of capital. Ramesh and Gurmeet gave him a guarantee that his share of profit will not be less than ` 60,000 p. a. At the end of first year the firm earns a profit of ` 1,50,000.

Mention the value involved in this question. Write the effects of choosing option available before Ramesh and Gurmeet. Prepare the Profit and Loss Appropriation Account for the first year.

- A, B and C are in a partnership. A is appointed for carrying on the business of the firm by the other partners. A has decided to purchase the goods from a firm in which his wife and his son are partners at a double rate than the prevailing market rate without disclosing this fact to other partners of the firm.

State which values have been violated by A by not disclosing this information to B and C.

- A, B and C are partners in a firm. C used firm's money to buy shares without disclosing it to other partners. Which value C is violating and what will be the treatment of profit earned by C?
- After completing MBA, Arun and Radha want to start a new business but they don't have sufficient capital. They contacted their common friend Sita, a rich lady with low vision. They decided to form a partnership firm with a capital of Rs.25,00,000 with a ratio of 80% by Sita, 10% each by Arun and Radha respectively. The partnership deed provided as follows:-
 - Interest on capital @12% p.a.
 - Salary to active partners Arun and Radha @ 9,000 p.m.

The firm earned a net profit of 9,66,000 during the year. Sita decided to donate half of her profits to a school for differently abled children.

State which values are being reflected in the above case and also prepare Profit and loss appropriation a/c for the year.

- A and B are partners in a firm having a workmen compensation reserve of 10,00,000. A worker, Rohan died in an accident while working for the firm. The firm paid 500,000 as compensation to his family and offered a job to his wife and also arranged for the education of his son. State which values are being reflected in the above case and also show the treatment of workmen compensation reserve if A and B now decide to change their profit sharing ratio from 3:1 to equal ratio. Workmen compensation reserve will not be shown in the books of new firms.
- A and B are partners in a firm. A manages all business as a representative of firm. For execution of a sales order to a valuable customer A incurred ₹ 5,000 for delivery in quick time. B is not agreeing to reimburse the above expenses from the firm's accounts. Explain the treatment of above expense and describe which value is violated by the partners.
- What are the values involved in the formation of a partnership firm?
- What are the values disclosed by a Partnership Deed?

- In the absence of partnership deed, interest on Advances/Loan by a partner is to be paid @ 6% p.a. What value is depicted in this provision of Indian Partnership Act, 1932?
- XYZ Cycles Ltd., a manufacturer of cycles and tri-cycles has decided to donate 100 tri-cycles worth ^ 3,00,000 to differently abled children in the **CWSN (Children with special needs) assessment camp organized by Directorate of Education, Delhi on 3rd December on occasion of “World Disabled Day”**

State the values that are being reflected in the above case.

A, B and C were partners in a firm. A died in a road accident. A's family has no other source of income. B and C has decided to admit A's son D, a minor, in the partnership firm .. Firm guaranteed that his share in profits will not be less than ^ 1,00,000 in a year.

State the values that are being reflected in the above case.

ABC Ltd., a manufacturer of very popular liquid soap, has decided to supply its popular product 'Safe Hand Wash' worth ^ 50,000 to 25 schools in the different areas of the city on the occasion of '**Global Handwash Day' on the 15th October** at free of cost.

State the values that are being reflected in the above case.

Sita and Geeta are working as marketing executive in a MNC dealing in cosmetic products. After working for 5 years in MNC, both of them realized that they should start their own business, but both of them individually don't have sufficient funds for starting the business. Therefore, they have decided to form a partnership firm with equal amount of capital. Both are agreed that they will actively participate in

the operation of the business and to share the profits or losses of the business equally. They have decided to appoint Sangeeta, their common friend, as a manager.

State the values that are being reflected in the above case.

- A, B and C are partners in a firm which deals in woolen garments. D who runs a NGO and also a friend of C contacted him for supplying 1,000 woolen jackets for distributing among the students of **EWS (Economical Weaker Section) of the society studying in a school for 'out of school children' run under SSA program.** D requested C to provide the jackets at the lowest possible rate. C discussed the matter with the other partners of the firm and the firm decided to provide required no. of jackets at 'No Profit No Loss' to the NGO of D.

State the values that are being reflected in the above case.

Ram is a graduate in Business Administration. After completing B.B.A., he tried very hard for a job but he didn't get any opportunity to work due to recession in the economy. Then he realized that he should start his own business at the ground floor of his house lying vacant. Since he didn't have sufficient funds to invest in the business, he cannot start the business alone.

Ram contacted one of his friends, Anuj and convinced him to start a business with him in partnership. Anuj decided to invest in the business and to form a partnership with Ram but Anuj wants to get the firm registered.

State the values that are being reflected in the above case.

19.A and B are partners in a firm. A manages all business as a representative of firm. For execution of a sales order a valuable customer A incurred Rs. 5,000 for delivery in quick time. B does not agree to reimburse the above expenses from the firm's accounts. Explain the treatment of above expense and describe which value is violated by the partners.

20.A, B and C are partners in a firm. C used firm's money to buy shares without disclosing it to other partners. Which value C is violating and what will be treatment of profit earned by doing so?

21A and B are partners in a firm having workmen compensation reserve of Rs.10, 00,000. A worker, Rohan, died with an accident. The firm paid his successors Rs.5, 00,000 and gave employment to his wife and arranged for his child education.

Which values are being indicated in the question and what will be the treatment of workmen compensation reserve if A and B decide to change their profit sharing ratio from 3:2 to 2:3

22.A, B and C are partners in a firm having fixed capital of Rs.5lacs, 3lacs and 2lacs respectively. Firm earned profits of Rs.1, 50,000 during the year ending 31st march, 2011. These profits were divided in capital ratio instead of 2:2:1.

Pass adjustment entry for the above and also state which value is being reflected through this question?

Reconstitution of Partnership- Admission of Partner

- Deepa and Shweta are friends and after completion of their study they started a business of readymade Garments by constituting a partnership firm with a profit sharing ratio as 3:2 respectively.

Their partnership firm earns huge profits during few years. **They decided to start a scholarship of ` 10,000 p.a. for meritorious and poor students.** On January 1, 2012 they admit Joney, their manager as a new partner with $1/5^{\text{th}}$ share in future profits. The value of goodwill of the form is ` 3,50,000 and Joney is not able to bring his share of goodwill in cash. Joney belongs to a Religious minority community and is expert in business management. He contributes ` 50,000 as his capital and old partners want to pass an adjusting entry for the treatment of goodwill.

Identify the value is involved in this question and pass the journal entries on admission of Joney. Also calculate the new profit sharing ratio.

- Amar and Bashir are sharing profits in the ratio of 3:2 respectively. They admit their friend Chandni with one fourth share in the future profits. Chandni belongs to economic weaker section of the society and not able to bring her share of goodwill. Goodwill of the firm is valued at ` 20,000. Chandni contributes ` 30,000 as her share of capital.

Identify the value involved in this question. Give Journal entries in the books of the firm to record the above transactions.

- X and Y were partners in a firm sharing profits in the ratio of 3:2. On March 31, 2012, their Balance Sheet was as follows:

Liabilities	`	Assets	`
Sundry Creditors	1,00,000	Land & Building	2,00,000
Bills Payable	40,000	Machinery	1,60,000
Outstanding Expenses	20,000	Stock	2,00,000
Capital Accounts:		Debtors	80,000

X 3,60,000		Cash	20,000
Y 1,40,000	5,00,000		
	6,60,000		6,60,000

On the above date, Z was admitted as a new partner in the firm for $\frac{1}{4}$ share in the profits on the following terms:

Z will bring ₹ 2,40,000 for her capital and ₹ 40,000 for her share of goodwill. Machinery was to be depreciated by 10% and Land & Building was to be appreciated by ₹ 60,000. A provision of 5% was to be created for doubtful debts.

Salary outstanding was ₹ 10,000.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

Which values of life does Revaluation Account signify?

Dissolution of Partnership Firms

- Following is the Balance Sheet of X and Y, who share profits and losses in the ratio of 4:1, as at 31st March, 2011:

Balance Sheet

As on 31st March, 2011

Liabilities	₹	Assets	₹
Sundry Creditors	8,000	Bank	20,000
		Debtors	

Bank Overdraft	6,000	17,000	
X's Wife Loan	8,000	Less : Provision	15,000
Y's Loan	3,000	(2,000)	15,000
Investment	5,000	Stock	25,000
Fluctuation Fund		Investments	25,000
Capital	50,000	Buildings	10,000
X	40,000	Goodwill	10,000
Y	-----	Profit and Loss A/c	
	1,20,000		-----
			1,20,000

The firm was dissolved on the above date and the following arrangements were decided upon:

(i) Y is authorized to sell the assets of the firm and he will get a fixed amount of ` 2,000 for his work.

(i) X agreed to pay off his wife's loan.

(ii) Debtors of ` 5,000 proved bad.

(iii) Y decided to sale the building for ` 9,000 to his brother. Market value of the building was ^ 80,000.

(iv) Others assets realized – Investments 20% less; and Goodwill at 60%. (v) One of the creditors for ^ 5,000 was paid only ^ 3,000.

(vi) Y took over part of Stock at ₹ 4,000 (being 20% less than the book value).

Balance stock realized 50%.

(vii) Realization expenses amounted to ₹ 2,000.

State which value are being violated in the above question and also prepare Realization A/c.

Company Account- Issue of Shares

- Shiksha India Ltd. issues 1, 00,000 shares of ₹ 10 each payable ₹ 5 on application, ₹ 3 on allotment and ₹ 2 on first and final call. Public applied for 1, 40,000 shares and the company made the allotment to all the applicants on pro-rata basis.

Identify the value involved in the decision of company regarding allotment of shares. Pass the journal entries in the books of the company.

- Rehan Ltd. issues 50,000 shares of ₹ 10 each payable ₹ 4 on application and ₹ 6 on allotment. According to the **SEBI** guidelines, a minimum of the net offer should be reserved for small investors. Therefore, out of these 50,000 shares, 50% portion is reserved for retail (small) investors. Issue has been fully subscribed. Identify the value involved in this question and pass the Journal entries in the books of Rehan Ltd.

Company Account- Issue of Debentures

- Board of Directors of Pearl Global Industries Ltd. wants to start a new unit at a remote area of Assam. The new unit can be started in the form of labor intensive with a capital of ` 5 crore or in the form of automatic plant with a capital of ` 30 crore. Directors decided to start this unit in the form of **labor intensive for generation of employment opportunities in remote areas**. Therefore company purchased land for ` 2, 00,00,000 and machinery for ` 3,00,00,000. In consideration of these assets Company issues 13% Debentures at par.

Identify the values involves in the decision of directors of Pearl Global Ltd. and Journalize the transactions.

- According to the **SEBI** guidelines, Debentures can be secured by a charge on the assets of the company. A ‘Debenture Trust Deed’ is entered into between the company and the debenture holders. . Identify the values involved in this decision of **SEBI**.
- A Ltd. issued Rs. 10lacs 9% debentures of Rs. 100 each on 1st April, 2008 redeemable in five equal instalments through draw of lots beginning from the year ending 31st march 2011. Assume that Company has transferred sufficient amount to Debenture redemption reserve.

Pass journal entries for redemption of debentures for 1st year and state the value symbolised by redeeming the debentures through draw of lots?

- Creation of Debenture Redemption Reserve by company indicates which value?
- INFRA Developers Ltd. (an infrastructure company) issued 5, 00,000 8% Debentures of Rs.100 each on April 1, 2008 redeemable

on April 1, 2012. How much amount of Debenture Redemption Reserve is required before the redemption of debentures?

Which value SEBI wants to promote by having special provision for Infrastructure Company?

- The operating ratio of A ltd. is 55% and that of B Ltd. is 65%. Which company is following the value of efficient utilization of resources and explain your answer?
- Balance sheet of A Ltd. Showed a balance of Rs.25 Lacs as Cash and Cash equivalents while working capital requirement of Rs. 5Lacs on an average. Which value do you think is missing in the financial planning of the company?

Analysis of financial statements

- Prepare Comparative Statement from the following:

	31st March, 2007	31st March, 2008
Revenue from Operations	10,00,000	12,50,000
Cost of Goods Sold	5,00,000	6,50,000
Operating Expenses	50,000	60,000

Interest on investments @ Rs.30.000 and taxes payable @ 50%. Identify the values involved in preparation of comparative statement.

(C.B.S.E. 2009)

37. Prepare a comparative income statement of X Ltd., with the help of the following information and identify the value involved in it-

	2011	2012
Revenue from Operations	1, 00,000	2, 00,000
Cost of Goods Sold	60% of Sale	70% of sales
Indirect Expenses	10% of Gross Profit	
Rate of Income Tax	50% of Net Profit before Tax	

38. Following particulars are given to you:

Closing Inventory		2,00,000
Trade Receivables	1,08,000	
Less: Provision for Doubtful Debts	<u>8,000</u>	1,00,000
Cash		30,000
Marketable Securities		20,000
Income Tax paid in Advance		10,000
Share Issue Expenses		15,000
Liability for Current Taxation		20,000
Liability for Future Taxation		30,000
Trade Payables		34,000
Outstanding Salaries		5,000
Bank Overdraft		25,000
Dividends Payable		36,000

Calculate the Liquidity Ratio and Comment on the short-term financial position of the company. Identify the values involved in this question.

39. From the following balance sheets of ABC Ltd., find out cash from operating activities only:

Particulars	31-3-2011	31-3-2012
• EQUITY AND LIABILITIES		
Shareholder's Funds:		
Equity Share Capital	30,000	35,000
Reserve and Surplus:	31.3.2011	31.3.2012
General Reserve	10,000	15,000
Profit and Loss Balance	(6,000)*	7,000
	4,000	22,000
10% Debentures	21,000	25,000
Trade Payables	8,500	12,500
TOTAL	63,500	94,500
• ASSETS:		
Machinery	41,000	54,000
Less: Provision for Depreciation	9,000	13,000
	32,000	41,000
Goodwill	10,000	8,000
10% Investments		3,000
8,000		
Inventory	6,000	24,500
Cash and Bank	12,000	13,000

Discount on Debentures	500	
TOTAL	63,500	94,500

*Bracket denotes negative balance.

Additional Information:

Debentures were issued on 31.3.2012.

Investments were made on 31.3.2012.

Identify the value involved in preparation of cash flow statement.

40. From the following Balance Sheets of Surya Roshni Ltd., as on 31st March 2011 and 2012, prepare a statement of cash flow:

Particulars	2011	2012
• EQUITY AND LIABILITIES		
Equity Share Capital	3,00,000	4,00,000
Preference Share Capital	1,00,000	75,000
Securities Premium 60,000		—
Profit & Loss Balance	10,000	72,000
15% Debentures	2,00,000	2,50,000
Trade Payables	50,000	1,10,000
TOTAL	6,40,000	9,67,000
• ASSETS:		
Fixed Assets	2,00,000	5,00,000
Less: Accumulated Depreciation	30,000	48,000

		1,70,000	4,52,000
Non-Current Investments		40,000	45,000
Inventory		1,50,000	2,00,000
	2011	2012	
Trade Receivables	1,76,000	56,000	
Less: Provision for			
Doubtful Debts	10,000	16,000	
	1,66,000	40,000	1,66,000
Bank		94,000	2,14,000
Discount on Issue of Debentures		20,000	16,000
	TOTAL	6,40,000	9,67,000

Additional Information:

- Dividend paid during the year ` 36,000.
- Investment costing ` 10,000 were sold at a profit of 40%.
- Fixed Assets Costing ` 20,000 (accumulated depreciation ` 8,000) were sold for ` 17,000.

Additional debentures amounting to ` 50,000 were issued at par on 1st August 2011. Interest on debentures has been paid regularly. Mention the values involved in it.

41 Jamshedji Tata conceived an idea of formation of company in 1908 when East India Company was ruling Indian market . He selected hilly region bordering three states Jharkhand(then part of Bihar) ,Orissa and West Bengal All states were thickly populated and poor .Area he chose was rich in Iron ore so he decided to develop Iron and Steel Industry . He wanted to tap unproductive savings of public and Issued capital of

Rs. 5,00,000. Area was undeveloped so he decided to spend 10% of profits every year for providing Infrastructure to employees. To begin with he provided them accommodation and later he spent amount for schools, hospitals, development of playground and gardens and also contributed in road construction. He also built temples, mosques and churches. Employees were satisfied and worked hard as a result profit grew substantially 20% every year and more Industries were floated by him .Which values lead him to this road of success.(Any FIVE)

42 Cadbury India Ltd. A chocolate company launched a factory in Baddi a small town of Himachal Pradesh .The workers who enter in factory have to wash their hands with sanitizer and wear overcoat, cap and shoes which are sterilized every day for which company spends Rs. 3,00,000 per month . All employees working in factory wear gloves and not allowed to touch directly either raw material or final product .

All employees irrespective of post have to take food in mess at the same place and same food for this company spends Rs.4,00,000 per month .Which values are taken care of ?

(Last two questions can be utilised in Business Studies also)

Answers/Solutions

1. Value involved: (i) Socials Responsibility

(ii) Help to weaker section of the society

Profit and Loss Appropriation Account
For the year ended on March 31,2012

Particulars	`	Particulars	`
To charity to N.G.O.	72,000	By Net Profit	7,20,000
To profit Distributed			
X 1,50,000 + 1,16,000 =			
2,66,000			
Y 90,000 + 1,16,000 =	6,48,000		
2,06,000	7,20,000		7,20,000
Z 60,000 + 1,16,000 =			
<u>1,76,000</u>			

Partner's Capital Account

Date	Particulars	X	Y	Z	Date	Particulars	X	Y	Z
2012	To balance c/d	3,38,000	2,86,000	2,76,000	2011	by balance b/d	72,000	80,000	1,00,000
Mar .31		3,38,000	2,86,000	2,76,000	2012	By P/L Appropriation	2,66,000	2,06,000	1,76,000
					Mar .31		3,38,000	2,86,000	2,76,000

- 2.Values : (i) Motivation to school going children
(ii) Help to increase the literacy rate.

Profit and Loss Appropriation Account

For the year ended on March 31,2012

Particulars	`	Particulars	`
To profit Distributed		By Net Profit	9,60,000
Aakash			
6,72,000			
Bhola <u>2,88,000</u>	9,60,000		
	9,60,000		9,60,000

Partner's Capital Account

Date	Particulars	Aakash	Bhola	Date	Particulars	Aakash	Bhola
2012				2012			
Dec. 31	To Balance c/d	7,92,000	4,48,000	Jan.1	By Bank	1,20,000	1,60,000
				Dec. 31	By P&L Appropriation A/c	6,72,000	2,88,000
		7,92,000	4,48,000			00	00
						7,92,000	4,48,000
						00	00

3. Value involved:

- (i) Good relations between persons of different religions.
- (ii) Women empowerment
- (iii) Welfare of differently abled persons.
- (iv) Protection of the interest of differently abled
- (v) National integration

Profit & Loss Appropriation Account

For the year ended on March 31, 2011

Particulars	`	Particulars	`
To profit distributed		By Net Profit	1,60,000
Renu $84,000 - 56,000 =$			
24,000			
Reshma $36,000 - 24,000 =$	1,60,000		
12,000	1,60,000		1,60,000
Rehana $40,000 + 80,000 =$			
<u>1,20,000</u>			

Profit & Loss Appropriation Account

For the year ended on March 31, 2012

Particulars	`	Particulars	`
To profit distributed		By Net Profit	2,40,000
Renu $1,26,000 - 42,000 =$			
24,000			
Reshma $54,000 - 18,000 =$	2,40,000		
36,000	2,40,000		2,40,000
Rehana $60,000 + 60,000 =$			
<u>1,20,000</u>			

4. Value involved:

- (i) Good relations between different religions
- (ii) National integration
- (iii) Development of minorities
- (iv) Awareness about pollution control
- (v) Use of advanced technology

Profit & Loss Appropriation Account

For the year ended on _ _ _ _ _

Particulars	`	Particulars	`
To profit distributed		By Net Profit	1,50,000
Ramesh 50,000-5,000 = 45,000			
Gurmeet 50,000-5,000 = 45,000	1,50,000		
John 50,000+10,000 = <u>60,000</u>	1,50,000		1,50,000

5. As A is working on behalf of the other partners, it is his moral duty to work for the benefit of the firm and not to earn any undisclosed profits. By ignoring the interests of the firm and favoring his wife and son, A has violated the following values:

- Honesty
- Integrity

- Truth
- Breach of mutual trust

6. C has violated the following values:

- Honesty
- Integrity
- Truth
- Breach of mutual trust

C will have to return firm's money alongwith any profits earned.

7. Following values are being reflected :-

- Sensitivity towards differently abled individuals.
- Empowering women entrepreneurship.
- Efficient utilization of surplus funds.
- Mutual trust and co-operation

Profit and Loss Appropriation Account

For the year ending on _____

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
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To Interest on Capital Arun 30000 Radha 30000 Sita 240000 To Partner's Salary Arun 108000 Radha 108000 To Profits transferred to capital A/c of : Arun 150000 Radha 150000 Sita 150000	300000 216000 450000 966000	By Profit and Loss A/c (Net Profits transferred from P & L A/c)	966000 966000
	-----		-----

8. Following values are being reflected :-

- Mutual trust and co-operation
- Fulfillment of social responsibility
- Sympathy

JOURNAL

Date	Particulars	L.F.	Debit	Credit Rs.
a	Workmen compensation Reserve A/c Dr.		5,00,000	

b	To Rohan's Executor A/c (Being compensation due to Rohan's executor.)			5,00,000
	Rohan's Executor A/c Dr.		5,00,000	
c	To Bank A/c (Being compensation paid to Rohan's Executor)			5,00,000
	Workmen compensation Reserve A/c Dr.		5,00,000	
	To A's Capital A/c			3,75,000
	To B's Capital A/c			1,25,000
	(Being workmen's compensation fund distributed among partners in their old ratio.)			

9. It is the right of A to get indemnified against the payment which he paid for the firms business. B violated the following values:

- Mutual trust and co-operation
- Integrity
- Truth

- Acknowledgement

10. Values

1. Unity
2. Pooling of Resources
3. Efficient use of resources

11. Values:

1. Transparency
2. Evidence
3. Awareness

12. Values:

- Financial Security
- Sure Return on capital employed.

13. Following values are being reflected:-

1. By helping the differently abled children to come school, co. is promoting R.T.E.(Right To Education Act)
2. Fulfillment of social responsibility

3. Promoting the rights of differently abled children.

14. Following values are being reflected:-

- Sympathy.
- Protection of rights of a minor.
- Helping the family of deceased partner.

15. Following values are being reflected:-

- Fulfillment of social responsibility.
- Spreading health awareness among children.
- Developing hygienic habits among children.

16. Following values are being reflected:-

- Women entrepreneurship.
- Mutual trust
- Co-operation
- Women empowerment.

17. Following values are being reflected:-

- Upliftment of education of children belonging to EWS

- Promoting RTE by helping student of EWS in their education.
- Mutual trust
- Co-operation.

18. Following values are being reflected:-

- Best use of available resources.
- Decision making.
- Mutual trust
- Co-operation.
- Initiative.
- Awareness of legal environment.

19. It is the right of A to get indemnified against the payment which he paid for the firms business. B violated the following values:

- Mutual trust and co-operation
- Integrity
- Truth
- Acknowledgement

20.C has violated mutual trust/honesty. Firm's money will be refunded to the firm along with profits earned. In case there is any loss through this transaction it will be borne by the partner himself.

21.

Journal

Date	Particulars	LF	Dr. Amount	Cr.
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Amount

Workmen Compensation Res. a/c		Dr.	5,00,000	
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To Claim against Workmen.Compensation.Reserve.				5,00,000
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(Being Compensation allowed to Rohan's successors)

Claim against W.C.R. a/c		Dr.	5,00,000	
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To Bank a/c				5,00,000
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(Being compensation paid)

B's Capital a/c		Dr.	1,00,000	
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To A's Capital a/c				1,00,000
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(Being adjustment made due to changes In profit-sharing ratio)

Total	150,000	150,000	75,000	60,000	50,000	60,000
25,000	30,000					
			15,000 Dr.	10,000 Cr.	5,000 Cr.	

Journal

Date	Particulars	LF	Dr. Amount	Cr.
	A's Current a/c Dr.		15,000	
	To B's Current a/c			10,000
	To C's Current a/c			5,000

(Being adjustment made for the
Wrong appropriation of profits)

Values involved-

1. Admitting mistakes

2. Rectifying one's mistakes

23. Value involves:

(i) Women entrepreneurship

- (ii) Women empowerment
- (iii) Contribution for welfare of poor students
- (iv) Welfare of minorities
- (v) National integration

Deepa

Shweta

3

2

Share of new partner Joney = $1/5$

Remaining share for Deepa and Shweta = $1 - 1/5 = 4/5$

New share of Deepa = $4/5 * 3/5 = 12/25$

New share of Shweta = $4/5 * 2/5 = 8/25$

Share of Joney = $1/5 * 5/5 = 5/25$

New ratio = 12:8:5

Journal

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 Jan.1	Bank A/c Dr.		1,50,000	
	To Joney's capital A/c (New [partner Joney brings in his share of goodwill)		70,000	1,50,000
	Joney's capital A/c Dr.			42,000
	To Deepa's capital A/c To Shweta's capital A/c (Adjustment of goodwill on admission of Joney)			28,000

24. Value involved-

- (i) Help to economic weaker section of society
- (ii) Women empowerment
- (iii) National Integration

Journal

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 Jan.1	Cash A/c Dr. To Chandani's capital A/c (New partner Chandani brings in her share of goodwill) Chandani's capital A/c Dr. To Amar's capital A/c To Bashir's capital A/c (Adjustment of goodwill on admission of Chandani)		30,000 5,000	30,000 3,000 2,000

25. Following values are being violated:-

- Mutual trust
- Honesty
- Revaluation account signifies Adaptability according to changes in life.
- Transparency

Solution:

Revaluation Account

Particulars	`	Particulars	`
To Machinery	16,000	By Land & Building	60,000
To Provision for Doubtful Debts	4,000		
To Salary Outstanding	10,000		
To Profit Distributed:			
X			
18,000	30,000		
Y			
12,000			
	60,000		60,000

Partners' Capital accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
To Balance c/d	4,02,000	1,68,000	2,40,000	By Balance b/d	3,60,000	1,40,000	2,40,000
				By Cash	24,000	16,000	
				By Premium	18,000	12,000	
				By Revaluation			
	4,02,000	1,68,000	2,40,000		4,02,000	1,68,000	2,40,000

Balance Sheet

Liabilities	\`	Assets	\`
Sundry Creditors	1,00,000	Land & Building	2,60,000
Bills Payable	40,000	Machinery	1,44,000
Outstanding Expenses	20,000	Stock	2,00,000
Salary Outstanding	10,000	Debtors	
Capital Accounts:		80,000	
X		Less: Provision	76,000
4,02,000		4,000	3,00,000
Y		Cash	
1,68,000	8,10,000		
Z			
2,40,000			
	9,80,000		9,80,000

26.

Dr. Realization Account Cr

Particulars	\`	Particulars	\`
To Goodwill	10,000	By Investment	
To Buildings	25,000	Fluctuation Fund	5,000
To Investments	25,000	By Provision for	
To Stock	15,000	Doubtful Debts	2,000
To Debtors	17,000	By Creditors	8,000
To X's Capital A/c		By X's Wife Loan	6,000
(X's wife loan)	8,000	By Bank A/c:	8,000
To Bank A/c:		(Assets realized	
(Creditors)		Debtors	

To Y's Capital A/c (Expenses on Realisation)	6,000	12,000	
		Investments	
	2,000	20,000	
		Goodwill	
		6,000	72,000
		Buildings	
		9,000	4,000
		Stock	
		5,000)	
		(10,000*50/100)	

		By Y's Capital A/c	
		(Stock)	
		By Loss transferred	
		to:	
		X's Capital A/c	
		23,200	
		Y's Capital A/c	
		5,800	29,000

	1,08,000	-	1,08,000
	-----		-----

Values involved—

1. Mutual understanding

2. Transparency

27 Values:

(i) Equality

(ii) Equal opportunity to all members of public

Shiksha India Ltd.

Journal

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		7,00,000	
	To share application A/c (Application money received on 1,40,000 shares @ ` 5 each)			7,00,000
	Share Application A/c Dr.		7,00,000	
	To share capital A/c To share allotment A/c (Application money transferred to share capital A/c and share allotment A/c)			5,00,000
	Share Allotment A/c Dr.			2,00,000
	To share capital A/c (Allotment money due on 1,00,000 shares @ ` 3 each)		3,00,000	
	Bank A/c Dr.			3,00,000
	To Share Allotment A/c (Allotment money received)		1,00,000	
	Share first & final call A/c Dr.			1,00,000
	To share capital A/c (first and final call money due on 1,00,000 shares @ ` 2 each)		2,00,000	
	Bank A/c			2,00,000
			2,00,000	
				2,00,000

	Dr. To share first & and final call (first and final call money received)			
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28. Values Involves:

- (i) protection of interest of small investors
- (ii) Promoting the habit of saving in people
- (iii) Helpful in capital formation

Rehan Ltd.
Journal

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	bank A/c Dr. to Share Application A/c (Application money received on 50,000 shares @ ` 4 each)		2,00,000	2,00,000
	Share application A/c Dr.		2,00,000	2,00,000
	To share capital A/c (Application money transferred to share capital A/c)		3,00,000	3,00,000
	Share Allotment A/c Dr. To Share capital A/c (Allotment money due on 50,000		3,00,000	3,00,000

	shares @ ` 6 each) Bank A/c Dr. To Share Allotment A/c (Allotment money received)			
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29. Value involved:

- (i) Generation of employment opportunities
- (ii) Balanced regional development

Journal

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Land A/c Machinery To Vendor (Assets purchased)	Dr. Dr.	2,00,000 3,00,000	5,00,000
	Vendor To 13% Debentures (5,00,000 13% Debentures of ` 100 each issued at par)	Dr.	5,00,000	5,00,000

30. Value Involved

- (i) Protection of interest of debenture holders.

31 Journal

Date	Particulars	LF	Dr. Amount	Cr.
Amount				

2011

March 31	9% Debentures a/c	Dr.	100,000	
	To Debenture holders			100,000
	(Being payment due to Debenture Holders on redemption)			

March 31	Debenture holders a/c	Dr.	100,000	
	To Bank a/c			100,000
	(Being payment made)			

By redeeming Debentures through draw of lots, Company is showing the following values:-

- Equal opportunity to every Debenture holder in redemption of Debentures.
- Judicious and rational decision making by the company to pay its debts in installments.

32 It indicates about the value of foresightedness and judiciously paying the liability in phased manner by the company.

33.No Debenture Redemption Reserve is to be created since SEBI has exempted infrastructure companies.

SEBI wants to promote National Development by exempting infrastructure companies so that it may utilise its funds in timely completion of the projects.

34.A Ltd. is using the value of efficient utilization of resources because operating ratio shows the percentage of sales that is absorbed by the cost of sales and operating expenses. A lower operating ratio is always better.

35 The company is violating the value of “Efficient utilization of resources”. It should utilize the funds productively so that it can earn extra income.

36 Values: Estimation with due care

Analytical ability

Comparative income statement

for the year ended March 31, 2007 and March 31, 2008

Particulars	31-3-2007	31-3-2008	Absolute		%	
			Increase	Increase	or	or
			Decrease	Decrease		
						%
Revenue from Operations	10,00,000	12,50,000	+2,50,000	+25.00		
Less: Cost of Goods sold	5,00,000	6,50,000	+1,50,000	+30.00		
Gross Profit	5,00,000	6,00,000	+1,00,000	+20.00		

Less: Operating Expenses	50,000	60,000	+ 10,000	+ 20.00
Operating Profit	4,50,000	5,40,000	+ 90,000	+ 20.00
Add: Other Income	30,000	30,000		
N.P. before Tax	4,80,000	5,70,000	+90,000	+ 18.75
Less: Income Tax @ 50%	2,40,000	2,85,000	+ 45,000	+ 18.75
N.P. After Tax	2,40,000	2,85,000	+45,000	+18.75

37

Values: Estimation.

Analytical ability

Comparative Income Statement

Particulars	2011	2012	Absolute Change	%Change
Revenue from Operations	1,00,000	2,00,000	1,00,000	100.00
Less: Cost of Goods Sold	60,000	1,40,000	80,000	133.33
Gross Profit	40,000	60,000	20,000	50.00
Less: Indirect Expenses	4,000	6,000	2,000	50.00
Net Profit before Tax	36,000	54,000	18,000	50.00
Less: Income Tax	18,000	27,000	9,000	50.00
Net Profit after Tax	18,000	27,000	9,000	50.00

Values: Decision Making and Foresightedness.

Liquidity Ratios include the following two ratios:

- Current Ratio, and (b) Quick Ratio

$$\bullet \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets = Closing Inventory + Trade Receivables + Cash + Marketable Securities + Income Tax Paid in Advance

$$\begin{aligned} &= \text{`} 2,00,000 + \text{`} 1,00,000 + \text{`} 30,000 + \text{`} 20,000 + \text{`} 10,000 \\ &= \text{`} 3,60,000 \end{aligned}$$

Current Liabilities = Taxation (Current) + Trade Payables + Outstanding Salaries + Bank Overdraft + Dividends Payable

$$\begin{aligned} &= \text{`} 20,000 + \text{`} 34,000 + \text{`} 5,000 + \text{`} 25,000 + \text{`} 36,000 \\ &= \text{`} 1,20,000 \end{aligned}$$

$$\text{Current Ratio} = \frac{3,60,000}{1,20,000} = 3 : 1$$

$$\bullet \text{ Quick Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

Liquid Assets = Trade Receivables + Cash + Marketable Securities

$$\begin{aligned} &= \text{`} 1,00,000 + \text{`} 30,000 + \text{`} 20,000 \\ &= \text{`} 1,50,000 \end{aligned}$$

$$\text{Quick Ratio} = \frac{1,50,000}{1,20,000} = 1.25 : 1$$

Comments: The short-term financial position of the company is sound because its current ratio is 3 : 1, which is more than the ideal

ratio of 2 : 1. Liquid ratio of the company is 1.25 : 1, which is also more than the ideal ratio of 1 : 1. Therefore, it can be said that the company is in a position to pay its current liabilities instantly.

Cash Flow Statement

39

Values Involved: Analytical thinking

CALCULATION OF CASH FROM OPERATING ACTIVITIES

(Indirect Method)

Net Profit before taxation:		
Profit during the year (See Note 1)	13,000	18,000
Add: Transfer to General Reserve	5,000	
Adjustments for:		
Interest on Debentures (10% on ₹21,000)	2,100	
Depreciation (₹13,000 – ₹9,000)	4,000	
Goodwill written off	2,000	
Discount on Debentures written off	500	8,600
		26,600
Less: Interest on Investments		300
Operating profit before working capital changes		26,300
Add: Increase in Current Liabilities:		
Trade Payables		4,000
		30,300

Less: Increase in Current Assets:

Inventory 18,500

Net Cash from Operating Activities 11,800

Note 1: Negative balance of Profit & Loss amounting to ` 6,000 appearing in the balance sheet on 31.3.2011 represents an amount of loss. In the current year, after covering this loss of ` 6,000 the Profit & Loss shows a profit of ` 7,000. It means that net profit during the current year must have been ` 7,000 + ` 6,000 = ` 13,000.

40

CASH FLOW STATEMENT

(Indirect Method)

- **Cash flows from Operating Activities:**

Net profit before taxation:

Profit during the year (1)	82,000	
+Dividend paid	36,000	1,18,000

Adjustments for:

Depreciation on fixed assets(3)	26,000	
Provision for doubtful debts	6,000	
Discount on issue written off	4,000	
Interest Paid	35,000	
		1,89,000

Less: Profit on sale of investments 4,000

Profit on sale of fixed assets 5,000	9,000	
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Operating profit before working	1,80,000	
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capital change

Add: Decrease in Current Assets:

Trade Receivables 1,20,000

Increase in Current Liabilities:

Trade Payables 60,000 1,80,000

3,60,000

Less: Increase in Current Assets:

Inventory 50,000

Net cash from operating activities 3,10,000 3,10,000

• **Cash flows from Investing Activities:**

Purchase of Fixed Assets (2) (3,20,000)

Sale of Fixed Assets 17,000

Purchase of Investments (4) (15,000)

Sale of Investments 14,000

Net cash used in investing activities (3,04,000)(3,04,000)

• **Cash flows from financing activities:**

Issue of Equity Shares 1,00,000

Premium received on issue of shares 60,000

Issue of Debentures 50,000

Redemption (Repayment) of Preference

Shares

Dividend paid (36,000)

Interest paid (35,000)

Net cash from financing activities 1,14,000 1,14,000

Net increase in cash and cash equivalents 1,20,000

Cash and cash equivalents at the beginning

of the period 94,000

Cash and cash equivalents at the end of the
Period

2,14,000

Note: 1. Negative balance of Profit & Loss amounting to ` 10,000 appearing in the Balance Sheet on 31st March, 2011 represent an amount of loss. In the current year, after covering this loss of ` 10,000, the Profit ~ Loss shows a profit of ` 72,000. It means that net profit during the current year must have been ` 72,000 + ` 10,000 = ` 82,000.

2.

FIXED ASSETS A/C (On Original Cost)

To Balance b/d	2,000	By Bank (sale)	17,000
To P & L A/c (Being Profit on the sale of fixed Assets)	5,000	By Accumulated Dep. A/c (Being depreciation on fixed assets sold)	8,000
To Bank A/c (Balancing Fig. being purchases)	3,20,000 5,25,000	By Balance c/d	5,00,000 5,25,000

3.

ACCUMULATED DEPRECIATION A/C

To Fixed Assets A/c (being the transfer of Depreciation on fixed Assets sold)	8,000	By Balance b/d	30,000
TO Balance c/d	48,000	By P & L A/c (Balancing figure, being current year's depreciation)	26,000

	56,000		56,000
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4.

INVESTMENTS A/C

	、		、
To Balance b/d	40,000	By Bank A/c	
To P&L A/c (Profit		(Sale proceeds)	14,000
On sale of			
Investments)	4,000	By Balance c/d	45,000
To Bank A/c (Balancing			
Fig.-being purchases)	15,000		
	59,000		59,000

Value –Analytical ability

Ability to judge the flow of cash

41. Because of following values he proved to be successful

- Courage – he was first Indian to start industry during British period
- entrepreneurship
- social issues---sensitivity towards education

sensitivity towards environment

- respect for all religions
- unity as people of all three states worked together happily
- channelizing saving leading to capital formation
- rural development
- motivation of employees
- best utilization of resources
- nation building

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- Equality all employees treated equally
- Health consciousness—use of sanitizer and sterilised clothes
- Balanced regional development
- Employment to people of hills raising their standard of living

