
PART-A

Q.1 Write any two characteristics of partnership. [2]

Ans. **(1) Two or ore Persons:** There must be at least two persons to form partnership firm. The maximum number of persons is not specified by the partnership Act, but Section 11 of the Companies Act, 1956, restrict the number of partners to 10 for a partnership firm carrying banking business and 20 in case of other kind of business.

(2) Sharing of Profits: Profit-sharing is the foundation of partnership. If some persons join hands to carry some charitable activity, it will not be called as partnership. Thus, profit-sharing is must. But it is not necessary that all partners should share the profit in equal ratio. The profit-sharing ratio is the outcome of an agreement. It should be noted that sharing of losses is not essential. One or more partners can be exempted from sharing of losses.

Q.2 Ananya is a partner in a firm. She draws Rs. 6,000 at the beginning of every month. Interest on drawins is to be charged @ 10% p.a. Calculate interest on drawing of the partner for the year 2017. [2]

Ans. Interest on Ananya's drawings = Total Drawings $\times \frac{Rate}{100} \times \frac{Time}{12}$

$$\text{Total Drawings} = 6,000 \times 12$$

$$= \text{Rs. } 72,000$$

$$\text{Interest on Drawings} = 72,000 \times \frac{10}{100} \times \frac{6.5}{12}$$

$$= 72,000 \times \frac{10}{100} \times \frac{65}{120}$$

$$= \text{Rs. } 3,900.$$

Q.3 What do you mean by Gaining Ratio? [2]

Ans. Gainig Ratio: As a result of change in profit sharing ration, one or more of the existing partners gain same of portion of other partners share of profit. And, when a partners retires or dies his share of profit is taken over by the remaining partners. Calculation of gaining ratio is necessary because the remaining partners will pay the amount of goodwill to the retiring partner in gaining etc.

The ratio of gain of profit sharing ratio is called as gaining ratio. It is calculated by deducting partner's old share by his new share

$$\text{Gaining Ratio} = \text{New Share} - \text{Old Share}$$

Q.4 What do you mean by Authorised Capital? [2]

Ans. **Authorised Capital:** It is also called as "Registered" or "Nominal Capital". According to section 2(8) of the Companies Act, 2013, Authorised share capital of a company is the maximum amount of share capital which a company is authorized to raise throughout its life. This amount is stated in the Memorandum of Association of the company under the capital clause.

Q.5 What do you mean by Pro-Rata Allotment of shares? [2]

Ans. **Pro-rata Allotment:** Some applicants may be allotted less number of shares than they have applied for. This is known as pro-rata allotment. In such a situation, the main problem is what to do with the excess amount received on applicants. It will be quite irrational to refund the excess money first and then ask the applicants to pay the allotment money. In Practice, usually the excess money received on application is transferred and adjusted towards money due on allotment and calls. For this following entry is passed.

Share Application A/c	Dr.
To Share Capital A/c	
To Share Allotment A/c	
To Calls-in-Advance A/c	
To Bank A/c	

(Being application money transferred)

Q.6 Explain secured debentures. [2]

Ans. **Secured debentures:** These debentures are secured either on particular assets of the company called fixed charge or on all assets of the company in general, called a floating charge. If the company is unable to repay the debentures on the due date, the debentureholders can realise their money from the assets mortgaged with them. In India, debentures issued by companies have necessarily to be secured.

Q.7 What is Donation? [3]

Ans. **Donation:** -Donation is an amount received by way of gift. If donation is received for a specific purpose, it should be shown distinctly on the liabilities side of the Balance Sheet and should be used only for the assigned purpose. For example, Donation for library or for computer room, etc. Donation of a general nature transferred may either be credited to Income and Expenditure A/c or transferred to liabilities side of the Balance Sheet depending upon the amount of donation.

General donations of big amounts are generally treated as capital receipts, because it cannot be expected regularly every year. They are taken to the liabilities side of the Balance Sheet. General donations of small amounts are generally treated as revenue receipts, because it can be expected or received regularly every year. They are credited to the Income and Expenditure A/c.

Q.8 Arju and Karan are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Vibhor in partnership for $\frac{1}{4}$ th share of profit. Calculate new profit sharing ratio. [3]

Ans. Old share of Arjun and Karan = 3:2

$$\text{Vibhor's share} = \frac{1}{4}$$

$$\begin{aligned}\text{Remaining share} &= 1 - \frac{1}{4} \\ &= \frac{3}{4}\end{aligned}$$

$$\text{Arjun New Share} = \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$$

$$\text{Karan New Share} = \frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$$

$$\text{Vibhor's Share} = \frac{1}{4} \times \frac{5}{5} = \frac{5}{20}$$

Hence, New profit sharing Ratio = 9:6:5.

Q.9 What are the characteristics of a company? Explain. [3]

Ans. **Characteristics of a company:** Following are the essential characteristics of a company:

(1) Separate legal entity: A company has a legal entity separate from its members. It can purchase and sell properties in its own name, can open a bank account and can enter into contract and conduct a lawful business.

(2) Perpetual existence: The existence of a company is not affected by the death, and insolvency of its members. The company has got permanent life, that is why it is said that members may come members may go but the company goes on for ever, unless wound up according to Companies Act.

(3) Limited liability: The liability of every shareholder is limited to the face value of shares held by him.

(4) Common seal: The common seal acts as the official signature of the company. Since the company has no physical existence, so it acts through its directors.

Q.10 What do you mean by redemption of debentures? Name four methods of redemption of debentures. [3]

Ans. Redemption of debentures means repayment of debentures to the Debentureholders. Debentures is a liability on the part of a company, so the redemption of debentures means discharge of liabilities, so their loans must be paid

back to them. Therefore, a company is under obligation to make payments the amount due on debentures to the Debentureholders.

Usually, debentures are redemption at the expiry of their period in accordance with the terms and conditions of their issues. These terms are clearly stated on the Debentures Certificate. Hence, redemption is made according to the terms of issue either in lump-sum at the expiry of the specified period or by means of annual instalments or by conversion into shares or New Debentures or by purchasing them the open market before the expiry of their period for immediate cancellation or as investment.

Methods of Redemption of Debentures:-

- (1) Lump-sum payment at the end of fixed period.
- (2) Redemption of debentures by annual drawings.
- (3) Redemption by conversion into shares or new debentures.
- (4) Purchase of own debentures in the open market.

Q.11 On March 31, 2017 Z Ltd. Redeemed Rs. 50,000, 12% debentures out of profit. Journalise the transactions. [4]

Ans.

Journal of Vim Ltd.

Date	Particular	Dr. (Rs.)	Cr. (Rs.)
2017 Mar, 31	Surplus in Statement of Profit & Loss Dr. To Debenture Redemption Reserve A/c (Being transfer of profits to Debenture Redemption Reserve Account)	50,000	50,000
Mar, 31	12% Debentures A/c Dr. To Debentureholders A/c (Being redemption of debentures due)	50,000	50,000
Mar, 31	Debentureholder' A/c Dr. To Bank A/c (Being amount paid on redemption)	50,000	50,000
Mar, 31	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Being transfer of Debenture Redemption Reserve A/c to General Reserve A/c)	50,000	50,000

Q.12 Differentiate between Income and Expenditure Account with Receipts and Payment Account. [5]

Or

On the basis of following Receipts and Payments Accounts of Leo club for the year ended 31st December, 2017 and the additional information prepare Income and Expenditure Account for the year ended 31st December, 2017.

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d	2,000	By Salaries	2,500
To Subscription		By Entertainment Expenses	500
2016	200	By General Expenses	200
2017	2,200	By Investments	1,500
2018	300	By Printing and Stationery	150
To Entertainment Receipts	1,500	By Newspaper	300
To Sale of old furniture (Book Value Rs. 500)	400	By Furniture	500
		By Balance C/d	950
	6,600		6,600

The club has 300 members each paying an annual subscription of Rs. 10, Rs. 50 is still in arrears for subscription for 2016. In 2016, ten members has paid their subscription for 2017 in advance. Salaries paid included Rs. 150 for 2016 and outstanding salaries for 2017 is Rs. 250. [5]

Ans. **Income and Expenditure Account:** Income and Expenditure Account is a revenue account of a Not-for-Profit Organisation. It serves the same purpose as the Profit and Loss Account in trading concerns.

Income and Expenditure Account is the summary of income and expenditure of the current year. It is a nominal account prepared by non-trading organisation, in order to ascertain the surplus or deficit by recording revenue items of a particular period.

Receipts and Payment Account: Receipts and Payments A/c' is prepared by analysing and classifying the entries of the Cash Book of a particular accounting year. 'Receipts and Payments A/c' is generally presented horizontally in 'T' form with cash receipts on the debit side and cash payments on the credit side. At the end of the period, the account is finally balanced. The balance of this account shows cash in hand or cash at Bank or overdraft. While preparing this account, no distinction is made between capital and revenue items.

Sr. No	Basis of Difference	Receipts and Payments A/c	Income and Expenditure A/c
1.	Type of Account	It is real account	It is a nominal account.
2.	Nature	It is a summary of the cash transactions of a not-for-profit organisation showing cash inflows on the debit side and cash outflows on the credit side as in the case of Cash-Book.	It is the revenue account of not-for-profit organisation similar to profit and loss accounts of a profit-seeking organisation. Incomes are shown on the credit side and expenditure on the debit side.
3.	Opening Balance	It starts with an opened balance of cash in hand and cash at bank.	It has no opening balance.
4.	Closing Balance	Closing balance of this account shows the closing cash in hand and at bank or Bank Overdraft.	Closing balance of this account indicates either excess of income over expenditure and expense over income
5.	Cash Items	It records only cash items.	It records both cash and non-cash items.
6.	Period	It shows the actual amount of receipts or payments made during the year whether they belong to past, current or future period.	It records income and expenditure of the current year only. Whether they are received or not. Received or paid items relating to the past or future period are excluded.

Or

Income and Expenditure A/c
for the year end of 31st December, 2017.

Dr.

Cr.

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
To Salaries 2,500		By Subscription - 2200	
Less: for 2016 - <u>150</u>		Add: Received 2016 - 100	
2,350		<u>2,300</u>	
Add: Outstanding <u>250</u>	2,600	Add" Outstanding <u>700</u>	3,000
To General Expenses	200	By Entertainment Receipts	1,500
To Printing and Machinery	150		
To Entertainment Expenses	500		
To Newspapers	300		
To Loss on sale of old furniture	100		
To Excess of Income over Expenditure	650		
	<u>4,500</u>		<u>4,500</u>

Q.13 What is Revaluation Account? How is it prepared? Write Journal Entries according to it. [5]

Or

Following is the Balance Sheet of Kalpana and Raj, who were sharing profit in the ratio 2 : 1 on 31st December, 2017:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	67,000	Cash	300
Capitals		Bank	2,000
Kalpana 30,000		Debtors	9,700
Raj <u>20,000</u>	50,000	Stock	20,000
		Plant and Machinery	35,000
		Building	50,000
	<u>1,17,000</u>		<u>1,17,000</u>

They agreed to admit Ritu into partnership on the following terms:

(i) Ritu was to be given 1/3 share in profit and was to bring Rs. 15,000 as her capital and Rs. 6,000 as her share of Goodwill.

(ii) Value of Stock and Plant and Machinery were to be reduced by 10%.

(iii) Building was to be appreciated by Rs. 10,000.

(iv) Provision of 5% was to be created for bad debts.

Prepare the Revaluation Account and Capital Accounts of the partners. [5]

Ans. Revaluation Account: New partner should not suffer because of reduction in the value of assets, not should be benefitted by increase in the value of assets, thus revaluation of assets and liabilities is done just before the admission of a new partner. The adjustments arising on account of revaluation of assets and liabilities are done with the help of a new account called as 'Revaluation Account' or 'Profit and Loss Adjustment Account'. The profit or loss arising from revaluation of assets and liabilities is divided among old partners in their old profit-sharing ratio.

Proforma of Revaluation Account is given:

Dr.	Revaluation Account	Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Decrease in the value of Assets		By Increase in the value of Assets	
To increase in the value of Liabilities		By Decrease in the value of Liabilities	
To Increase in the Reserves		By Decrease in the Reserves	
To Unrecorded Liabilities		By Unrecorded Assets	
To Profit on revaluation transferred to Old Partners' Capital A/cs (in old ratio)		By Loss on revaluation transferred to Old Partners' Capital A/cs (in old ratio)	

Journal Entries for Revaluation of Assets and Liabilities

(1) For increase in the value of Assets	Assets A/c To Revaluation A/c (Being value of assets by name increase)	Dr.
(2) For decrease in the value of Assets	Revaluation A/c To Assets A/c (Being value of Assets by name decrease)	Dr.
(3) For increase in the value of Liabilities	Revaluation A/c To Liabilities A/c (Being value of liabilities by name increase)	Dr.
(4) For decrease in the value of Liabilities	Liabilities A/c To Revaluation A/c (Being value of liabilities by name decreased)	Dr.
(5) For unrecorded Assets	Assets A/c To Revaluation A/c (Being unrecorded assets taken into account)	Dr.

(6) For unrecorded Liabilities	Revaluation A/c To Liabilites A/c (Being unrecorded liabilities brought into account)	Dr.
(7) For Profit on Revaluation	Revaluation A/c To Old Partners' Capital A/cs (Being profit on revaluation credited to Old Partners' Capital A/cs in their old profit-sharing ratio)	Dr.
(8) For Loss on Ravaluation	Old Partners' Capital A/cs To Revaluation A/c (Being loss on revalutaion debited to Old Partners'Capital A/cs in their old profit-sharing ratio)	Dr.

Or

Revaluation Account

Dr.

Cr.

Particular	Amount (Rs.)	Particular	Amount (Rs.)
To Stock A/c	2,000	By Building A/c	10,000
To plant & Machinery A/c	3,500		
To Provision for bad Debts	485		
To Partner's capital A/c			
Kalpana 2677			
Raj 1338	4,015		
	10,000		10,000

Partner's Capital A/c

	Kalpana	Raj	Ritu		Kalpana	Raj	Ritu
To Balance c/d	36,677	23,338	15,000	By Balance b/d	30,000	20,000	-
				By Revaluation A/c	2,677	1,338	
				By Bank A/c	-	-	15,000
				By Premium for Goodwill	4,000	2,000	
	36,677	23,338	15,000		36,677	23,338	15,000

Q.14 Verma Ltd. Invited the public to subscribe for its 50,000 shares of Rs. 100 each at a premium of 10% payable as under: on application Rs. 20, on allotment Rs. 40 (including premium), On first call Rs. 20 and on final call Rs. 30.

Applications were received for 80,000 shares. No allotment was made to the applicants for 15,000 shares. Full allotment was made to the applicants for 5,000 shares and rest were allotted on pro-rata basis. All money was received except first and final call on 500 shares. Give Journal Entries in the books of company. [5]

Ans.

Date	Particulars	Dr. (Amount)	Cr. (Amount)
	Bank A/c Dr. To Share Application A/c (Being application money of 80,000 shares @ Rs. 20 each received).	16,00,000	16,00,000
	Share Appliation A/c Dr. To Share Capital A/c To Bank A/c To Share Allotment a/c (Being application money adjusted)	16,00,000	10,00,000 3,00,000 3,00,000
	Share allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being share allotment due)	20,00,000	15,00,000 5,00,000
	Bank A/c Dr. To Share allotment A/c (Being allotment money received)	17,00,000	17,00,000
	Share 1 st call A/c Dr. To Share Capital A/c (Being 1 st call share due)	10,00,000	10,00,000
	Bank A/c Dr. Calls in arrears A/c Dr. To Share 1 st Call A/c (Being 1 st call money received except 500 shares)	9,90,000 10,000	10,00,000
	Share 2 nd call A/c Dr. To Share Capital A/c (Being 2 nd Call money due)	15,00,000	15,00,000

	Bank A/c	Dr.	14,85,000	
	Calls in arrears	Dr.	15,000	
	To Share 2 nd call A/c			15,00,000
	(Being 2 nd call money received except 500 share)			

Q.15 Explain the procedure of determining the amount payable to deceased partner and different ways in which amount is paid. [7]

Or

A, B and C were partners sharing profits in 3:2:1. On 1st January 2017, B retired. On that date the Balance Sheet stood as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
General Reserve	6,000	Plant and Machinery	30,000
Expenses Owing	2,000	Patents	11,000
Bills Payable	5,000	Debtors	3,000
Creditiors	10,000	Stock	9,500
Capital Accounts:		Cash	500
A – 12,000			
B - 10,000			
C - <u>9,000</u>	31,000		
	54,000		54,000

The terms are:

(i) Goodwill was to be valued at Rs. 12,000 but no Goodwill account was to be raised.

(ii) New ratio between A and C will be 3:2.

(iii) Expenses owing are to be brought down to Rs. 1,500. Plant and Machinery is to be valued at 10% less and patents at Rs. 12,000.

(iv) The total capital of new firm will be fixed at Rs. 25,000 to be contributed by partners in profit sharing ratio.

Prepare Revaluation A/c, Partners' Capital Account and Balance Sheet.

Ans. **Death of a Partner:** A partnership will come to an end indirectly, whenever, a partner dies although the firm may continue with the remaining partners. The deceased partner is entitled to get his share in the firm as per the provisions of a partnership agreement.

Calculation of amount Payable to Deceased Partner: The amount payable to deceased partner will be received by his legal executors & calculation on the basis of following facts.

- (i) Credit Balance of his capital A/c & current A/c as per last year Balance Sheet.
- (ii) Interest on capital, his salary, his commission etc up to the date of death.
- (iii) Share is goodwill of the firm.
- (iv) Share is undistributed profit.
- (v) Share is profit on revaluation of assets and liabilities.
- (vi) Share is profit from beginning of the accounting year to date of death.
- (vii) This drawings & interest on drawings.
- (1) Credit Balance of his capital A/c & Current A/c as per last year Balance Sheet.

(2) Interest on Capital his salary, his commission etc up to the date of death: Interest on capital, salary & commissions is allowed, if the provisions of partnership deed permit. Interest is calculated on the opening balance of current year capital till the date of death of a partner.

Particulars	Amount	Amount
Interest on Capital Dr.		
Partner Salary Dr.		
Partner Commission Dr.		
To Deceased Partners cap A/c		
(Being interest, salary and commission allowed on deceased partners capital A/c)		

(3) Share is Undistributed Profits: Undistributed profits is retained to meet the future uncertainties the business & shown on the liabilities side of the Balance Sheet. The executors of the deceased partner are entitled to claim & share of accumulated profits.

Particulars	Amount	Amount
Accumulated Profit Dr.		
To deceased partners cap. A/c.		
(Being share of accumulated profit are distributed).		

(4) Share is Goodwill of the firm: The executor of the deceased partner are entitled to receive the share of goodwill of the firm goodwill for this purpose will be valued according to the provision of partnership deed. The amount of deceased partner's share of goodwill ascertained & credited of his capital A/c.

To Drawing A/c To Interest on drawings A/c To Revaluation A/c (Loss) To Executor Loan A/c Or To cash A/c		By Balance b/d (opening) By Interest on Capital By Partners Salary/Comm. By Share in goodwill By JLP & A/c By Revaluation A/c (Profit) By Reserves/Undistributed By Profit &Loss A/c (Share in Profit)	
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Modes of Payment: Amount payable to retiring partner can be determined by preparing the partners capital A/c, incorporating all the adjustments. And following Journal entries are passed:

Particulars	Amount	Amount
(1) Lump sum Payment Method:		
Deceased Partner Capital A/c To cash A/c (Being Balance due to deceased partner is paid off).	Dr.	
(2) Transfer to Partner's Loan A/c:		
Deceased Partner's capital A/c To deceased Partners Executor Loan A/c (Being Balance of deceased partner capital A/c transferred to executor his loan A/c)	Dr.	

Or

Revaluation A/c

Dr.

Cr.

Particular	Amount	Particular	Amount
To plant & Machinery	3,000	By Expenses Owing A/c	500
		By Patent A/c	1,000
		By Partner's capital A/c	
		A 750	
		B 500	
		C <u>250</u>	1500
	3000		3000

Partner Capital A/c

Dr.				Cr.			
Particulars	A	B	C	Particulars	A	B	C
To b's capital A/c	1200		2800	By Balance b/d	12,000	10,000	9,000
To Revaluation	750	500	250	By General Reserve	3,000	2,000	1000
To B Loan A/c	-	15500	-	By A's cap A/c		1200	
To Balance c/d	13050	-	6950	By c'cap A/c		2800	
	15000	16000	10000		15,000	16,000	10,000
To Balance c/d	15000	-	10000	By Balance b/d	13050	-	6950
	15000	-	10000	By Cash A/c	1950	-	3050
	15000	-	10000		15000	-	10000

Balance Sheet

Liabilities	Amount	Assets	Amount
Expenses Owing	1,500	Plant & Machinery	27,000
Bills Payable	5,000	(30,000 – 3,000)	
Creditors	10,000	Patents	12,000
B's Loan	15,500	Debtors	3,000
Capital Accounts		Stock	9,500
A - 15,000		Cash (500+1950+3050)	5,500
B - <u>10,000</u>	25000		
	57,000		57,000

PART-B

Q.16 Name the items which are shown under the headings, "Miscellaneous Expenditure" in a company's Balance Sheet. [2]

Ans. According to Schedule VI, Part -I Section 211 of Companies Act, 1956

Miscellaneous Expenditure:-

(to the extent not written off or adjusted)

(1) Preliminary Expenses
(2) Expenses including commission or brokerage or underwriting on subscription of shares or debentures.
(3) Discount allowed on issue of shares and debentures.
(4) Interest paid out of capital.
(5) Development expenditure, not adjusted.
(6) Other sums (specifying nature.

According to Schedule III, of Companies Act, 2013

“Miscellaneous Expenditure”

Item	Treatment in Balance Sheet
Miscellaneous Expenditure	Deducted from Securities Premium.

Q.17 What are the objectives of the Balance Sheet? [2]

Ans. **Objectives of the Balance Sheet:** Balance sheet fulfills the following objectives:

- (i) Determining the value of proprietor’s equity.
- (ii) Understanding the financial position of the business.
- (iii) Calculating the amount of working capital.
- (iv) Calculating the financial ratio.
- (v) Making arrangements of probable losses.

Q.18 Describe the objective of preparing common size statement. [2]

Ans. **Objective of preparing common size statement:**

(1) Establishing a relationship: Over a period of time, a relationship has been established between various items of the statement of Profit and Loss i.e., Income Statement to Revenue from Operations and various items of Balance Sheet to total assets or total of equity and liabilities. Meaningful conclusions can be drawn by studying the changes in relationship.

(2) Providing a common base for comparison: Common size statements provide a common base for comparison. Financial statements of different periods and different firms can be converted into uniform common size format irrespective of the the size of individual items. Thus, the common size statements facilities the comparison of profitability and financial position of two or more business over a period of time.

Q.19 Describe the importance of Cash Flow Statement. [2]

Ans. **(1) Useful for short-term financial planning:** CFS provides information regarding sources and use of cash and cash equivalents during a specific period, therefore, it becomes easier for the management to plan operating, financial and investment needs of the business concern.

(2) Analysis of liquidity position: Solvency is the ability of the business to pay its current liabilities. Cash Flow Statements prepared on monthly or quarterly basis helps to ascertain liquidity in a better way. Financial institutions and banks usually see CFS to analysis liquidity of the firm.

(3) Efficient cash management: CFS provides information relating to surplus or deficit of cash. A business firm, therefore can decide about the short-term investment of the surplus amount and can arrange short-term credit in case of deficit.

Q.20 Current liabilities of a company are Rs. 1,50,000. Its current ratio is 3:1 and quick ratio 1:1. Calculate the valules of current assets, liquid and stock. [3]

Ans. Current liabilities = 1,50,000

Current Ratio = 3 : 1

Quick Ratio = 1:1

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilites}}$$

$$\frac{3}{1} = \frac{\text{Current Assets}}{1,50,000}$$

current Assets = 1,50,000 × 3.

Current Assets = 4,50,000

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

$$\frac{1}{1} = \frac{\text{Liquid Assets}}{1,50,000}$$

Liquid Assets = 1,50,000 × 1

= Rs. 1,50,000

Stock = *Current Assets – Liquid Assets*

= 4,50,000 – 1,50,000

= Rs. 3,00,000

Q.21 Calculate cash receipts from operating activities from the following details: [4]

Particulars	2017 (Rs.)	2016 (Rs.)
Profit and Loss A/c	2,20,000	2,40,000
Accounts Receivable	1,00,000	1,24,000

Outstanding Rent	48,000	84,000
Goodwill	1,60,000	1,52,000
Amount Payable in advance	16,000	8,000
Accounts Payable	52,000	76,000

Ans.

Cash flow from operating Activities

Particulars	Amount (Rs.)	Amount (Rs.)
Net Loss for the year		(20,000)
Add: Decrease in current Assets Accounts Receivable	24,000	24000
Less: Increase in current Assets Amount Payable in Advance	(8,000)	4000
Less: Decrease in Current Liabilities Outstanding Rent Account Payable	(36,000) (24,000)	(68,000)
Cash used from operating Activities:		<u>(64,000)</u>