

**UDHNA CITIZEN COMMERCE COLLEGE &  
S.P.B. COLLEGE OF BUSINESS ADMINISTRATION &  
SMT. DIWALIBEN HARJIBHAI GONDALIA COLLEGE OF BCA & IT**

(Self Financed)

(Managed by Udhna Academy Education Trust)

214, Ranchhod Nagar, Opp. Swaminarayan Temple, Surat-Navsari Road, SURAT-394 210

Class: T.Y.B.Com. (Sem. 5)

Subject: Advanced Accounting & Auditing 6

**PRACTICE -1 (QUESTIONS WITH SOLUTIONS)**

**Fund Flow Statement**

Q.1 The Balance Sheets as on 31.3.2010 and 31.3.2011 and the statement of Profit and Loss Account for the year ended 31.3.2011 of Khyati Ltd. are as follows:

|           | Particulars                                     | 31.03.2010     | 31.03.2011     |
|-----------|---|----------------|----------------|
| <b>I</b>  | <b>EQUITY AND LIABILITIES</b>                   |                |                |
| 1.        | Shareholders' Funds:                            |                |                |
| a.        | Share Capital                                   |                |                |
|           | Equity Share capital                            | 500000         | 550000         |
| b.        | Reserves and Surplus                            |                |                |
|           | Profit and Loss A/c                             | 200000         | 250000         |
| c.        | Money received against share warrants           |                |                |
| 2.        | Share Application Money pending allotment       |                |                |
| 3.        | Non-Current Liabilities:                        |                |                |
| a.        | Long-term borrowings                            |                |                |
| b.        | Deferred Tax liability (Net)                    |                |                |
| c.        | Other long term liabilities                     |                |                |
| d.        | Long-term provisions                            |                |                |
| 4.        | Current liabilities:                            |                |                |
| a.        | Short-term borrowings                           |                |                |
| b.        | Trade payables                                  |                |                |
|           | Creditors                                       | 250000         | 230000         |
| c.        | Other current liabilities                       |                |                |
|           | Bank Overdraft                                  | -              | 100000         |
|           | Outstanding expenses                            | 10000          | 8000           |
| d.        | Short-term provisions: Provision for income tax | 100000         | 120000         |
|           | <b>Total</b>                                    | <b>1060000</b> | <b>1258000</b> |
| <b>II</b> | <b>ASSETS</b>                                   |                |                |
| <b>1</b>  | <b>Non-Current Assets:</b>                      |                |                |
| a.        | Fixed Assets                                    |                |                |
| 1.        | Tangible Assets                                 |                |                |

|           |   |                |                |
|-----------|---|----------------|----------------|
|           | Land and Buildings                        | 270000         | -              |
|           | Land and Buildings at market price        | -              | 330000         |
|           | Machinery Less: provision of depreciation | 180000         | 460000         |
|           | Furniture                                 | -              | 33000          |
| 2.        | Intangible Assets                         |                |                |
| b.        | Non-Current Investments                   | 140000         | 160000         |
| c.        | Long-term loans & Advances                |                |                |
| d.        | Other Non-Current Assets                  |                |                |
| <b>2.</b> | <b>Current Assets:</b>                    |                |                |
| a.        | Current investments                       |                |                |
| b.        | Inventories                               | 260000         | 100000         |
| c.        | Trade receivable                          |                |                |
|           | Debtors                                   | 180000         | 150000         |
| d.        | Cash and cash equivalents                 |                |                |
|           | Cash & Bank                               | 30000          | 25000          |
| e.        | Short-term loans and advances             |                |                |
| f.        | Other Current Assets                      |                |                |
|           | <b>Total</b>                              | <b>1060000</b> | <b>1258000</b> |

Statement of Profit and Loss Account for the year ended 31.3.2011

| Particulars  | Rs.            |
|--|----------------|
| Sales  | 3045000        |
| Less: Cost of goods sold and administrative, selling and finance expenses (including provision for depreciation of Rs. 50000 on machinery) | <u>2890000</u> |
|  | 155000         |
| Add: Profit from sales of machinery (cost price of sold machinery is Rs. 90000)  | <u>15000</u>   |
|  | 170000         |
| Add: Profit from re-valuation of Land and Building   | <u>60000</u>   |
|  | 230000         |
| Less: Loss from the sale of investments (cost price of sold investments of Rs. 70000)  | <u>10000</u>   |
|  | 220000         |
| Less: Provision for Income tax   | <u>110000</u>  |
|  | 110000         |
| Add: Balance of previous year  | <u>200000</u>  |
|  | 310000         |
| Less: Dividend paid  | <u>60000</u>   |
| Balance carried forward  | <u>250000</u>  |

Accumulated depreciations on machinery are as under:

On 1.4.2010 Rs.130000

On 31.3.2011 Rs. 125000

Prepare

1. Statement showing changes in working capital
2. Statement of sources and application of fund for the year ended on 31.3.2011.

(February March 2012)

Ans.

### Schedule of Changes in Working Capital

| Particulars                            | 31.03.10      | 31.03.11      | Changes in Working Capital |               |
|--|---------------|---------------|----------------------------|---------------|
|  | Rs.           | Rs.           | Increase Rs.               | Decrease Rs.  |
| <b>Current Assets:</b>                 |               |               |                            |               |
| Debtors                                | 180000        | 150000        | -                          | 30000         |
| Stock                                  | 260000        | 100000        | -                          | 160000        |
| Cash                                   | 30000         | 25000         | -                          | 5000          |
| <b>Total Current Assets (A)</b>        | <b>470000</b> | <b>275000</b> |                            |               |
| <b>Total Current Liabilities</b>       |               |               |                            |               |
| Creditors                              | 250000        | 230000        | 20000                      | -             |
| Bank Overdraft                         | -             | 100000        | -                          | 100000        |
| Outstanding expenses                   | 10000         | 8000          | 2000                       | -             |
| <b>Total Current Liabilities (B)</b>   | <b>260000</b> | <b>338000</b> |                            |               |
| <b>Working Capital (A-B)</b>           | <b>210000</b> | <b>-63000</b> |                            |               |
| <b>Decrease in Working Capital (?)</b> |               | <b>273000</b> | <b>273000</b>              |               |
|  | <u>210000</u> | <u>210000</u> | <u>295000</u>              | <u>295000</u> |

### Machinery Account

| Particulars                     | Rs.           | Particulars                       | Rs.          |
|---------------------------------|---------------|-----------------------------------|--------------|
| Opening Balance(180000 +130000) | 310000        | Depreciation Account              | 55000        |
| Profit & Loss Account           | 15000         | Bank Account                      | 50000        |
| <b>Bank Account</b>             | <b>365000</b> | Closing Balance (460000 + 125000) | 585000       |
|                                 | <u>78000</u>  |                                   | <u>78000</u> |

### Depreciation Fund Account (Machinery)

| Particulars              | Rs.           | Particulars                            | Rs.           |
|--------------------------|---------------|--|---------------|
| <b>Machinery Account</b> | <b>55000</b>  | Opening Balance                        | 13000         |
| Closing Balance          | 125000        | Profit & Loss A/c. (current year dep.) | 50000         |
|                          | <u>180000</u> |  | <u>180000</u> |

### Investment Account

| Particulars     | Rs.    | Particulars        | Rs.   |
|-----------------|--------|--------------------|-------|
| Opening Balance | 140000 | Bank Account       | 60000 |
| Bank Account    | 90000  | Profit & Loss A/c. | 10000 |

|  |               |                 |               |
|--|---------------|-----------------|---------------|
|  |               | Closing Balance | 160000        |
|  | <u>230000</u> |                 | <u>230000</u> |

### Provision for Income tax Account

|                 |               |                             |               |
|-----------------|---------------|-----------------------------|---------------|
| Particulars     | Rs.           | Particulars                 | Rs.           |
| Bank Account    | 90000         | Opening Balance             | 100000        |
| Closing Balance | 120000        | <b>Profit and Loss A/c.</b> | <b>110000</b> |
|                 | <u>210000</u> |                             | <u>210000</u> |

### Profit and Loss Account

|                           |               |                           |               |
|---------------------------|---------------|---------------------------|---------------|
| Particulars               | Rs.           | Particulars               | Rs.           |
| Depreciation on Machinery | 50000         | Opening Balance           | 200000        |
| Loss on Investment        | 10000         | Profit on Machinery       | 15000         |
| Provision for income tax  | 110000        | Profit on Land & Building | 60000         |
| Dividend                  | 60000         | <b>Adjusted Profit</b>    | <b>205000</b> |
| Closing Balance           | 250000        |                           |               |
|                           | <u>480000</u> |                           | <u>480000</u> |

### Fund Flow Statement

| Sources of funds              | Sources of funds | Rs.    | Rs.    |
|-------------------------------|------------------|--------|--------|
| Issue of Equity Share Capital |                  | 50000  |        |
| Adjusted Profit               |                  | 205000 |        |
| Decrease in Working Capital   |                  | 273000 |        |
| Sale of Plant                 |                  | 50000  |        |
| Sale of Investment            |                  | 60000  | 638000 |
| <b>Application of Funds</b>   |                  |        |        |
| Purchases of Machinery        |                  | 365000 |        |
| Purchases of Investment       |                  | 90000  |        |
| Purchases of Furniture        |                  | 33000  |        |
| Tax paid                      |                  | 90000  |        |
| Dividend                      |                  | 60000  | 638000 |

Q.2 Following are the extract from the balance sheet of Adararsh Co. Ltd.

| Particulars                      | 31.3.11 | 31.3.12 |
|----------------------------------|---------|---------|
| Profit and Loss Account (credit) | 1750000 | 2800000 |
| Provision for taxation           | 350000  | 525000  |
| Proposed dividend                | 175000  | 350000  |

Additional Information:

1. During the year tax was paid for Rs. 87500.
2. During the year dividend for the year 2010-11 was paid Rs. 35000

Calculate funds from business operations.

(February March 2013)

Ans.

### Provision for Income tax Account

| Particulars     | Rs.           | Particulars                 | Rs.           |
|-----------------|---------------|-----------------------------|---------------|
| Bank Account    | 87500         | Opening Balance             | 350000        |
| Closing Balance | 525000        | <b>Profit and Loss A/c.</b> | <b>262500</b> |
|                 | <u>612500</u> |                             | <u>612500</u> |

### Proposed Dividend Account

| Particulars     | Rs.           | Particulars                 | Rs.           |
|-----------------|---------------|-----------------------------|---------------|
| Bank Account    | 35000         | Opening Balance             | 175000        |
| Closing Balance | 350000        | <b>Profit and Loss A/c.</b> | <b>210000</b> |
|                 | <u>385000</u> |                             | <u>385000</u> |

### Adjusted Profit and Loss Account

| Particulars              | Rs.             | Particulars            | Rs.             |
|--------------------------|-----------------|------------------------|-----------------|
| Provision for income tax | 262500          | Opening Balance        | 1750000         |
| Proposed Dividend        | 210000          | <b>Adjusted Profit</b> | <b>1522500</b>  |
| Closing Balance          | 2800000         |                        |                 |
|                          | <u>32725000</u> |                        | <u>32725000</u> |

Funds from business operations: 1522500

Q.3 Prepare a fund flow statement from the following balance sheets and other information of Meet Ltd.

|          | Particulars  | 31.03.2011 | 31.03.2012 |
|----------|--|------------|------------|
| <b>I</b> | <b>EQUITY AND LIABILITIES</b>                          |            |            |
|          | 1. Shareholders' Funds:                                |            |            |
|          | a. Share Capital                                       |            |            |
|          | Equity Share capital                                   | 600000     | 800000     |
|          | 12% preference share capital                           | 200000     | 100000     |
|          | b. Reserves and Surplus                                |            |            |
|          | Reserves   | 52000      | 70000      |
|          | Securities premium                                     | 10000      | 30000      |
|          | Profit and Loss A/c                                    | 175000     | 150000     |
|          | c. Money received against share warrants               |            |            |
|          | 2. Share Application Money pending allotment           |            |            |
|          | 3. Non-Current Liabilities:                            |            |            |
|          | a. Long-term borrowings: 6% Debentures                 | 125000     | 100000     |
|          | b. Deferred Tax liability (Net)                        |            |            |
|          | c. Other long term liabilities                         |            |            |
|          | d. Long-term provisions                                |            |            |
|          | 4. Current liabilities:                                |            |            |
|          | a. Short-term borrowings                               |            |            |
|          | b. Trade payables                                      |            |            |
|          | Sundry Creditors                                       | 102000     | 133000     |
|          | c. Other current liabilities : Interim Dividend unpaid | -          | 2000       |
|          | d. Short-term provisions:                              |            |            |

|           |           |   |                |                |
|-----------|-----------|---|----------------|----------------|
|           |           | Provision for income tax                        | 38000          | 48000          |
|           |           | <b>Total</b>                                    | <b>1302000</b> | <b>1433000</b> |
| <b>II</b> |           | <b>ASSETS</b>                                   |                |                |
|           | <b>1</b>  | <b>Non-Current Assets:</b>                      |                |                |
|           | a.        | Fixed Assets                                    |                |                |
|           | 1.        | Tangible Assets                                 |                |                |
|           |           | Land and Buildings                              | 202000         | 216000         |
|           |           | Plant and Machinery                             | 420000         | 510000         |
|           | 2.        | Intangible Assets : Goodwill                    | 85000          | 80000          |
|           |           | Patent  | 30000          | 24000          |
|           | b.        | Non-Current Investments                         | 100000         | 75000          |
|           | c.        | Long-term loans & Advances                      |                |                |
|           | d.        | Other Non-Current Assets                        |                |                |
|           |           | Debenture Discount                              | 6000           | 5000           |
|           | <b>2.</b> | <b>Current Assets:</b>                          |                |                |
|           | a.        | Current investments                             |                |                |
|           | b.        | Inventories                                     | 285000         | 337000         |
|           | c.        | Trade receivable                                |                |                |
|           |           | Debtors   | 130800         | 146400         |
|           | d.        | Cash and cash equivalents                       |                |                |
|           | e.        | Short-term loans and advances: Prepaid expenses | 3200           | 4600           |
|           |           | Advance Income tax                              | 40000          | 35000          |
|           | f.        | Other Current Assets                            |                |                |
|           |           | <b>Total</b>                                    | <b>1302000</b> | <b>1433000</b> |

Additional Information:

1. Preference share redemption was carried out on 31<sup>st</sup> March 2012.
2. Dividend 12% p.a. was paid on preference share and interim dividend on equity share Rs. 43,000 was paid in the year 2011-12.
3. Depreciation of Rs. 26,000 and Rs. 79,000 has been provided on land and building and plant respectively in the year 2011-12.
4. Plant costing Rs. 60,000 purchased on 1<sup>st</sup> April 2009 depreciated by 20% (on W.D.V.) was sold on 1st April 2011 for Rs. 30,000.
5. Investments having Book-value Rs. 57,000 sold for Rs. 49,000.
6. Income tax assessment for the year ended 31st March 2011 has completed on June 2011 for a gross demand of Rs. 45,000. The Balance amount of demand after adjusting advance tax (2010-11) was paid on June 2011.

(February March 2013)

#### Schedule of Changes in Working Capital

| Particulars               | 31.03.11<br>Rs. | 31.03.12<br>Rs. | Changes in Working Capital |              |
|---------------------------|-----------------|-----------------|----------------------------|--------------|
|                           |                 |                 | Increase Rs.               | Decrease Rs. |
| Current Assets:           |                 |                 |                            |              |
| Stock                     | 285000          | 337000          | 52000                      | -            |
| Debtors                   | 130800          | 146400          | 15600                      | -            |
| Prepaid expenses          | 3200            | 4600            | 1400                       |              |
| Total Current Assets (A)  | 419000          | 488000          |                            |              |
| Total Current Liabilities |                 |                 |                            |              |

|  |               |               |              |              |
|--|---------------|---------------|--------------|--------------|
| Creditors                              | 102000        | 133000        | -            | 31000        |
| Total Current Liabilities (B)          | 102000        | 133000        |              |              |
| Working Capital (A-B)                  | 317000        | 355000        |              |              |
| <b>Increase in Working Capital (?)</b> | <b>38000</b>  |               |              | <b>38000</b> |
|  | <u>355000</u> | <u>355000</u> | <u>69000</u> | <u>69000</u> |

#### Machinery Account

| Particulars         | Rs.           | Particulars                  | Rs.           |
|---------------------|---------------|------------------------------|---------------|
| Opening Balance     | 420000        | Bank Account                 | 30000         |
|                     |               | Profit & Loss A/c.           | 8400          |
| <b>Bank Account</b> | <b>207400</b> | Profit & Loss Account (dep.) | 79000         |
|                     |               | Closing Balance              | 510000        |
|                     | <u>627400</u> |                              | <u>627400</u> |

#### Preference share capital Account

| Particulars     | Rs.           | Particulars     | Rs.           |
|-----------------|---------------|-----------------|---------------|
| Bank Account    | 100000        | Opening Balance | 200000        |
| Closing Balance | 100000        |                 |               |
|                 | <u>120000</u> |                 | <u>120000</u> |

#### Provision for Income tax Account

| Particulars                | Rs.          | Particulars                 | Rs.          |
|----------------------------|--------------|-----------------------------|--------------|
| Advance Income Tax Account | 40000        | Opening Balance             | 38000        |
| Bank Account               | 5000         |                             |              |
| Closing Balance            | 48000        | <b>Profit and Loss A/c.</b> | <b>55000</b> |
|                            | <u>93000</u> |                             | <u>93000</u> |

#### Advance Income Tax Account

| Particulars         | Rs.          | Particulars                      | Rs.          |
|---------------------|--------------|----------------------------------|--------------|
| Opening Balance     | 40000        | Provision for Income tax Account | 40000        |
| <b>Bank Account</b> | <b>35000</b> | Closing Balance                  | 35000        |
|                     | <u>75000</u> |                                  | <u>75000</u> |

#### Land & Building Account

| Particulars         | Rs.           | Particulars                  | Rs.           |
|---------------------|---------------|------------------------------|---------------|
| Opening Balance     | 202000        | Profit & Loss Account (dep.) | 26000         |
| <b>Bank Account</b> | <b>40000</b>  | Closing Balance              | 216000        |
|                     | <u>242000</u> |                              | <u>242000</u> |

#### Investment Account

| Particulars         | Rs.           | Particulars                  | Rs.           |
|---------------------|---------------|------------------------------|---------------|
| Opening Balance     | 100000        | Bank Account                 | 49000         |
|                     |               | Profit & Loss Account (loss) | 8000          |
| <b>Bank Account</b> | <b>32000</b>  | Closing Balance              | 75000         |
|                     | <u>132000</u> |                              | <u>132000</u> |

#### Unpaid Interim Dividend Account

| Particulars     | Rs.  | Particulars                      | Rs.         |
|-----------------|------|----------------------------------|-------------|
|                 |      | Opening Balance                  | -           |
| Closing Balance | 2000 | <b>Profit &amp; Loss Account</b> | <b>2000</b> |

|  |             |  |             |
|--|-------------|--|-------------|
|  | <u>2000</u> |  | <u>2000</u> |
|--|-------------|--|-------------|

### Profit and Loss Account

| Particulars                  | Rs.           | Particulars            | Rs.           |
|------------------------------|---------------|------------------------|---------------|
| Loss on plant                | 8400          | Opening Balance        | 175000        |
| Provision for income tax     | 55000         |                        |               |
| Interim dividend(43000+2000) | 45000         |                        |               |
| Preference dividend          | 24000         |                        |               |
| Goodwill written off         | 5000          | <b>Adjusted Profit</b> | <b>250400</b> |
| Patent written off           | 6000          |                        |               |
| Depreciation – Machinery     | 79000         |                        |               |
| Depreciation – Land          | 26000         |                        |               |
| Loss on investment           | 8000          |                        |               |
| Reserves                     | 18000         |                        |               |
| Deb. discount written off    | 1000          |                        |               |
| Closing Balance              | 150000        |                        |               |
|                              | <u>425400</u> |                        | <u>425400</u> |

### Fund Flow Statement

| Sources of funds              | Rs.    | Rs.    |
|-------------------------------|--------|--------|
| Issue of Equity Share Capital | 220000 |        |
| Adjusted Profit               | 250400 |        |
| Sale of Plant                 | 30000  |        |
| Sale of Investment            | 49000  | 549400 |
| <b>Application of Funds</b>   |        |        |
| Increase in working capital   | 38000  |        |
| Purchases of Machinery        | 207400 |        |
| Purchases of Land             | 40000  |        |
| Purchases of Investment       | 32000  |        |
| Payment to pref. share holder | 100000 |        |
| Tax paid (35000 +5000)        | 40000  |        |
| Payment to Debenture holder   | 25000  |        |
| Interim Dividend              | 43000  |        |
| Preference dividend           | 24000  | 549400 |

#### Calculation: Plant

|                                    |       |
|------------------------------------|-------|
| 1.4.09                             | 60000 |
| Depreciation (1.4.09 to 31.3.2010) | 12000 |
|                                    | 48000 |
| Depreciation (1.4.10 to 31.3.2011) | 9600  |
|                                    | 38400 |
| Sales                              | 30000 |
| Loss                               | 8400  |

Q.4 From the following particulars of a sole traders, prepare fund flow statement.

|         | April 1m 2014 | April 1, 2015 |
|---------|---------------|---------------|
| Cash    | 40,000        | 36,000        |
| Debtors | 3,50,000      | 3,84,000      |
| Stock   | 2,50,000      | 2,20,000      |

|                       |           |           |
|-----------------------|-----------|-----------|
| Land                  | 2,00,000  | 3,00,000  |
| Buildings             | 5,00,000  | 5,50,000  |
| Machinery             | 800,000   | 8,60,000  |
|                       |           |           |
| Creditors             | 3,60,000  | 4,10,000  |
| Bank Loan( long term) | 3,00,000  | 4,50,000  |
| Capital               | 14,80,000 | 14,90,000 |

During the year drawing by the proprietor for personal use amounted Rs.260000. Provision for depreciation on machinery stood at Rs. 270000 on April 1<sup>st</sup> 2014 and Rs.360000 on March 31<sup>st</sup> 2015.

(M.A.2015)

Ans.

### Schedule of Changes in Working Capital

| Particulars                            | 1.4.13<br>Rs. | 1.4.14<br>Rs. | Changes in Working Capital |              |
|--|---------------|---------------|----------------------------|--------------|
|  |               |               | Increase Rs.               | Decrease Rs. |
| Current Assets:                        |               |               |                            |              |
| Stock                                  | 250000        | 220000        | -                          | 30000        |
| Debtors                                | 350000        | 384000        | 34000                      | -            |
| Cash                                   | 40000         | 36000         | -                          | 4000         |
| Total Current Assets (A)               | 640000        | 640000        |                            |              |
| Total Current Liabilities              |               |               |                            |              |
| Creditors                              | 360000        | 410000        | -                          | 50000        |
| Total Current Liabilities (B)          | 360000        | 410000        |                            |              |
| Working Capital (A-B)                  | 280000        | 230000        |                            |              |
| <b>Decrease in Working Capital (?)</b> |               | <b>50000</b>  | <b>50000</b>               |              |
|  | <u>355000</u> | <u>355000</u> | <u>84000</u>               | <u>84000</u> |

### Machinery Account

| Particulars         | Rs.           | Particulars     | Rs.           |
|---------------------|---------------|-----------------|---------------|
| Opening Balance     | 800000        |                 |               |
| <b>Bank Account</b> | <b>60000</b>  | Closing Balance | 860000        |
|                     | <u>860000</u> |                 | <u>860000</u> |

### Depreciation Fund Account

| Particulars     | Rs.           | Particulars                      | Rs.           |
|-----------------|---------------|----------------------------------|---------------|
|                 |               | Opening Balance                  | 270000        |
| Closing Balance | 360000        | <b>Profit &amp; Loss Account</b> | <b>90000</b>  |
|                 | <u>360000</u> |                                  | <u>360000</u> |

### Capital Account

| Particulars     | Rs.            | Particulars     | Rs.            |
|-----------------|----------------|-----------------|----------------|
| Drawing         | 260000         | Opening Balance | 1480000        |
| Closing Balance | 1490000        | <b>Profit</b>   | <b>270000</b>  |
|                 | <u>1750000</u> |                 | <u>1750000</u> |

### Fund Flow Statement

| Sources of funds | Sources of funds | Rs.    | Rs. |
|------------------|------------------|--------|-----|
| Bank loan        |                  | 150000 |     |
| Profit           |                  | 270000 |     |

|                             |        |        |
|-----------------------------|--------|--------|
| Decrease in working capital | 50000  | 470000 |
| <b>Application of Funds</b> |        |        |
| Purchase of land            | 100000 |        |
| Purchase of Building        | 50000  |        |
| Purchase of Machinery       | 60000  |        |
| Drawing                     | 260000 | 470000 |

Q.5 Find out funds from the following Balance sheets of Panth Ltd.

|  |         |         |
|--|---------|---------|
|  | 31.3.15 | 31.3.14 |
| Fixed assets                               | 66000   | 3000000 |
| Provision for depreciation on fixed assets | 1800000 | 600000  |
| Convertible debenture (Rs.10)              | 351000  | 300000  |
| Debenture Discount                         | 3000    | -       |

Additional Information:

1. All the fixed assets sold with the profit of Rs. 1200000 at the beginning of the year.
2. During the current year some convertible debentures issued at 2.5% discount and some convertible debentures of Rs. 10 converted into equity share at 10% premium, 1/5 of the debenture discount was written off during the year.
3. Net Profit of the current year is Rs. 400250.

(M.A.2015)

Ans.

**Fixed Asset Account**

| Particulars           | Rs.            | Particulars     | Rs.            |
|-----------------------|----------------|-----------------|----------------|
| Opening Balance       | 3000000        | Bank Account    | 4200000        |
| Profit & loss Account | 1200000        |                 |                |
| <b>Bank Account</b>   | <b>66000</b>   | Closing Balance | 66000          |
|                       | <u>4266000</u> |                 | <u>4266000</u> |

**Depreciation Fund Account**

| Particulars     | Rs.            | Particulars                      | Rs.            |
|-----------------|----------------|----------------------------------|----------------|
|                 |                | Opening Balance                  | 600000         |
| Closing Balance | 1800000        | <b>Profit &amp; Loss Account</b> | <b>1200000</b> |
|                 | <u>1800000</u> |                                  | <u>1800000</u> |

**Debenture Account**

| Particulars                  | Rs.           | Particulars             | Rs.           |
|------------------------------|---------------|-------------------------|---------------|
| Equity share Account         | 90000         | Opening Balance         | 300000        |
| Equity share premium Account | 9000          | Bank Account            | 146250        |
| Closing Balance              | 351000        | Debenture Discount A/c. | 3750          |
|                              | <u>450000</u> |                         | <u>450000</u> |

**Debenture Discount Account**

| Particulars         | Rs.         | Particulars           | Rs.  |
|---------------------|-------------|-----------------------|------|
| Opening Balance     | -           | Profit & Loss Account | 750  |
| <b>Bank Account</b> | <b>3750</b> | Closing Balance       | 3000 |

|  |                |  |                |
|--|----------------|--|----------------|
|  | <u>4266000</u> |  | <u>4266000</u> |
|--|----------------|--|----------------|

### Profit and Loss Account

| Particulars           | Rs.            | Particulars            | Rs.            |
|-----------------------|----------------|------------------------|----------------|
| Depreciation          | 1200000        | Profit on Fixed Assets | 1200000        |
| Discount on Debenture | 750            |                        |                |
| Net Profit            | 400250         | <b>Adjusted Profit</b> | <b>401000</b>  |
|                       | <u>1601000</u> |                        | <u>1601000</u> |

### Fund Flow Statement

| Sources of funds            | Rs. | Rs.     |
|-----------------------------|-----|---------|
| Sales of Fixed Assets       |     | 4200000 |
| Adjusted Profit             |     | 401000  |
| Issue of Debenture          |     | 146250  |
|                             |     |         |
| <b>Application of Funds</b> |     |         |
| Purchase of Fixed Assets    |     | 66000   |

Calculation:

Suppose Debenture Discount  
 Written off  $\frac{1}{5}$   
 Closing balance  $\frac{4}{5}$

Closing balance written off  
 $\frac{4}{5}$   $\frac{1}{5}$   
 3000 ?

So written off debenture discount Rs. 750

Closing balance Deb. Discount  
 $\frac{4}{5}$  1  
 3000 ?  
 Debenture Discount 3750

Suppose issue of debenture 100  
 Debenture discount  $\frac{2.5}{100}$

Debenture discount debenture issue  
 2.5 100  
 3750 ?

Issue of Debenture Rs. 150000  
 - Deb. Discount  $\frac{3750}{150000}$   
 Bank Account 146250