Solutions to RSPL/3

1. New share = Old share + Acquired gaining share

A's new share = $\frac{4}{10}$ $= \frac{4}{10}$

B's new share = $\frac{3}{10} + \frac{1}{10}$ (i.e. $\frac{1}{2}$ of $\frac{2}{10}$) $= \frac{4}{10}$

D's new share = $\frac{1}{10} + \frac{1}{10}\left(\text{i.e. } \frac{1}{2} \text{ of } \frac{2}{10}\right) = \frac{2}{10}$

New profit sharing between A, B and D $= \frac{4}{10} : \frac{4}{10} : \frac{2}{10}$ = 4 : 4 : 2 or 2 : 2 : 1.

2.

Basis	Partner's Loan A/c	Partner's Capital A/c
Interest	In the absence of partnership deed, interest on partner's loan paid @ 6% p.a. or at an agreed rate.	In the absence of partnership deed interest on partner's capital will not be allowed.

3. Workmen's compensation fund, being remaining undistributed profits, is transferred to partner's capital/current accounts in their profit sharing ratio.

4. A company can reissue its forfeited shares at minimum price face value of share minus amount credited to share forfeiture account.

5. No, change in profit sharing ratio does not amount to dissolution of partnership. In such a case, the firm continues and it amounts to the reconstitution of partnership.

6. As per rule 18 (7) of the Companies Act, 2013 deposit or investment which shall not be less than 15% of amount of its debentures to be redeemed during the year ending 31st March of the next year.

7. **Balance Sheet of Pinnacle Instruments Ltd. (An extract)**

as at 31st March, 2016

Particulars	Note No.	Amount (₹)
I EQUITY AND LIABILITIES		
1. Shareholders Funds		
(a) Share Capital.	1	10,92,000

Notes to Accounts:

Particulars	Amount (₹)
1. Share Capital	
Authorised Capital:-	
20,000 Equity Shares of ₹ 100 each	20,00,000
Issued Capital	
15,000 Equity Shares of ₹ 100 each	
(Above 5,000 equity shares issued for consideration other than cash)	15,00,000

Subscribed Capital.	
Subscribed and fully paid up.	
5,000 equity shares of ₹ 100 each for consideration other than cash	5,00,000
Subscribed but not fully paid	
10,000 equity shares of ₹ 100, called up ₹ 60 each 6,00,000	
Less: Calls in arrears 8,000	5,92,0000
	10,92,000

8. **Journal**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	X's Capital A/c	Dr.		40,000	
	Y's Capital A/c	Dr.		**30,000**	
	Z's Capital A/c	Dr.		**20,000**	
	To Goodwill A/c				**9,000**
	(For existing goodwill written off)				
	X's Capital A/c	Dr.		**24,000**	
	Z's Capital A/c	Dr.		12,000	
	To Y's Capital A/c				**36,000**
	(For Y's share of goodwill adjusted between partners)				
	X's Capital A/c	Dr.		**10,000**	
	Z's Capital A/c	Dr.		**5,000**	
	To Y's Capital A/c				15,000
	(For Y's share of general reserve provided to him. General reserve will remain as it is in the books).				

Working Note: Calculation of gaining ratio:-

Gaining ratio = New ratio – Old ratio

X's gain = $\frac{2}{3} - \frac{4}{9} = \frac{6-4}{9} = \frac{2}{9}$

Z's gain = $\frac{1}{3} - \frac{2}{9} = \frac{3-2}{9} = \frac{1}{9}$

Gaining ratio between X and Z = 2 : 1.

9. **Journal of Ashwani Ltd.**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2015-16	Bank A/c	Dr.		6,00,000	
(a)	To Bank Loan A/c				6,00,000
	(For loan taken from bank against collateral security)				
	Debenture Suspense A/c	Dr.		9,00,000	
	To 10% Debentures A/c				9,00,000
	(For 9,000 debentures of ₹100 issued as collateral security)				
(b)	Machinery A/c	Dr.		2,16,000	
	To Vendor's A/c				2,16,000
	(For purchase of machinery on credit)				
	Vendor's A/c	Dr.		2,16,000	
	Discount on Issue of Debentures A/c	Dr.		24,000	
	To 10% Debentures A/c				2,40,000
	(For issue of 2,400 debentures of ₹ 100 each at a discount of 10% for consideration other than cash)				

10. **Journal of TPE Ltd.**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c	Dr.		6,30,000	
	To Debenture application and allotment A/c				6,30,000
	(Being application money received)				
2.	Debenture application and allotment A/c	Dr.		6,30,000	
	Loss on issue of Debenture A/c	Dr.		60,000	
	To 10% Debenture				6,00,000
	To Securities Premium Reserve A/c				30,000
	To Premium on redemption of debenture A/c				60,000
	(Being 6,000 10% debentures of ₹ 100 each issued at a premium of 5% redeemable at a premium of 10%)				

Values conveyed:

(a) Employment generation for youth.

(b) Development of backward areas.

11. **Profit and Loss Appropriation Account**

Dr. *for the year ended 31st March, 2016* **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Interest on Capital A/c			By Net profit as per P & L A/c	80,000
Rohit's (6% of ₹ 1,20,000)	7,200			
Ali (6% of ₹ 1,00,000)	6,000			
Sneh's (6% of ₹ 1,00,000)	6,000	19,200		
To Sneh's Salary (₹ 500 × 12)		6,000		
To Divisible Profit c/d		54,800		
		80,000		**80,000**
To Rohit's Capital A/c usual share of profit (2/5)	21,920		By Divisible Profit b/d	54,800
Less: Transfer to Sneh's Capital A/c	(1,040)	20,880		
To Ali's Capital A/c usual share of profit (2/5)		21,920		
To Sneh's Capital A/c usual share of profit (1/5)	10,960			
Add: Transfer from Rohit's Capital	1,040	12,000		
		54,800		**54,800**

Working notes:

	₹
Sneh's Share of Profit	10,960
Add: Interest on Capital	6,000
	16,960
Less: Guaranteed Profit	(18,000)
Deficiency	1,040

12. **Journal Entries**

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Rakesh's Loan A/c	Dr.		9,000	
	Realisation A/c	Dr.		200	
	To Bank A/c				9,200
	(For Rakesh's Loan ₹ 9,000 discharged at ₹ 9,200)				

(ii)	Mudit's Capital A/c (₹ 36,000 – ₹ 7,200) Dr.		28,800	
	Vanash Capital A/c (₹ 24,000 + ₹ 2,400) Dr.		26,400	
	To Realisation A./c			55,200
	(For furniture taken over by partners)			
(iii)	Rakesh's Capital A/c Dr.		8,000	
	To Bank A/c			8,000
	(For realisation expenses paid by the firm on behalf of Rakesh)			
(iv)	Realisation A/c Dr.		1,700	
	To Bank A/c			1,700
	(For balance amount paid to creditors)			

13. Calculation of Sacrifice/gain of partners.

Sacrifice/gain share = Old share – New share

$A = \frac{3}{6} - \frac{1}{3} = \frac{3-2}{6} = \frac{1}{6}$ (Sacrifice)

$B = \frac{2}{6} - \frac{1}{3} = \frac{2-2}{6} = \frac{0}{6}$ (No Sacrifice)

$C = \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = \left(-\frac{1}{6}\right)$ (Gain)

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	C's Capital A/c (1/6 of ₹ 23,400) Dr.		3,900	
	To A's Capital A/c (1/6 of ₹ 23,400)			3,900
	(For adjustment of general reserve)			
	Profit and Loss A/c Dr.		4,800	
	To A's Capital A/c			2,400
	To B's Capital A/c			1,600
	To C's Capital A/c			800
	(For transfer of profit and loss a/c to partner's capital a/cs in 3 : 2 : 1 ratio)			
	Investment Fluctuation Fund A/c Dr.		12,600	
	To Investment A/c			6,000
	To A's Capital A/c			3,300
	To B's Capital A/c			2,200
	To C's Capital A/c			1,100
	(For required specific fund transferred to investment a/c and excess transferred to partners capital a/cs in 3 : 2 : 1 ratio)			

	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Goodwill A/c (For existing goodwill written off in 3 : 2 : 1 ratio)		9,000 6,000 3,000	 18,000
	C's Capital A/c (1/6 of ₹ 24,000) Dr. To A's Capital A/c (1/6 of ₹ 24,000) (For adjustment of goodwill valued)		4,000	 4,000
	Land and Building A/c Dr. To Revaluation A/c (Being increased in the value of land and building)		30,000	 30,000
	Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Being profit on revaluation transferred)		30,000	 15,000 10,000 5,000
	A's Capital A/c Dr. To C's Capital A/c (Being advertisement suspense adjusted)		1,450	 1,450

14. (a) Journal of Ali Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Machinery A/c Dr. To Ayan Ltd A/c (Being machinery purchased)		1,18,750	 1,18,750
	Ayan Ltd A/c Dr. Discount on issue of Debentures A/c Dr. To 6% Debentures A/c (Being 1250, 6% Debentures of ₹ 100 each issued at a discount of 5% for consideration other than cash)		1,18,750 6,250	 1,25,000

(b) Journal of Y Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Own Debentures A/c Dr. To Bank A/c (Being 1000 own debentures purchased for ₹ 97 each)		97,000	 97,000

	12% Debentures A/c Dr.		1,00,000	
	Premium on redemption of Debenture A/c Dr.		5,000	
	To Own Debentures A/c			97,000
	To Gain on cancellation of own debentures			8,000
	(Being own debentures cancelled)			
	Gain on cancellation own debentures A/c Dr.		8,000	
	To Capital Reserve			8,000
	(Being profit on cancellation transferred)			

15. Calculation of Sacrifice/gaining share of partners'.

Sacrifice/gain share = Old share – New share

Deepak = $\frac{4}{10} - \frac{5}{10} = \left(-\frac{1}{10}\right)$ (Gain)

Esha = $\frac{3}{10} - \frac{3}{10} = \frac{0}{0}$ (No Gain/Sacrifice)

Fazal = $\frac{2}{10} - \frac{1}{10} = \frac{1}{10}$ (Sacrifice)

Gagan = $\frac{1}{10} - \frac{0}{0} = \frac{1}{10}$ (Sacrifice)

Heena = $\frac{0}{6} - \frac{1}{10} = \left(-\frac{1}{10}\right)$ (Gain)

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2016 April 01	Bank A/c Dr.		2,00,000	
	To Heena's Capital A/c			2,00,000
	(For amount of Capital brought on cash)			
	Heena's Capital A/c (1/10 of ₹ 1,50,000) Dr.		15,000	
	Deepak's Capital A/c (1/10 of ₹ 1,50,000) Dr.		15,000	
	To Fazal's Capital A/c (1/10 of ₹ 1,50,000)			15,000
	To Gagan's Capital A/c (1/10 of ₹ 1,50,000)			15,000
	(For gaining partner's compensated to sacrificing partners of their share of goodwill)			
2017 March 31	Deepak Capital A/c Dr.		18,000	
	Esha's Capital A/c Dr.		13,500	
	Fazal's Capital A/c Dr.		9,000	
	Gagan's Capital A/c Dr.		4,500	
	To Goodwill A/c			45,000
	(Being old goodwill written off)			

2017 March 31	Profit and Loss Appropriation A/c Dr. To Deepak's Capital A/c To Esha's Capital A/c To Fazal's Capital A/c To Heena's Capital A/c (Being profit distributed in new ratio)		4,00,000	2,00,000 1,20,000 40,000 40,000

16. **Journal of Bharat Ltd.**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c Dr. To Equity Share Application A/c (For share application money received)		9,00,000	9,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (For share appliation money adjusted)		9,00,000	6,00,000 3,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (For share Allotment money due)		10,00,000	10,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (For balance of share allotment money received ₹ 10,00,000 – ₹ 3,00,000 – ₹ 10,500)		6,89,500	6,89,500
	Equity Share Capital A/c (3,000 (s) × ₹ 8) Dr. To Equity Share Allotment A/c To Share Forfeiture A/c (For 3,000 shares forfeited)		24,000	10,500 13,500
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (For share call money due)		3,94,000	3,94,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (For share call money received)		3,94,000	3,94,000
	Bank A/c Dr. Share Forefeiture A/c Dr. To Equity Share Cpital A/c (For issue of ₹ 2,500 forfeited shares @ ₹ 8 per share)		20,000 5,000	25,000
	Share Forfeitures A/c Dr. To Capital Reserve A/c (For profit on reissue of forfeited shares transferred to capital reserve i.e. (₹ 13,500 ÷ 3000 (s) × 2500(s) = ₹ 11,250 – ₹ 5,000)		6,250	6,250

Working notes:

Calculation of amount received on allotment:–

Allotment due	10,00,000
Less: Allotment Money received with application	(3,00,000)
Net Allotment Money due for 2,00,000 shares	7,00,000
Less: Allotment money not received of 3,000 shares	
i.e., $\frac{₹\,7,00,000}{2,00,000(s)} \times 3,000(s)$	(10,500)
	6,89,500

Or

Journal of Sumeet Ltd.

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		3,00,000	
	To Equity Share Application A/c				3,00,000
	(For share application money received on 10,000 shares of ₹ 30 per share)				
	Equity Share Application A/c	Dr.		3,00,000	
	To Equity Share Capital A/c				3,00,000
	(For share application money adjusted)				
	Equity Share Allotment A/c	Dr.		4,00,000	3,00,000
	To Equity Share Capital A/c (10,000 (s) × ₹ 30)				1,00,000
	To Securities Premium Reserve A/c (₹ 10,000(s) × ₹ 10)				
	(For share allotment money due including premium)				
	Bank A/c	Dr.		3,84,000	3,80,000
	To Equity Share Allotment A/c				4,000
	To Calls-in-Advance A/c				
	(For share allotment a/c received except 500 shares and calls in advance received)				
	Equity Share Capital A/c (500(s) × ₹ 60)	Dr.		30,000	
	Securities Premium Reserve A/c (500(s) × ₹ 10)	Dr.		5,000	
	To Equity Share Allotment A/c				20,000
	To Share Forfeiture A/c				15,000
	(For shares forfeited)				
	Equity Share Final Call A/c	Dr.		3,80,000	
	To Equity Share Capital A/c				3,80,000
	(For share first and final call money due on 9,500 shares @ ₹ 40 per shares)				

	Bank A/c (9,400(s) × ₹ 40) Dr.		3,76,000	
	Calls in Advance (100(s) × ₹ 40) Dr.		4,000	
	To Equity Share First and Final Call A/c			3,80,000
	(For balance share call money received and calls-in-advance adjusted)			
	Bank A/c (200(s) × ₹ 90) Dr.		18,000	
	Share Forfeiture A/c (200(s) × ₹ 10) Dr.		2,000	
	To Equity Share Cpital A/c			20,000
	(For reissue of forfeited shares at a discount)			
	Share Forfeitures A/c Dr.		4,000	
	To Capital Reserve A/c			4,000
	(For profit on forfeited shares transferred to capital reserve i.e., ₹ 15,000 ÷ 500(s) × 200(s) – ₹ 2,000)			
	Share Issue Expenses A/c Dr.		14,000	
	To Bank A/c			14,000
	(For share issue expenses paid)			
31.03.16	Securities Premium Reserve A/c Dr.		14,000	
	To Share Issue Expenses A/c			14,000
	(For share issue expenses written off)			

17. (i) Calculation of Gaining Ratio

Gaining Ratio = New ratio – Old ratio

Ravina = $\frac{5}{9} - \frac{2}{6} = \frac{10-6}{18} = \frac{4}{18}$

Priya = $\frac{4}{9} - \frac{1}{6} = \frac{8-3}{18} = \frac{5}{18}$

Gaining ratio between Ravina and Priya = 4 : 5.

Dr. **Revaluation A/c** **Cr.**

Particulars	Amount (₹)	Particulars			Amount (₹)
To Land and Building A/c	12,000	By Creditors A/c			3,000
		By Capital A/c (Loss)			
		Neha	3/6	4,500	
		Ravina	2/6	3,000	
		Priya	1/6	1,500	9,000
	12,000				**12,000**

Dr. **Partners' Capital A/c** Cr.

Particulars	Neha (₹)	Ravina (₹)	Priya (₹)	Particulars	Neha (₹)	Ravina (₹)	Priya (₹)
To Neha's Capital A/c	–	12,000	15,000	By Balance b/d	79,000	70,000	61,000
To Revaluation A/c	4,500	3,000	1,500	By General Reserve	3,900	2,600	1,300
To Bank A/c	5,400	–	–	By Ravina's Capital A/c (4/9 of ₹ 27,000)	12,000	–	–
To Neha's Loan A/c	1,00,000	–	–				
To Balance c/d	–	57,600	45,800	By Priya's Capital A/c (5/9 of ₹ 27,000)	15,000	–	–
	1,09,900	**72,600**	**62,300**		**1,09,900**	**72,600**	**62,300**

Neha's Loan Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.03.16	To Bank A/c (₹ 50,000 + ₹ 10,000)	60,000	01.04.15	By Neha's Capital A/c	1,00,000
31.03.16	To Balance c/d	50,000	31.03.16	By Interest on Loan A/c (10% on ₹ 1,00,000)	10,000
		1,10,000			**1,10,000**
31.03.17	To Bank A/c	55,000	01.04.16	By Balance b/d	50,000
			31.03.17	By Interest on Loan A/c (10% on ₹ 50,000)	5,000
		55,000			**55,000**

Or

Dr. **Revaluation A/c** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Capital A/c (Profit)			By Provision for Bad Debts A/c	1,800
P 4/9	800			
Q 3/9	600			
R 2/9	400	1,800		
		1,800		**1,800**

Dr. **Partners' Capital A/c** **Cr.**

Particulars	P (₹)	Q (₹)	R (₹)	S (₹)	Particulars	P (₹)	Q (₹)	R (₹)	R (₹)
To Current A/c	11,200	8,400	5,600		By Balance b/d	40,000	30,000	20,000	–
To Balance c/d	38,400	28,800	19,200	10,800	By General Reserve	2,000	1,500	1,000	–
					By Workmen's Comp. Fund	2,400	1,800	1,200	–
					By Invest. Fluc. Fund	3,200	2,400	1,600	–
					By Revaluation A/c	800	600	400	–
					By Cash A/c	–	–	–	10,800
					By Prem. for Goodwill	1,200	900	600	–
	49,600	**37,200**	**24,800**	**10,800**		**49,600**	**37,200**	**24,800**	**10,800**

Balance Sheet

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		16,700	Cash in hand (₹ 6,000 + ₹ 10,800 + ₹ 2,700)	19,500
Liabilities for Work. Comp. Fund		3,600	Debtors	15,000
Current A/c			Investments	16,200
P	11,200		Plant and Machinery	14,000
Q	8,400		Land and Building	78,000
R	5,600	25,200		
Capital A/c				
P	38,400			
Q	28,800			
R	19,200			
S	10,800	97,200		
		1,42,700		**1,42,700**

Working notes:

Calculation of new Profit Sharing Ratio

$P = \frac{8}{9} \times \frac{4}{9} = \frac{32}{81}$

$Q = \frac{8}{9} \times \frac{3}{9} = \frac{24}{81}$

$R = \frac{8}{9} \times \frac{2}{9} = \frac{16}{81}$

$S = \frac{1}{9} \times \frac{9}{9} = \frac{9}{81}$ new ratio is 32 : 24 : 16 : 9

18. (i) Operating Activities

(ii) Investing Activities

19. Interest of ₹ 4,800 will be shown under Financing Activities whereas remaning amount ₹ 16,000 will be shown under 'Investing activities'.

20. (a) Contingent liabilities are those liabilities which may or may not arises because they are dependent on a happening in future. It is shown in notes to accounts belonging to balance sheet of company.

(b) The process of critical examination of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm is called analysis of financial statements.

21. **Comparative Statement of Profit and Loss**

for the year ended 31st March 2015 and 2016

Particulars	31.3.2015 (₹)	31.3.2016 (₹)	Absolute Change (₹)	Percentage
I. Revenue from operations	**6,00,000**	**8,00,000**	**2,00,000**	**33.33**
II. Expenses:				
(a) Cost of Revenue from operations i.e. Revenue/G.P.	4,20,000	4,80,000	60,000	14.29
(b) Employee Benefit Expenses	32,000	80,000	48,000	150.00
(c) Other Expenses	8,000	20,000	12,000	150.00
Total Expenses	**4,60,000**	**5,80,000**	**1,20,000**	**26.08**
III. Profit before Tax (I – II)	1,40,000	2,20,000	80,000	57.14
IV. Tax	70,000	88,000	18,000	25.71
V. Profit after Tax (III–IV)	**70,000**	**1,32,000**	**62,000**	**80.57**

22. (a) Liquid Ratio $= \dfrac{\text{All Current Assets} - \text{Inventories} - \text{Prepaid Expense}}{\text{Current Liabilities}}$

Calculation of Current Liabilities

As Current Ratio $= \dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

$$\frac{3}{2} = \frac{₹\,1{,}26{,}000}{\text{Current Liabilities}}$$

Current Liabilities $= ₹\ 1{,}26{,}000 \times \dfrac{2}{3} = ₹\ 84{,}000$

Thus, Liquid of Ratio $= \dfrac{₹\,1{,}26{,}000 - ₹\,2{,}000 - \text{NIL}}{₹\,84{,}000}$

$$= \frac{₹\,1{,}24{,}000}{₹\,84{,}000} = 1.48 : 1$$

(b) $\text{ROI} = \dfrac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$

$$= \frac{₹\,3,00,000 + ₹\,36,000 + ₹\,2,00,000}{27,00,000} \times 100$$

$$= \frac{₹\,5,36,000}{₹\,27,00,000} \times 100 = 19.85\%$$

23. **Cash Flow Statement**

Sr. No.	Particulars	Details ₹	Total ₹
A.	**Cash Flows from Operating Activities :**		
	Net Profit before tax (WN 1)	1,60,000	
	Add : Depreciation on fixed assets	1,80,000	
	Interest on Debentures	40,000	
	Operating profit before working capital changes	**3,80,000**	
	Add : Decrease in Trade receivables	15,000	
	Less : Increase in Inventories	(46,000)	
	Decrease in Trade payables	(32,000)	
	Less : Tax paid	80,000	
	Net Cash from Operating Activities	**2,37,000**	**2,37,000**
B.	**Cash Flows from Financing Activities :**		
	Issue of Shares	1,43,000	
	Bank overdraft	80,000	
	Interest on Debentures paid	(40,000)	
	Divident paid	(80,000)	
	Cash flow from in financing activities	**1,03,000**	**1,03,000**
C.	**Cash Flows from Investing Activities :**		
	Purchase of long term investment	(1,00,000)	
	Purchase of Fixed Assets (WN 2)	(2,00,000)	
	Cash used in investing activities	**(3,00,000)**	**(3,00,000)**
D.	Net increase in Cash and Cash Equivalents (A + B + C)		40,000
E.	Add: Opening Cash and Cash Equivalents		80,000
F.	Closing Cash and Cash Equivalents		**1,20,000**

Working notes:

1. Calculation of Net Profit before tax:

Balance as per statement of profit and loss		(20,000)
Add:	Interim Dividend	80,000
	Provision for Tax	70,000
	Transfer to General Reserve	30,000
Net Profit before Tax		1,60,000

2. **Dr.** **Fixed Assets A/c** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	8,80,000	By Depreciation	1,80,000
To Bank A/c (Purchase of FA)	2,00,000	By Balance c/d	9,00,000
	10,80,000		**10,80,000**