

**Sample Questions for Written Test in  
Accountancy Practical (055)**

**Q. 1.** The Second Quarter Report of a company gives following information about Segment Performance:

<b>Segment</b>	<b>Sales (₹)</b>	<b>Net Profit (₹)</b>
Textile	10,00,000	40,000
Electronics	30,00,000	1,60,000
Footwear	16,00,000	60,000

Use Ratio Analysis, comment on the following:

- (i) Which is the best segment?
- (ii) If the company has to discontinue one segment, which segment should be discontinued?

**Q. 2.** The Third Quarter Report of a Company gives following information about Segment Performance:

<b>Segment</b>	<b>Sales (₹)</b>	<b>Net Profit (₹)</b>
Water Purifier	20,00,000	40,000
Air Purifier	30,00,000	80,000
Home Decor	40,00,000	60,000

From the above data, find out which is the best segment and which segment should be discontinued if the company has to discontinue one segment.

**Q. 3.** The Quartely Report of a company gives the following information about its Sales Revenue and Net Profit for the second quarter of the current year and the second quarter of the previous year:

<b>Particulars</b>	<b>Second Quarter of 2015-16 (₹)</b>	<b>Second Quarter of 2014-15 (₹)</b>
Sales Revenue	16,00,000	13,00,000
Net Profit	3,80,000	3,00,000

Which quarter is performing better? Has the performance improved? Comment using ratios as tools of your analysis.

**RATIOS**

**Q. 4.** From the following particulars regarding credit sales of 2015 and 2016, is it correct to say that cash inflow, *i.e.*, collection from debtors has improved in the year 2016?

<b>Particulars</b>	<b>2014-15 (₹)</b>	<b>2015-16 (₹)</b>
Opening Balance of Trade Receivables	50,000	24,000
Closing Balance of Trade Receivables	24,000	60,000
Credit Sales	2,40,000	4,80,000

Q. 5. The following information relates with credit purchases for two years, 2014-15 and 2015-16.

Particulars	2014-15 (₹)	2015-16 (₹)
Opening Balance of Trade Payables	25,000	10,000
Closing Balance of Trade Payables	10,000	40,000
Credit Purchases	1,20,000	2,40,000

Find out whether the cash outflow has increased or what is the amount of change?

Q. 6. Quick Ratio 1.5; Current Assets ₹ 1,00,000; Current Liabilities ₹ 40,000. Calculate value of inventory (stock).

Q. 7. Calculate Credit Revenue from Operations if:

Opening Trade Receivables (Debtors) is ₹ 50,000;

Closing Trade Receivables (Debtors) is ₹ 1,00,000; and

Trade Receivables Turnover Ratio is 4 Times.

Q. 8. ABC Ltd. has earned a profit of ₹ 2,00,000 for the year ended 31st March, 2016. If Return on Total Asset is 5%. Compute Total Assets.

Q. 9. Calculate Net Credit Purchases if Trade Payables Turnover Ratio is 5 Times, creditors on 1st April, 2015 is ₹ 1,44,000 and creditors on 31st March, 2016 is ₹ 96,000.

Q. 10. Calculate Inventories in the beginning of the year if the following information is given:

Cost of Revenue From Operations (Cost of Goods Sold) = ₹ 4,50,000;

Inventories at the end of the year = ₹ 1,25,000; and

Inventory Turnover Ratio = 4 Times.

Q. 11. Calculate Revenue from Operations if the following information is given:

Operating Profit Ratio is 15%; and

Operating Profit = ₹ 1,08,000.

Q. 12. Fill in the blanks:

$$\text{Return on Total Assets} = \frac{? \times 100}{\text{Total Assets}}$$

(a) Profit before Tax

(b) Profit after Tax

(c) Cost of Goods Sold

(d) None of the Above

Q. 13. Total Debts (Liabilities) ₹ 9,00,000; Current Liabilities ₹ 1,00,000; and Total Assets to Debt Ratio is 2 : 1. Calculate Total Assets.

Q. 14. From the following information, Compute Equity (Shareholders' Funds):

10% Debentures = ₹ 3,50,000;

Current Liabilities = ₹ 1,00,000; and

Debt to Equity Ratio is 1 : 1.

Q. 15. Current Assets of a company are ₹ 17,00,000. Its Current Ratio is 2.5 and Liquid Ratio is 0.95. Calculate Current Liabilities, Liquid Assets and Inventory.

Q. 16. What will be the Total Assets if Total Assets to Debt Ratio is 2.44 :1.

	₹
Total Debt	4,00,000
Sundry Creditors	75,000
Expenses Payable	25,000
Bills Payable	25,000
Short-term Bank Loan	50,000
Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss (Debit)	20,000

Q. 17. Fill in the blanks:

$$\text{Trade Receivables Turnover Ratio} = \frac{? \times 100}{\text{Average Trade Receivables}}$$

- (a) Revenue from Operations
- (b) Current Assets
- (c) Credit Revenue from Operations
- (d) None of the Above

Q. 18. Fill in the blanks:

$$\text{Earning Per Share} = \frac{?}{\text{Number of Equity Shares}}$$

- (a) Net Profit before Tax and Preference Dividend
- (b) Net Profit after Tax and Preference Dividend
- (c) Operating Profit
- (d) None of the Above

### CASH FLOW STATEMENT

Q. 19. A businessman starts his business by issuing 1,00,000 debentures of ₹ 10 each at the interest of 10%. He borrows ₹ 2,50,000 at 12% p.a. from the bank. He bought a machine of ₹ 3,00,000. He also paid interest on loan and on debentures. During the year he earned a net profit of ₹ 10,00,000. Find out Cash Flow from Financing Activity.

- Q. 20. If credit sales are ₹ 15,00,000 and cash sales are 25% of total sales. Find out Cash Flow from Operating Activities.
- Q. 21. If credit purchases are ₹ 40,00,000 and cash purchases are 20% of total purchases. Find out the Cash Flow from Operating Activities.
- Q. 22. Rohan bought 400 shares of a company @ ₹ 18 per share. Out of which he sold 200 shares of ₹ 20 per share. What is the total profit made by him, what is the profit per cent and to which account it will be credited?
- Q. 23. Ramesh started a business by taking loan of ₹ 20,00,000 from bank at 10% interest. He bought building for ₹ 15,00,000. Profit earned during the year is ₹ 8,00,000. Calculate the cash flow from various activities.
- Q. 24. State *two* transactions that are not considered as cash flow and why?
- Q. 25. From the following information, Calculate Net Profit before Tax:
- |  | ₹          |
|--|------------|
| Opening Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss | (2,00,000) |
| Closing Surplus, <i>i.e.</i> , Balance in Statement of Profit and Loss | 5,40,000   |
| Proposed Dividend for the current year                                 | 2,10,000   |
| Interim Dividend paid during the year                                  | 1,60,000   |
| Transfer to Workmen Compensation Reserve                               | 1,50,000   |
| Provision for Tax made during the year                                 | 2,30,000   |
- Q. 26. From the following information, Calculate Operating Profit before Working Capital Changes:
- |  | ₹        |
|--|----------|
| Net Profit before Tax                        | 3,72,500 |
| Depreciation                                 | 70,000   |
| Interest on Debentures                       | 11,000   |
| Interest on Bank Overdraft                   | 3,000    |
| Share Issue Expenses Written off             | 5,500    |
| Goodwill Amortised                           | 15,000   |
| Loss on sale of Machinery                    | 15,000   |
| Interest and dividend received on investment | 23,000   |
| Gain (Profit) on sale of investment          | 10,000   |
- Q. 27. Calculate the amount of Investment purchased if:
- |   |          |
|---|----------|
| Investment in the beginning of the period | ₹ 34,000 |
| Investment at the end of the period       | ₹ 28,000 |
- During the year, the company sold 40% of its investment held in the beginning of the period at a profit of ₹ 8,400.
- Q. 28. Calculate the amount of depreciation if plant costing ₹ 2,00,000 having book value of ₹ 1,40,000 was sold for ₹ 1,80,000 during the year.
- Q. 29. Deepak Enterprises issued 1,00,000 Equity Shares of ₹ 10 each to its existing shareholders on the condition that they shall also subscribe 10,000; 10% Debentures of ₹ 100 each at a premium of 10%. All the shares and debentures were subscribed and amount was received. The company incurred issue expenses of ₹ 1,00,000. What will be the net amount under Cash Flow from Financing Activity?

**Q. 30.** Statement of Profit and Loss of Manav Pvt. Ltd. Shows payment of income taxes as follows:

	₹
(i) Income Tax	5,00,000
(ii) Income Tax on Capital Gain (Arising on sale of Fixed Assets)	50,000
(iii) Dividend Tax	25,000

How should it be classified or shown in Cash Flow Statement? Give your reasons.

**Q. 31.** Inventories as on 31st March, 2015 and 31st March, 2016 were ₹ 6,00,000 and ₹ 8,50,000 respectively. The Change in Inventories is

- (a) ₹ 2,50,000.
- (b) ₹ (2,50,000).
- (c) ₹ 5,00,000.
- (d) None of these.

**Q. 32.** Calculate the amount of depreciation, if an item of machine costing ₹ 40,000 having book value of ₹ 28,000 was sold for ₹ 36,000 during the year.

**Q. 33.** Calculate the amount of Tax Paid if:

	31st March, 2016 (₹)	31st March, 2015 (₹)
Provision for Tax	20,000	30,000

and provision for tax made during the year ₹ 15,000.

**Q. 34.** Calculate the amount of Provision for Tax made during the year if:

	31st March, 2016 (₹)	31st March, 2015 (₹)
Provision for Tax	50,000	60,000

and tax paid during the year ₹ 25,000.

**Q. 35.** 'PPS Ltd.' is carrying on a chemical business. In the current year, it purchased machinery for ₹ 15,00,000. It paid salaries of ₹ 1,20,000 to its employees, it requires funds for expansion and therefore, issued shares of ₹ 10,00,000. It earned a profit of ₹ 4,50,000 for the current year. Calculate Cash Flow from Operating Activities.

**Q. 36.** Why is ₹ 25,000 being proposed dividend related to financial year ended 31st March, 2015 shown as outflow of cash in the financial year ended 31st March, 2016?

**Q. 37.** Why is interest paid of ₹ 6 lakhs shown under cash flow from financing activity whereas interest received of ₹ 2 lakhs shown under cash flow from investing activity.

### GENERAL QUESTIONS

**Q. 38.** X and Y went to stock exchange. 'X' purchased shares worth ₹ 5,000 and sold for ₹ 5,900. Y purchased shares of ₹ 4,000 and sold for ₹ 4,900. Who is the better investor and why?

**Q. 39.** Ramesh purchased 1,000 shares @ ₹ 60 per share and paid a brokerage of 5%. Find out the total amount spent by him. Give Journal entry for this investment.

## ANSWERS

1. *For Textile:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 40,000 \times 100}{\text{₹ } 10,00,000} = 4\%.$$

*For Electronics:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 1,60,000 \times 100}{\text{₹ } 30,00,000} = 5.33\%.$$

*For Footwear:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 60,000 \times 100}{\text{₹ } 16,00,000} = 3.75\%.$$

Electronics is the best segment as it gives higher net profit of 5.33% as compared to other two segments.

Footwear should be discontinued as it gives lower net profit of 3.75% as compared to other two segments.

2. *For Water Purifier:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 40,000 \times 100}{\text{₹ } 20,00,000} = 2\%.$$

*For Air Purifier:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 80,000 \times 100}{\text{₹ } 30,00,000} = 2.67\%.$$

*For Home Decor:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 60,000 \times 100}{\text{₹ } 40,00,000} = 1.50\%.$$

Air Purifier is the best segment as it gives higher net profit of 2.67% as compared to other two segments.

Home Decor should be discontinued as it gives lower net profit of 1.50% as compared to other two segments.

3. *For the Second Quarter of 2015–16:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 3,80,000 \times 100}{\text{₹ } 16,00,000} = 23.75\%.$$

*For the Second Quarter of 2014–15:*

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax} \times 100}{\text{Revenue from Operations, i.e., Net Sales}} = \frac{\text{₹ } 3,00,000 \times 100}{\text{₹ } 13,00,000} = 23.08\%.$$

Second Quarter of 2015-16 has performed better as compared to Second Quarter of 2014-15.

Yes, the performance of the company has improved in the Second Quarter of 2015–16.

Last year it's net profit for the Second Quarter of 2014–15 was 23.08% but now in the Second Quarter of 2015-16 it has increased by 0.67%.

4. For the year ended 2014–15:

$$\begin{aligned}\text{Trade Receivables Turnover Ratio} &= \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}} \\ &= \frac{\text{₹ 2,40,000}}{\text{₹ 37,000}} = \mathbf{6.49 \text{ Times.}}\end{aligned}$$

For the year ended 2015–16:

$$\begin{aligned}\text{Trade Receivables Turnover Ratio} &= \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}} \\ &= \frac{\text{₹ 4,80,000}}{\text{₹ 42,000}} = \mathbf{11.43 \text{ Times.}}\end{aligned}$$

Yes, it is correct to say that the cash inflow, *i.e.*, collection from debtors has improved in the year 2016 as compared to 2015.

5. For the year 2014–15:

$$\begin{aligned}\text{Trade Payables Turnover Ratio} &= \frac{\text{Net Credit Purchases} \times 100}{\text{Average Trade Payables}} \\ &= \frac{\text{₹ 1,20,000} \times 100}{\text{₹ 17,500}} = \mathbf{685.71\%}.\end{aligned}$$

For the year 2015–16:

$$\begin{aligned}\text{Trade Payables Turnover Ratio} &= \frac{\text{Net Credit Purchases} \times 100}{\text{Average Trade Payables}} \\ &= \frac{\text{₹ 2,40,000} \times 100}{\text{₹ 25,000}} = \mathbf{960\%}.\end{aligned}$$

Yes, the cash outflow has increased in the year 2015-16. It has increased by **274.29%**.

6. Calculation of Quick Assets:

$$\begin{aligned}\text{Quick Ratio} &= \frac{\text{Quick Assets}}{\text{Current Liabilities}} \\ 1.5 &= \frac{\text{Quick Assets}}{\text{₹ 40,000}}\end{aligned}$$

$$\text{Quick Assets} = \text{₹ 60,000}.$$

Calculation of Inventory:

$$\begin{aligned}\text{Inventory} &= \text{Current Assets} - \text{Quick Assets} \\ &= \text{₹ 1,00,000} - \text{₹ 60,000} \\ &= \text{₹ 40,000}.\end{aligned}$$

$$7. \text{ Trade Receivables Turnover Ratio} = \frac{\text{Credit Revenue from Operations}}{\text{Average Trade Receivables}^*}$$

$$4 = \frac{\text{Credit Revenue from Operations}}{\text{₹ 75,000}}$$

$$\text{Credit Revenue from Operations} = \text{₹ 3,00,000}.$$

$$*\text{Average Trade Receivables} = \frac{\text{Opening Trade Receivables} + \text{Closing Trade Receivables}}{2}$$

$$= \frac{\text{₹ 50,000} + \text{₹ 1,00,000}}{2} = \text{₹ 75,000}.$$

$$8. \text{ Return on Total Asset Ratio} = \frac{\text{Profit after Tax} \times 100}{\text{Total Assets}}$$

$$5 = \frac{\text{₹ 2,00,000} \times 100}{\text{Total Assets}}$$

$$\text{Total Assets} = \text{₹ 40,00,000}.$$

$$9. \text{ Trade Payables Turnover Ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}^*}$$

$$5 = \frac{\text{Net Credit Purchases}}{\text{₹ 1,20,000}}$$

$$\text{Net Credit Purchases} = \text{₹ 6,00,000}.$$

$$*\text{Average Trade Payables} = \frac{\text{Opening Creditors} + \text{Closing Creditors}}{2} = \text{₹ 1,20,000}.$$

10. Let the Opening Inventory be  $x$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$4 = \frac{\text{₹ 4,50,000}}{\frac{x + \text{₹ 1,25,000}}{2}}$$

$$2x + \text{₹ 2,50,000} = \text{₹ 4,50,000}$$

$$2x = \text{₹ 2,00,000}$$

$$x = \text{₹ 1,00,000}.$$

$$11. \text{ Operating Profit Ratio} = \frac{\text{Operating Profit} \times 100}{\text{Revenue from Operations}}$$

$$15 = \frac{\text{₹ 1,08,000} \times 100}{\text{Revenue from Operations}}$$

$$\text{Revenue from Operations} = \text{₹ 7,20,000}.$$

12. (b) Profit after Tax.



$$13. \text{ Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Long-term Debts}^*}$$

$$\frac{2}{1} = \frac{\text{Total Assets}}{\text{₹ 8,00,000}}$$

$$\text{Total Assets} = \text{₹ 16,00,000.}$$

$$*\text{Long-term Debts} = \text{Total Debts} - \text{Current Liabilities} = \text{₹ 9,00,000} - \text{₹ 1,00,000} = \text{₹ 8,00,000.}$$

$$14. \quad \text{Debt to Equity Ratio} = \frac{\text{Debt}}{\text{Equity (Shareholders' Funds)}}$$

$$\frac{1}{1} = \frac{\text{₹ 3,50,000}}{\text{Equity (Shareholders' Funds)}}$$

$$\text{Equity (Shareholders' Funds)} = \text{₹ 3,50,000.}$$

$$15. \quad \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$2.5 = \frac{\text{₹ 17,00,000}}{\text{Current Liabilities}}$$

$$\text{Current Liabilities} = \text{₹ 6,80,000.}$$

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

$$0.95 = \frac{\text{Liquid Assets}}{\text{₹ 6,80,000}}$$

$$\text{Liquid Assets} = \text{₹ 6,46,000.}$$

$$\text{Inventory} = \text{Current Assets} - \text{Liquid Assets}$$

$$= \text{₹ 17,00,000} - \text{₹ 6,46,000} = \text{₹ 10,54,000.}$$

$$16. \text{ Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Debt}}$$

$$2.44 = \frac{\text{Total Assets}}{\text{₹ 2,25,000}}$$

$$\text{Total Assets} = \text{₹ 5,49,000.}$$

$$\text{Debt} = \text{Total Debt} - \text{Short-term Bank Loan} - \text{Trade Payables (Sundry Creditors + Bills Payable)} - \text{Other Current Liabilities (Expenses Payable)}$$

$$= \text{₹ 4,00,000} - \text{₹ 50,000} - \text{₹ 1,00,000} - \text{₹ 25,000} = \text{₹ 2,25,000.}$$

17. (c) Credit Revenue from Operations.

18. (b) Net Profit after Tax and Preference Dividend.

19. <i>Cash Flow From Financing Activities:</i>	₹
Cash Proceeds from issue of debentures	10,00,000
Cash Proceeds From Loan from Bank	2,50,000
Interest paid on Debentures	(1,00,000)
Interest paid on Bank Loan	(30,000)
Cash Flow from Financing Activities	<u><u>11,20,000</u></u>

20. Let the Total Sales be  $x$

Cash Sales + Credit Sales = Total Sales

$$\frac{25}{100} \text{ of } x + ₹ 15,00,000 = x$$

$$₹ 15,00,000 = \frac{100x - 25x}{100}$$

$$₹ 15,00,000 = \frac{75x}{100}$$

$$x = ₹ 20,00,000$$

$$\text{Total Sales} = ₹ 20,00,000$$

$$\begin{aligned} \text{Cash Sales} &= \frac{25}{100} \times ₹ 20,00,000 \\ &= ₹ 5,00,000 \end{aligned}$$

Cash Flow from Operating Activities = ₹ 5,00,000.

21. Let the Total Purchases be  $x$

Cash Purchases + Credit Purchases = Total Purchases

$$\frac{20}{100} \text{ of } x + ₹ 40,00,000 = x$$

$$₹ 40,00,000 = \frac{100x - 20x}{100}$$

$$₹ 40,00,000 = \frac{80x}{100}$$

$$x = ₹ 50,00,000$$

$$\text{Total Purchases} = ₹ 50,00,000$$

$$\begin{aligned} \text{Cash Purchases} &= \frac{20}{100} \times ₹ 50,00,000 \\ &= ₹ 10,00,000 \end{aligned}$$

Cash Used in Operating Activities = ₹ 10,00,000.

22.	₹
Gain on Sale of Shares (as Investment)	(400)
Cash Used in Operating Activities	<u>(400)</u>
Purchase of Shares (as Investment)	(7,200)
Sale of Shares (as Investment)	4,000
Cash Used in Investing Activities	<u>(3,200)</u>
(A) Sales Proceeds of Shares Sold (200 × ₹ 20)	4,000
(B) Purchase Cost of Shares Sold (200 × ₹ 18)	3,600
Gain (Profit) on Sale of Shares (A – B)	<u>400</u>
∴ Gain (%) = $\frac{₹400}{₹3,600} \times 100 = 11.11\%$ .	

This Gain (Profit) on sale of shares must have been shown as Other Income in the Statement of Profit and Loss.

23. (A) Cash Flow from Operating Activities:	₹
Net Profit before Tax and Extraordinary items	8,00,000
Add: Non-cash/Non-operating Expenses (Interest of Bank Loan)	2,00,000
Cash Flow from Operating Activities	<u>10,00,000</u>
(B) Cash Flow From Investing Activities:	
Purchase of Building	(15,00,000)
Cash Used in Investing Activities	<u>(15,00,000)</u>
(C) Cash Flow From Financing Activities:	
Cash Proceed From Loan from Bank	20,00,000
Interest Paid on Bank Loan	(2,00,000)
Cash Flow from Financing Activities	<u>18,00,000</u>
Net Increase in Cash and Cash Equivalents (A + B + C)	<u>13,00,000</u>

24. Cash deposited into Bank and Cash withdrawn from Bank are not considered as cash flow because these are part of the cash management of an enterprise.

25.	₹
Net Profit as per Difference in Closing and Opening Surplus, i.e.,	
Balance in Statement of Profit and Loss (₹ 5,40,000 + ₹ 2,00,000)	7,40,000
Add: Proposed Dividend for the current year	2,10,000
Interim Dividend paid during the year	1,60,000
Transfer to Workmen Compensation Reserve	1,50,000
Provision for Tax made during the current year	2,30,000
Net Profit before Tax	<u>14,90,000</u>

26. Calculation of Operating Profit before Working Capital changes:

Particulars		₹
Net Profit before Tax (given)		3,72,500
<i>Add: Non Cash and Non-operating Expenses:</i>		
Depreciation	70,000	
Interest on Debentures	11,000	
Interest on Bank Overdraft	3,000	
Share Issue Expenses W/o	5,500	
Goodwill Amortised	15,000	
Loss on sale of Machinery	15,000	1,19,500
		<u>4,92,000</u>
<i>Less: Non-Operating Incomes:</i>		
Interest and dividend received on investment	23,000	
Gain on sale of Investment	10,000	33,000
Operating Profit before Working Capital Changes		<u><u>4,59,000</u></u>

27.

INVESTMENT ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	34,000	By Bank A/c (Sale of Investment)	22,000
To Statement of Profit and Loss (Gain on Sale of Investment)	8,400	(₹ 13,600 + ₹ 8,400)	
To Bank A/c (Purchases—Bal. Fig.)	<b>7,600</b>	By Balance c/d	28,000
	<u>50,000</u>		<u>50,000</u>

28.

PLANT ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	2,00,000	By Bank A/c (Sale)	1,80,000
To Gain (Profit) on Sale of Investment	40,000	By Depreciation A/c (Balancing Figure)	<b>60,000</b>
	<u>2,40,000</u>		<u>2,40,000</u>

29. Cash Flow from Financing Activities:

	₹
Proceeds from Issue of Equity Shares	10,00,000
Proceeds from Issue of 10% Debentures	10,00,000
Receipt of Securities Premium on 10% Debentures	1,00,000
Issue Expenses on Equity shares and 10% Debentures	(1,00,000)
Cash Flow From Financing Activities	<u><u>20,00,000</u></u>

30. In Cash Flow Statement, each of the transaction will be shown as:

(i) Income Tax (₹ 5,00,000)

Since Income Tax cannot be related to any other activity, it will be classified as 'Operating Activity'. It will be shown as a separate item under 'Operating Activity'.

(ii) Income Tax on Capital Gain (₹ 50,000)

It will be classified as *Investing Activity* to be shown as a separate item because it is identified with the gain arising out of sale of fixed assets.

(iii) Dividend Tax (₹ 25,000)

It will be classified as *Financing Activity* to be shown as a separate item because it is identified with the payment of dividend on shares. Dividend paid is always classified as Financing Activity.

31. (b) ₹ (2,50,000).

32.

MACHINERY ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Bank A/c (Sale)	36,000
To Gain (Profit) on Sale of Machinery A/c	8,000	By Depreciation A/c (₹ 40,000 – ₹ 28,000 (b/f))	<b>12,000</b>
	<u>48,000</u>		<u>48,000</u>

33.

PROVISION FOR TAX ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid—Bal. Fig.)	<b>25,000</b>	By Balance b/d	30,000
To Balance c/d	20,000	By Statement of Profit and Loss (Provision for Tax)	15,000
	<u>45,000</u>		<u>45,000</u>

34.

PROVISION FOR TAX ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid)	25,000	By Balance b/d	60,000
To Balance c/d	50,000	By Statement of Profit and Loss (Bal. Fig.) (Provision for Tax)	<b>15,000</b>
	<u>75,000</u>		<u>75,000</u>

35. Cash Flow From Operating Activities = ₹ 4,50,000

(Salaries of ₹ 1,20,000 are deducted before computing profit).

36. It is shown as an outflow during the year because proposed dividend is paid after it is approved by the shareholders. Since proposed dividend of year ended 31st March, 2015 is approved by the shareholders subsequent to 31st March, 2015, it must have been paid in financial year ended 31st March, 2016.
37. Interest paid of ₹ 6 Lakhs is on borrowings of the company, *i.e.*, Financing Activity whereas interest received of ₹ 2 lakhs is received on investments made by the company, *i.e.*, Investing Activity.
38. Y is a better investor as he invested less amount but earned the same amount of profit of ₹ 900 by investing ₹ 4,000 while X invests ₹ 5,000. Thus, Y's Return on Investment (22.5%) is better than Return on Investment of X (18%).

39. Purchase Price = ₹ 60,000

    Brokerage = ₹ 3,000

Total Amount = ₹ 63,000.

*Journal entry:*

		₹	₹
Investment A/c	...Dr.	63,000	
To Cash/Bank A/c			63,000

(Being the shares purchased and brokerage paid)