Test Series: April, 2021

MOCK TEST PAPER 2

INTERMEDIATE (NEW) : GROUP – I

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) (i) As per AS 2 'Valuation of Inventories', certain costs are excluded from the cost of the inventories and are recognized as expenses in the period in which incurred. Examples of such costs are:

(a) abnormal amount of wasted materials, labour, or other production costs;

(b) storage costs, unless those costs are necessary in the production process prior to a further production stage;

(c) administrative overheads that do not contribute to bringing the inventories to their present location and condition; and

(d) selling and distribution costs.

(ii) As per AS 2 "Valuation of Inventories", the inventories are to be valued at lower of cost or net realizable value. In this case, the cost of inventory is Rs. 10 lakhs. The net realizable value is 11,00,000 $\times$ 90% = Rs. 9,90,000. So, the stock should be valued at Rs. 9,90,000.

(b) As per AS 12 'Accounting for Government Grants,' income from Deferred Grant Account is allocated to Profit and Loss account usually over the periods and in the proportions in which depreciation on related assets is charged. Accordingly, in the first two years (Rs. 32 lakhs /4 years) = Rs. 8 lakhs x 2 years= Rs. 16 lakhs will be credited to Profit and Loss Account and Rs. 16 lakhs will be the balance of Deferred Grant Account after two years. Therefore, on refund of grant, following entry will be passed:

		Rs.	*Rs.*
Deferred Grant A/c	Dr.	16 lakhs	
Profit & Loss A/c	Dr.	16 lakhs	
To Bank A/c			32 lakhs
(Being Government grant refunded)			

1. Value of Fixed Assets after two years but before refund of grant

Fixed assets initially recorded in the books = Rs. 80 lakhs

Depreciation for each year = (Rs. 80 lakhs – Rs.8 lakhs)/4 years = Rs. 18 lakhs per year

Book value of fixed assets after two years = Rs. 80 lakhs – (Rs. 18 lakhs x 2 years) = Rs. 44 lakhs

2. Value of Fixed Assets after refund of grant

On refund of grant the balance of deferred grant account will become nil. The fixed assets will continue to be shown in the books at Rs. 44 lakhs.

3. Amount of depreciation for remaining two years

Depreciation will continue to be charged at Rs. 18 lakhs per annum for the remaining two years.

(c) Constructing or acquiring a new asset may result in incremental costs that would have been avoided if the asset had not been constructed or acquired. These costs are not be included in the cost of the asset if they are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The costs to be incurred by the company are in the nature of costs of reducing or reorganizing the operations of the accompany. These costs do not meet that requirement of AS 10 "Property, Plant and Equipment" and cannot, therefore, be capitalized.

(d) (i) False; As per AS 1 "Disclosure of Accounting Policies", certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.

(ii) False; As per AS 1, if the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.

(iii) True; To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. The disclosure of the significant accounting policies as such should form part of the financial statements and they should be disclosed at one place.

(iv) False; Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.

(v) True; As per AS 1, there is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable.

2. (a) Investment Account for the year ending on 31st December, 2020

Scrip : 8% Convertible Debentures in C Ltd.

[Interest Payable on 31st March and 30th September]

Date	Particulars	Nominal value Rs.	Interest Rs.	Cost Rs.	Date	Particulars	Nominal Value (Rs.)	Interest (Rs.	Cost (Rs.)
1.4.20	To Bank A/c	2,00,000	-	2,16,000	30.09.20	By Bank A/c	-	12,000	-
1.7.20	To Bank A/c (W.N.1)	1,00,000	2,000	1,10,000		[Rs.3,00,000 x 8% x (6/12]			
31.12.20	To P & L A/c	-	14,033	-	1.10.20	By Bank A/c	80,000		84,000
	[Interest]				1.10.20	By P & L A/c (loss) (W.N.3)			2,933
					1.12.20	By Bank A/c (Accrued interest) (Rs. 55,000 x .08 x 2/12)		733	
					1.12.20	By Equity shares in C Ltd. (W.N. 3 and 4)	55,000		59,767
					31.12.20	By Balance c/d (W.N.5)	1,65,000	3,300	1,79,300
		3,00,000	16,033	3,26,000			3,00,000	16,033	3,26,000

SCRIP: Equity Shares in C LTD.

Date	Particulars	Cost (Rs.)	Date	Particulars	Cost (Rs.)
1.12.20	To 8 % debentures	59,767	31.12.20	By balance c/d	59,767

Working Notes:

(i) Cost of Debenture purchased on 1st July = Rs.1,12,000 – Rs.2,000 (Interest) = Rs.1,10,000

(ii) Cost of Debentures sold on 1st Oct.

= (Rs.2,16,000 + Rs.1,10,000) x 80,000/3,00,000 = Rs. 86,933

(iii) Loss on sale of Debentures = Rs. 86,933– Rs.84,000 = Rs.2,933

Nominal value of debentures converted into equity shares =Rs. 55,000

[(Rs. 3,00,000 – 80,000) x.25]

<u>Interest received before the conversion of debentures</u>

Interest on 25% of total debentures = 55,000 x 8% x 2/12 = 733

(iv) Cost of Debentures converted = (Rs. 2,16,000 + Rs.1,10,000) x 55,000/3,00,000 = Rs. 59,767

(v) Cost of closing balance of Debentures = (Rs. 2,16,000 + Rs.1,10,000) x 1,65,000 / 3,00,000 = Rs. 1,79,300

(vii) Closing balance of Debentures has been valued at cost.

(viii) 5,000 equity Shares in C Ltd. will be valued at cost of Rs. 59,767 being lower than the market value Rs. 75,000 (Rs. 15 x5,000)

Note: It is assumed that interest on debentures, which are converted into cash, has been received at the time of conversion.

(b) Memorandum Trading Account for the Period from 1.1.2020 to 30.6.2020

		Rs.			Rs.
To Opening Stock (1.1.2020)		1,50,000	By Sales	11,50,000	
To Purchases	9,50,000		*Less:* Sales Returns	(40,000)	11,10,000
Less: Returns	(12,500)	9,37,500			
To Cartage Inwards		17,500	By Closing Stock		2,80,000
To Wages		7,500	(Bal. Fig.)		
To Gross Profit		2,77,500			
(25% of Rs. 11,10,000)					
		13,90,000			13,90,000

Stock Destroyed Account

	Rs.		Rs.
To Trading Account	2,80,000	By Stock Salvaged Account	20,000
		By Balance c/d (For Claim)	2,60,000
	2,80,000		2,80,000

Statement of Claim

Items	*Cost (Rs.)*	*Depreciation (Rs.)*	*Salvage (Rs.)*	*Claim (Rs.)*
A	*B*	*C*	*D*	*(E=B-C-D)*
Stock	2,80,000		20,000	2,60,000
Buildings	3,75,000	1,25,000 + 9,375	4,000	2,36,625
Equipment	75,000	22,500 + 5,625	2,500	44,375
				5,41,000

(c) Statement showing cash value of the machine acquired on hire-purchase basis

	Instalment Amount	*Interest @ 5% half yearly (10% p.a.) = 5/105 = 1/21) (in each instalment)*	*Principal Amount (in each instalment)*
	Rs.	*Rs.*	*Rs.*
5th Instalment	6,000	286	5,714
Less: Interest	(286)		
	5,714		
Add: 4th Instalment	6,000		
	11,714	558	5,442
Less: Interest	(558)		(11,156–5,714)
	11,156		
Add: 3rd instalment	6,000		
	17,156	817	5,183
Less: Interest	(817)		(16,339–11,156)
	16,339		
Add: 2nd instalment	6,000		
	22,339	1,063	4,937
Less: Interest	(1,063)		(21,276–16,339)
	21,276		
Add: 1st instalment	6,000		
	27,276	1,299	4,701
Less: Interest	(1,299)		(25,977–21,276)
	25,977	4,023	25,977

The cash purchase price of machinery is Rs. 25,977.

3. (a) Trial Balance of London Branch as on 31st March, 2021

Particulars	*U.K. Pound*	*Rate Per U.K. Pound*	*Dr. (Rs.)*	*Cr. (Rs.)*
Fixed Assets	24,000	70	16,80,000	
Stock (as on 1st April, 2020)	11,200	76	8,51,200	
Goods from Head Office	64,000	-	49,26,000	
Sales	96,000	75		72,00,000
Purchases	12,000	75	9,00,000	
Expenses (4,800 + 400 – 200)	5,000	75	3,75,000	
Debtors	4,800	77	3,69,600	
Creditors	3,200	77		2,46,400
Outstanding Expenses	400	77		30,800
Prepaid expenses	200	77	15,400	
Cash at Bank	1,200	77	92,400	
Head office Account		-		17,20,000
Difference in Exchange				12,400
			92,09,600	92,09,600

Closing stock will be (8,000 × 77) = Rs. 6,16,000

Trading and Profit & Loss A/c
for the year ended 31st March, 2021

Particulars	*Amount (Rs.)*	*Particulars*	*Amount (Rs.)*
To Opening Stock	8,51,200	By Sales	72,00,000
To Purchases	9,00,000	By Closing Stock	6,16,000
To Goods from H.O.	49,26,000		
To Gross Profit	11,38,800		
	78,16,000		78,16,000
To Expenses	3,75,000	By Gross Profit	11,38,800
To Depreciation	1,68,000	By Profit due to Exchange	
To Net Profit	6,08,200	difference	12,400
	11,51,200		11,51,200

Working Note:

Since London Branch is an integral foreign operation. Hence, (1) Fixed assets (cost and depreciation) are translated using the exchange rate at the date of purchase of the assets. (2) Exchange difference arising on translation of the financial statement is charged to Profit and Loss Account.

(b) Trading and Profit and Loss Account for the year ending on 31st March, 2021

Particulars		**Rs.**	**Particulars**	**Rs.**
To Opening Stock		20,000	By Sales	1,80,000
To Purchases (bal.fig.)		1,54,000	By Closing Stock	30,000
To Gross Profit c/d (@20% on sales)		36,000		2,10,000
		2,10,000		
To Sundry Business Expenses		20,000	By Gross Profit b/d	36,000
To Depreciation:				
Building	1,625			
Furniture	250			
Motor	1,800	3,675		
To Net profit transferred to Capital A/c		12,325		
		36,000		36,000

Balance Sheet as at 31st March, 2021

Liabilities		**Rs.**	**Assets**		**Rs.**
Capital Account:			Building	32,500	
Opening Balance	48,000		*Less:* Depreciation	(1,625)	30,875
Add: Net profit	12,325		Furniture	5,000	
	60,325		*Less:* Depreciation	(250)	4,750
Less: Drawings	(7,500)	52,825	Motor Car	9,000	
Loan		15,000	*Less:* Depreciation	(1,800)	7,200
Sundry Creditors		47,500	Stock in trade		30,000
Outstanding Expenses		5,000	Sundry Debtors		21,000

			Cash at Bank		22,000
			Sundry Advances (Amount recoverable from Cashier)		4,500
		1,20,325			1,20,325

Working Notes:

(i) **Total Debtors Account**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	17,000	By Bank (Rs. 1,40,000 – Rs. 35,000)	1,05,000
To Sales (80% of Rs. 1,80,000)	1,44,000	By Cash A/c	35,000
		By Balance c/d	21,000
	1,61,000		1,61,000

(ii) **Total Creditors Account**

Particulars	Rs.	Particulars	Rs.
To Bank	1,37,500	By Balance b/d	31,000
To Balance c/d	47,500	By Purchases	1,54,000
	1,85,000		1,85,000

(iii) **Cash Book**

Particulars	Cash Rs.	Bank Rs.	Particulars	Cash Rs.	Bank Rs.
To Balance b/d	2,000	8,500	By Business Expenses	9,000	6,000
To Sales	36,000	-	By Drawings	-	7,500
To Sundry Debtors	35,000	1,05,000	By Sundry Creditors	-	1,37,500
To Cash (Contra)	-	71,500	By Bank (Contra)	71,500	-
To Bank (Contra)	12,000		By Cash (Contra)	-	12,000
			By Defalcation (Bal fig.)	4,500	-
			By Balance c/d (Bal fig.)		22,000
	85,000	1,85,000		85,000	1,85,000

(iv) Last year's Total Sales = Gross Profit x 100/20 = Rs. 30,000 x 100/20 = Rs. 1,50,000

(v) Current year's Total Sales = Rs. 1,50,000+ 20% of Rs. 1,50,000= Rs. 1,80,000

(vi) Current year's Credit Sales = Rs. 1,80,000 x 80%= Rs. 1,44,000

(vii) Cost of Goods Sold = Sales – G.P. = Rs.1,80,000 – Rs. 36,000 = Rs. 1,44,000

(viii) Purchases = Cost of Goods Sold + Closing Stock – Opening Stock

= Rs. 1,44,000 + Rs. 30,000 – Rs. 20,000 = Rs. 1,54,000

4. (a) Calculation of Departmental Results (Actual Gross Profit)

	A (Rs.)	B (Rs.)	C (Rs.)
Actual Sales	1,72,500	1,59,400	74,600
Add back: Discount (Refer W.N.)	2,500	600	400
Normal sales	1,75,000	1,60,000	75,000
Gross profit % on normal sales	20%	25%	33.33%
Normal gross profit	35,000	40,000	25,000
Less: Discount	(2,500)	(600)	(400)
Actual gross profit	32,500	39,400	24,600

Computation of value of stock as on 31st Dec. 2020

Departments	A Rs.	B Rs.	C Rs.
Stock (on 1.1. 2020)	24,000	36,000	12,000
Add: Purchases	1,46,000	1,24,000	48,000
	1,70,000	1,60,000	60,000
Add: Actual gross profit	32,500	39,400	24,600
	2,02,500	1,99,400	84,600
Less: Actual Sales	(1,72,500)	(1,59,400)	(74,600)
Closing stock as on 31.12.2020 (bal.fig.)	30,000	40,000	10,000

Working Note:

Calculation of discount on sales:

Departments	A Rs.	B Rs.	C Rs.
Sales at normal price	10,000	3,000	1,000
Less: Sales at actual price	(7,500)	(2,400)	(600)
	2,500	600	400

(b) Journal Entries

Date	*Particulars*		*Amount Dr.* Rs.	*Amount Cr.* Rs.
1.5.2020	Bank A/c	Dr.	1,50,00,000	
	To Debenture Application A/c			1,50,00,000
	(Application money received on 1,50,000 debentures @ Rs. 100 each)			
1.6.2020	Debenture Application A/c	Dr.	1,50,00,000	
	Underwriters A/c	Dr.	50,00,000	
	To 15% Debentures A/c			2,00,00,000
	(Allotment of 1,50,000 debentures to applicants and 50,000 debentures to underwriters)			
	Underwriting Commission	Dr.	4,00,000	

	To Underwriters A/c (Commission payable to underwriters @ 2% on Rs. 2,00,00,000)			4,00,000
	Bank A/c To Underwriters A/c (Amount received from underwriters in settlement of account)	Dr.	46,00,000	46,00,000
01.06.2020	Debenture Redemption Investment A/c To Bank A/c (200,000 X 100 x 15% X 40%) (Being Investments made for redemption purpose)	Dr.	12,00,000	12,00,000
30.9.2020	Debenture Interest A/c To Bank A/c (Interest paid on debentures for 4 months @ 15% on Rs. 2,00,00,000)	Dr.	10,00,000	10,00,000
31.10.2020	15% Debentures A/c To Equity Share Capital A/c To Securities Premium A/c (Conversion of 60% of debentures into shares of Rs. 60 each with a face value of Rs. 10)	Dr.	1,20,00,000	20,00,000 1,00,00,0000
31.3.2021	Debenture Interest A/c To Bank A/c (Interest paid on debentures for the half year) (***Refer working note below***)	Dr.	7,50,000	7,50,000

Working Note:

Calculation of Debenture Interest for the half year ended 31st March, 2021:

On Rs. 80,00,000 for 6 months @ 15% = Rs.6,00,000

On Rs. 1,20,00,000 for 1 months @ 15% = Rs. 1,50,000

Rs.7,50,000

(c) **Journal Entries**

			Rs.	*Rs.*
1-4-2021	Equity share final call A/c To Equity share capital A/c (For final calls of Rs. 2 per share on 2,70,000 equity shares due as per Board's Resolution dated….)	Dr.	5,40,000	5,40,000
20-4-2021	Bank A/c To Equity share final call A/c (For final call money on 2,70,000 equity shares received)	Dr.	5,40,000	5,40,000
	Securities Premium A/c	Dr.	75,000	
	Capital redemption reserve A/c	Dr.	1,20,000	
	General Reserve A/c	Dr.	3,60,000	

	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to shareholders A/c			6,75,000
	(For making provision for bonus issue of one share for every four shares held)			
	Bonus to shareholders A/c	Dr.	6,75,000	
	To Equity share capital A/c			6,75,000
	(For issue of bonus shares)			

5. (a) Balance Sheet of Mehar Ltd. as at 31st March, 2020

		Note	Rs.
I	**EQUITY AND LIABILITIES:**		
(1)	(a) Share Capital	1	1,60,00,000
	(b) Reserves and Surplus	2	110,68,000
(2)	**Non-current Liabilities**		
	Long term Borrowings- Terms Loans (Secured)		40,00,000
(3)	**Current Liabilities**		
	(a) Trade Payables		45,80,000
	(b) Other current liabilities	3	8,00,000
	(c) Short-term Provisions (Provision for taxation)		10,20,000
	Total		**3,74,68,000**
II	**ASSETS**		
(1)	**Non-current Assets**		
	(a) Property, Plant and Equipment	4	214,00,000
	(b) Non- current Investments		9,00,000
(2)	**Current Assets:**		
	(a) Inventories	5	48,00,000
	(b) Trade Receivables	6	48,20,000
	(c) Cash and Cash Equivalents		38,40,000
	(d) Short-term Loans and Advances	7	17,08,000
	Total		**3,74,68,000**

Notes to accounts

			(Rs.)
1.	**Share Capital**		
	Authorized, issued, subscribed & called up		
	1,20,000, Equity Shares of Rs. 100 each	1,20,00,000	
	40,000 10% Redeemable Preference Shares of 100 each	40,00,000	1,60,00,000
2.	**Reserves and Surplus**		
	Securities Premium Account	19,00,000	
	General reserve	62,00,000	
	Profit & Loss Balance		
	Opening balance -		

	Profit for the period 32,00,000		
	Less: Miscellaneous Expenditure		
	written off (2,32,000)	29,68,000	110,68,000
3.	**Other current liabilities**		
	Loan from other parties		8,00,000
4.	**Property, plant and equipment**		
	Plant and Machinery (WDV)		214,00,000
5.	**Inventories**		
	Finished Goods	30,00,000	
	Stores	16,00,000	
	Loose Tools	2,00,000	48,00,000
6.	**Trade Receivables**		
	Trade receivables	49,00,000	
	Less: Provision for Doubtful Debts	(80,000)	48,20,000
7.	**Short term loans & Advances**		
	Staff Advances*	2,20,000	
	Other Advances*	14,88,000	17,08,000

**Considered to be short term.*

(b) Statement showing the calculation of Profits for the pre-incorporation and post-incorporation periods for the year ended 31st March, 2020

Particulars	*Total*	*Allocation basis*	*Pre-incorporation Rs.*	*Post-incorporation Rs.*
Gross Profit	3,90,800	Sales	39,080	3,51,720
Less: Directors' fee	30,000	Post		30,000
Bad debts	7,200	Sales	720	6,480
Advertising	24,000	Time	6,000	18,000
Salaries & general expenses	1,28,000	Time	32,000	96,000
Preliminary expenses	10,000	Post		10,000
Donation to Political Party	10,000	Post		10,000
Net Profit	1,81,600			1,81,240
Pre-incorporation profit transferred to Capital Reserve			360	

Working Notes:

1. Sales ratio

Particulars	*Rs.*
Sales for period up to 30.06.2019 (4,80,000 X 3/6)	2,40,000
Sales for period from 01.07.2019 to 31.03.2020 (24,00,000 – 2,40,000)	21,60,000

Thus, Sales Ratio = 1 : 9

2. Time ratio

1st April, 2019 to 30 June, 2019: 1st July, 2019 to 31st March, 2020

= 3 months: 9 months = 1: 3

Thus, Time Ratio is 1: 3

6. **(a)** As per AS 16 'Borrowing Costs', a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Further, the standard states that what constitutes a substantial period of time primarily depends on the facts and circumstances of each case. However, ordinarily, a period of twelve months is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of the case. In estimating the period, time which an asset takes, technologically and commercially, to get it ready for its intended use or sale is considered.

It may be implied that there is a rebuttable presumption that a 12 months period constitutes substantial period of time.

Under present circumstances where construction period has reduced drastically due to technical innovation, the 12 months period should at best be looked at as a benchmark and not as a conclusive yardstick. It may so happen that an asset under normal circumstances may take more than 12 months to complete. However, an enterprise that completes the asset in 8 months should not be penalized for its efficiency by denying it interest capitalization and vice versa.

The substantial period criteria ensures that enterprises do not spend a lot of time and effort capturing immaterial interest cost for purposes of capitalization.

Therefore, if the factory is constructed in 8 months then it shall be considered as a qualifying asset. The interest on borrowings for the same shall be capitalised although it has taken less than 12 months for the asset to get ready to use.

(b) Amount that can be drawn from reserves for (10% dividend on Rs. 80,00,000 i.e. Rs. 8,00,000)

Profits available

Current year profit	Rs. 1,42,500
Amount which can be utilized from reserves (Rs. 8,00,000 – 1,42,500)	Rs. 6,57,500

Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 2014:

Condition I

Since 10% is lower than the average rate of dividend (12%), 10% dividend can be declared.

Condition II

Maximum amount that can be drawn from the accumulated profits and reserves should not exceed 10% of paid up capital plus free reserves ie. Rs. 10,50,000 [10% of (80,00,000 + 25,00,000)]

Condition III

The balance of reserves after drawl Rs. 18,42,500 (Rs. 25,00,000 - Rs. 6,57,500) should not fall below 15 % of its paid up capital ie. Rs. 12,00,000 (15% of Rs. 80,00,000]

Since all the three conditions are satisfied, the company can withdraw Rs. 6,57,500 from accumulated reserve (as per Declaration and Payment of Dividend Rules, 2014).

OR

Computation of Effective Capital

	Rs.
Paid-up share capital-	
15,000, 14% Preference shares	15,00,000
1,20,000 Equity shares	96,00,000

Capital reserves (excluding revaluation reserve)		45,000
Securities premium		50,000
15% Debentures		65,00,000
	(A)	1,76,95,000
Investments		75,00,000
Profit and Loss account (Dr. balance)		15,25,000
	(B)	90,25,000
Effective capital	(A–B)	86,70,000

(c) Cash Flow Statement for the year ended 31.3.2021

	Rs.	*Rs.*
Cash flow from operating activities		
Cash received on account of trade receivables	3,50,000	
Cash paid on account of trade payables	(90,000)	
Cash paid to employees (salaries and wages)	(25,000)	
Other cash payments (overheads)	(15,000)	
Cash generated from operations	2,20,000	
Income tax paid	(1,55,000)	
Net cash generated from operating activities		65,000
Cash flow from investing activities		
Payment for purchase of machinery	(4,00,000)	
Proceeds from sale of machinery	70,000	
Net cash used in investment activities		(3,30,000)
Cash flow from financing activities		
Proceeds from issue of share capital	5,00,000	
Bank loan repaid	(2,50,000)	
Debentures redeemed	(50,000)	
Net cash used in financing activities		2,00,000
Net decrease in cash and cash equivalents		(65,000)
Cash and cash equivalents at the beginning of the year		80,000
Cash and cash equivalents at the end of the year		15,000

(d) Effects of each transaction on Balance sheet of the trader is shown below:

Transactions	*Assets Rs. lakh*	–	*Liabilities Rs. lakh*	=	*Equity Rs. lakh*
Opening	8.00	–	3.00	=	5.00
(1) Dividend earned	8.20	–	3.00	=	5.20
(2) Settlement of Creditors	7.70	-	2.30	=	5.40
(3) Rent Outstanding	7.70	–	2.40	=	5.30
(4) Drawings	7.61	–	2.40	=	5.21