MOCK TEST PAPER – 1

INTERMEDIATE (IPC) : GROUP – I

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) **Statement showing the amount of profit/loss to be taken to Profit and Loss Account and additional provision for the foreseeable loss as per AS 7**

	Cost of Construction	Rs.	Rs.
	Material Issued	75,00,000	
Less:	Unused Material at the end of period	4,00,000	71,00,000
	Labour Charges paid	36,00,000	
Add:	Outstanding on 31.03.2020	2,00,000	38,00,000
	Hire Charges of Plant		10,00,000
	Other Contract cost incurred		15,00,000
	Cost incurred upto 31.03.2020		1,34,00,000
Add:	Estimated future cost		33,50,000
	Total Estimated cost of construction		1,67,50,000
	Degree of completion (1,34,00,000/1,67,50,000 x 100)		80%
	Revenue recognized (80% of 1,50,00,000)		1,20,00,000
	Total foreseeable loss (1,67,50,000 - 1,50,00,000)		17,50,000
Less:	Loss for the current year (1,34,00,000 - 1,20,00,000)		14,00,000
	Loss to be provided for		3,50,000

(b) As per provisions of AS 10, any cost directly attributable to bring the assets to the location and conditions necessary for it to be capable of operating in the manner indicated by the management are called directly attributable costs and would be included in the costs of an item of PPE. Management of Neon Enterprise should capitalize the costs of construction and remodelling the restaurant, because they are necessary to bring the restaurant to the condition necessary for it to be capable of operating in the manner intended by management. The restaurant cannot be opened without incurring the construction and remodelling expenditure amounting Rs. 30,00,000 and thus the expenditure should be considered part of the asset. However, the cost of salaries of staff engaged in preparation of restaurant Rs. 7,50,000 before its opening are in the nature of operating expenditure that would be incurred if the restaurant was open and these costs are not necessary to bring the restaurant to the conditions necessary for it to be capable of operating in the manner intended by management. Hence, Rs. 7,50,000 should be expensed.

(c) Cash flow statement consists of: (a) Cash in hand and deposits repayable on demand with any bank or other financial institutions and (b) Cash equivalents, which are short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant risk or change in value. Cash flows are inflows (i.e. receipts) and outflows (i.e. payments) of cash and cash equivalents. Any transaction, which does not result in cash flow, should not be reported in the cash flow statement. Movements within cash or cash equivalents are not cash flows because they do not change cash as defined by AS 3 "Cash Flow Statements" which is sum of cash, bank and cash equivalents.

In the given case, due to increase in rate of foreign exchange by 75 paise, there is increase (change) in bank balance. This increase of Rs. 18,750 (25,000 x 0.75) is not a cash flow because neither there is any cash inflow nor there is any cash outflow. Therefore, this change in bank balance amounting Rs. 18,750 need not be disclosed in Cash Flow Statement of Ruby exports. The net increase/decrease in Cash/Cash equivalents in the Cash Flow Statements are stated exclusive of exchange gains and losses. The resultant difference between Cash and Cash Equivalents as per the Cash flow statement and that recognized in the balance sheet is reconciled in the note on cash flow statements.

(d) According to AS 9 "Revenue Recognition", in a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions have been fulfilled:

(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

Thus, sales will be recognized only when following two conditions are satisfied:

(i) The sale value is fixed and determinable.

(ii) Property of the goods is transferred to the customer.

Both these conditions are satisfied only on 15.3.2019 when sales are agreed upon at a price and goods are allocated for delivery purpose through invoice. The amount of net profit Rs. 1,50,000 (3,50,000 – 2,00,000) would be recognized in the books for the year ending 31st March, 2019.

2. **Journal Entries**

		Rs.	*Rs.*
		Dr.	*Cr.*
Equity Share Capital (Rs. 100) A/c	Dr.	15,00,000	
To Share Surrender A/c			12,00,000
To Equity Share Capital (Rs. 10) A/c			3,00,000
(Conversion of all the equity shares into 1,50,000 fully paid equity shares of Rs. 10 each and surrender of 80% of such sub-divided shares as per capital reduction scheme)			
7% Preference Share Capital (Rs. 100 each) A/c	Dr.	10,00,000	
To 9% Preference Share Capital (Rs. 100 each) A/c			10,00,000
(Conversion of 7% Preference Share Capital into 9% Preference Share Capital)			
Trade Payables A/c	Dr.	4,52,000	
To Reconstruction A/c			4,52,000
(Trade payables agreed to reduce their claim by 40%)			
Share Surrender A/c	Dr.	12,00,000	
To Reconstruction A/c			9,50,000
To Equity Share Capital Account (Rs. 10)			2,50,000
(After issue of Shares for Rs. 2,50,000, the balance in shares surrender account transferred to Reconstruction A/c)			
Loan from Directors A/c	Dr.	2,20,000	
To Reconstruction A/c			2,20,000
(Directors' waived their loan)			

Reconstruction A/c		10,05,000	
To Patent A/c	Dr.		2,00,000
To Inventory A/c	Dr.		1,70,000
To Trade Receivables A/c	Dr.		2,85,000
To Bank A/c (Reconstruction expenses)	Dr.		30,000
To Profit and Loss A/c (after setting off with reserves)*	Dr.		1,20,000
To Plant & Machinery A/c			2,00,000
(Writing off losses and reduction in the values of assets as per scheme of reconstruction)			
Building A/c	Dr.	75,000	
To Reconstruction A/c			75,000
(Appreciation made in the value of building as per scheme of reconstruction)			
Tax[1] payable A/c	Dr.	1,10,000	
To Bank A/c			1,10,000
(Payment of current liability)			
Bank A/c	Dr.	2,00,000	
To Equity Share Capital A/c (Rs. 10)			2,00,000
(Issue of 20,000 equity shares)			
Reconstruction A/c	Dr.	6,92,000	
To Plant & Machinery A/c			6,92,000
(Being surplus utilized in writing off the value of plant)			

Balance Sheet of NTC Ltd. (and Reduced) as at 31st March, 2020

	Particulars	Notes No.	*Rs. '000*
	Equity and Liabilities		
1	Shareholders' funds		
	a) Share capital	1	17,50,000
	b) Reserves and Surplus		
2	Current liabilities		
	a) Trade payables		6,78,000
	b) Expenses payables		1,60,000
	Total		25,88,000
	Assets		
1	Non-current assets		
	a) PPE	2	9,58,000
2	Current assets		
	a) Inventories (7,15,000-1,70,000)		5,45,000
	b) Trade receivables		8,50,000
	c) Cash and cash equivalents		2,35,000

[1] *To be read as Dividend payable A/c (for the students who physically appeared for mock test paper in branches).*

Total		25,88,000

Notes to Accounts

		Rs.
1.	Issued, subscribed Share Capital	
	75,000 Equity shares of Rs. 10 each (3,00,000 + 2,00,000 + 2,50,000)	7,50,000
	10,000 9% Preference share of Rs. 100 each	10,00,000
		17,50,000
	(25,000 equity shares are allotted as fully paid up pursuant to capital reduction scheme by conversion of equity shares without payment received in cash)	
2.	PPE	
	Plant & Machinery (15,00,000 - 2,00,000 - 6,92,000)	6,08,000
	Building	3,50,000
		9,58,000

Working Notes :

1. Reconstruction Account ***(Rs. in lacs)***

	Rs.		Rs.
To Patent A/c	2,00,000	By Shares surrender	9,50,000
To Inventory A/c	1,70,000	By Trade payables	4,52,000
To Trade Receivables A/c	2,85,000	By Loan to director	2,20,000
To Bank A/c (Reconstruction expenses)	30,000	By Building	75,000
To Profit and Loss A/c	1,20,000		
To Plant & Machinery A/c	2,00,000		
To Plant & Machinery (Balancing fig.)	6,92,000		
	16,97,000		16,97,000

2. Cash at bank as on 31st March, 2020 (after reconstruction)

	Rs.
Cash at bank (before reconstruction)	1,75,000
Add: Proceeds from issue of equity shares	2,00,000
	3,75,000
Less: Payment made for dividend	1,10,000
*Less: E*xpenses	30,000
	2,35,000

NOTE: *In the above solution, amount of profit and Loss Account (after setting off general reserve) has been transferred to Reconstruction account.

3. (a) **Statement showing calculation of profits for pre and post incorporation periods for the year ended 31.3.2020**

Particulars	*Pre-incorporation period Rs.*	*Post- incorporation period Rs.*
Gross profit (1:2)	2,50,000	5,00,000
Less: Salaries (5:14)	35,000	98,000
Carriage outward (1:2)	25,000	50,000
Audit fee	-	12,000
Travelling expenses (W.N.3)	24,500	41,500
Commission on sales (1:2)	16,000	32,000
Printing & stationary (5:7)	10,000	14,000
Rent (office building) (W.N.4)	25,000	71,000
Electricity charges (5:7)	12,500	17,500
Depreciation	30,000	50,000
Advertisement (1:2)	8,000	16,000
Preliminary expenses	-	9,000
MD remuneration	-	8,000
Pre-incorporation profit (Bal. Fig.)	64,000	-
Net profit (Bal. Fig.)	-	81,000

Working Notes:

1. **Time Ratio**

Pre incorporation period = 1st April, 2019 to 31st August, 2019 i.e. 5 months

Post incorporation period is 7 months and Time ratio is 5: 7.

2. **Sales ratio**

April	85,000
May	85,000
June	1,05,000
July	1,05,000
August	1,20,000
	5,00,000
September	1,20,000
Oct & Nov.	2,80,000
Dec. to March (1,50,000 x 4)	6,00,000
	10,00,000

5,00,000:10,00,000 = 1:2

3. **Travelling expenses**

	Rs.	*Rs.*
	Pre-incorporation	*Post- incorporation*
30,000 office staff (5:7)	12,500	17,500
36,000 sales (1:2)	12,000	24,000
	24,500	41,500

4. Rent

	Rs.
Rent for additional space Rs. (6,000 x 6)	36,000
Remaining rent Rs. (96,000-36,000)	60,000
Pre-incorporation period (5/12 of 60,000)	25,000
Post- incorporation period Rs.35,000 + Rs.36,000	71,000

5. Salaries

Suppose salary for a month in pre- incorporation period is x then salaries for pre- incorporation period = 5x salaries for post- incorporation period = 2x X 7= 14x ie. Ratio = 5:14

6. Depreciation

	Rs.	Rs. Pre-incorporation	Rs. Post-incorporation
Total depreciation	80,000		
Less: Depreciation exclusively for post incorporation period (4,80,000 x 10% x 2/12)	8,000		8,000
	72,000		
Depreciation for pre-incorporation period (Rs.72,000 x 5/12)		30,000	
Depreciation for post incorporation period (Rs.72,000 x 7/12)			42,000
		30,000	50,000

(b) **Books of M/s Martin**

General Ledger Adjustment Account in Debtors' Ledger

			Rs.				Rs.
1.3.20	To Balance b/d		12,600	1.3.20	By Balance b/d		4,36,200
1.3.20 to 31.3.20	To Debtor's ledger adjustment account:			1.3.20 to 31.3.20	By Debtors ledger adjustment account:		
	Bank/Cash	16,55,000			Sales (on credit)	15,50,000	
	Discount	1,500			Interest	3,500	
	Bills receivable	98,000			Bills receivable dishonoured	6,000	
	Sales returns	40,000	17,94,500		Noting charges on		
31.3.20	To Balance c/d (bal. fig.)		2,04,300		Bill receivable dishonoured	300	15,59,800
				31.3.20	By Balance c/d		15,400
			20,11,400				20,11,400

Note:

1. No entry will be made in the above account for cash sales.
2. Bad debts of the year 2018-19 recovered in 2019-20 will not appear in the General Ledger Adjustment account in the Debtors Ledger. It will be credited to profit & loss account.
3. Bills receivables endorsed to the supplier will not be shown in the General Ledger Adjustment account because at the time of endorsement, Supplier's account will be debited and Bills receivable account will be credited.

4. Trading and Profit and Loss Account of Aman for the year ended 31st March, 2020

		Rs.			*Rs.*
To	Opening Stock	2,00,000	By	Sales	18,00,000
To	Purchases (Bal. fig.)	15,40,000	By	Closing Stock	3,00,000
To	Gross Profit c/d	3,60,000			
		21,00,000			21,00,000
To	Business Expenses	2,00,000	By	Gross Profit b/d	3,60,000
To	Repairs	10,000			
To	Depreciation: Building 16,250 Machinery 2,500 Motor Car 18,000	36,750			
To	Travelling Expenses	15,000			
To	Loss by theft (cash defalcated)	20,000			
To	Net Profit	78,250			
		3,60,000			3,60,000

Balance Sheet of Aman as at 31st March, 2020

Liabilities	*Rs.*	*Rs.*	Assets	*Rs.*	*Rs.*
Capital	4,80,000		Building	3,25,000	
Add:			*Less*: Depreciation	(16,250)	3,08,750
Net Profit	78,250		Furniture	50,000	
Drawings	(75,000)	4,83,250	*Less*: Depreciation	(2,500)	47,500
Loan		1,50,000	Motor car	90,000	
			Less: Depreciation	(18,000)	72,000
Sundry Creditors		4,75,000	Stock in Trade		3,00,000
Outstanding business Expenses		50,000	Sundry Debtors		2,10,000
			Bank Balance		2,20,000
		11,58,250			11,58,250

Working Notes:

1. Cash and Bank Account

	Particulars	Cash	Bank		Particulars	*Cash*	Bank
To	Balance b/d	20,000	85,000	By	Payment to Creditors	-	13,75,000

To	Collection from Debtors	3,50,000	10,50,000	By	Business Expenses	90,000	60,000
To	Sales (18,00,000 x 20%)	3,60,000	–	By	Repairs	10,000	–
To	Cash (C)	–	7,15,000	By	Cash (C) (withdrawal)		1,20,000
				By	Bank (C)	7,15,000	
To	Bank (C)	1,20,000	-	By	Travelling Expenses	15,000	–
				By	Private Drawings	-	75,000
				By	Balance c/d		2,20,000
				By	Cash defalcated (balancing fig.)	20,000	
		8,50,000	18,50,000			8,50,000	18,50,000

2. Calculation of sales during 2019-20 **Rs.**

Gross profit (last year i.e. for year ended 31.3.2019)	3,00,000
Goods sold at cost plus 25% i.e. 20% of sales	
Sales for 2018-19(3,00,000/0.2)	15,00,000
Sales for 2019-20 (15,00,000 x 1.2)	18,00,000
Credit sales for 2019-20	14,40,000 (80% of 18,00,000)

3. Debtors Account

To	Bal. b/d.	1,70,000	By	Cash	3,50,000
To	Sales (18,00,000 x 80%)	14,40,000	By	Bank	10,50,000
			By	Bal. c/d	2,10,000
		16,10,000			16,10,000

4. Creditors Account

To	Bank	13,75,000	By	Bal. b/d	3,10,000
To	Bal. c/d	4,75,000	By	Purchases*	15,40,000
		18,50,000			18,50,000

** All purchases are considered as credit purchases.*

5. (a) In the books of Rajat

Investment Account

(Equity shares in P Ltd.)

Date	*Particulars*	*No. of shares*	*Amount (Rs.)*	*Date*	*Particulars*	*No. of shares*	*Amount (Rs.)*
1.4.19	To Balance b/d	50,000	7,50,000	31.3.20	By Balance c/d (Bal. fig.)	90,000	12,10,000
20.6.19	To Bank A/c	10,000	1,60,000				
1.8.19	To Bonus issue (W.N.1)	10,000	-				
5.11.19	To Bank A/c (right shares) (W.N.4)	20,000	3,00,000				
		90,000	12,10,000			90,000	12,10,000

Working Notes:

(1) Bonus shares $= \dfrac{50,000 + 10,000}{6}$ = 10,000 shares

(2) Right shares $= \dfrac{50,000 + 10,000 + 10,000}{7} \times 3$ = 30,000 shares

(3) Sale of rights = $30,000 \text{ shares} \times \dfrac{1}{3} \times$ ₹ 2= ₹ 20,000 to be credited to P & L A/c as per AS 13.

(4) Rights subscribed = $30,000 \text{ shares} \times \dfrac{2}{3} \times$ ₹ 15 = ₹ 3,00,000

(b) Computation of claim for loss of stock

	Rs.
Stock on the date of fire (i.e. on 1.10.2019)	3,75,000
Less: Stock salvaged	(50,000)
Stock destroyed by fire (Loss of stock)	3,25,000

Insurance claim amount = Rs. 3,25,000

(Average clause is not applicable as insurance policy amount (Rs. 5,00,000) is more than the value of closing stock ie. Rs. 3,75,000)

Memorandum Trading A/c
(1.4.19 to 30.9.19)

Particulars	*(Rs.)*	*Particulars*	*(Rs.)*
To Opening stock	3,50,000	By Sales	25,68,000
To Purchases (Rs. 18,75,000+Rs. 1,00,000)	19,75,000	By Goods with customers* (for approval) (W.N.1)	99,000
To Carriage inward	35,000	By Closing stock (bal. fig.)	3,75,000
To Wages	40,000		
To Gross profit (Rs. 25,68,000 x 25%)	6,42,000		
	30,42,000		30,42,000

* For financial statement purposes, this would form part of closing stock (since there is no sale). However, this has been shown separately for computation of claim for loss of stock since the goods were physically not with the entity and, hence, there was no loss of such stock.

Working Notes:

1. **Calculation of goods with customers**

   Since no approval for sale has been received for the goods of Rs. 1,32,000 (i.e. 2/3 of Rs. 1,98,000) hence, these should be valued at cost i.e. Rs. 1,32,000 – 25% of Rs. 1,32,000 = Rs. 99,000.

2. **Calculation of actual sales**

   Total sales – Goods not dispatched- Sale of goods on approval (2/3rd)=

   Sales (Rs. 27,75,000 –75,000– Rs.1,32,000) = Rs. 25,68,000

6. Balance Sheet of firm as at 1st August, 2019

Liabilities	*Rs.*	*Assets*	*Rs.*
Capital Accounts:		Building	4,50,000
Shyam	2,25,000	Plant and Machinery	97,700
Laxman	2,25,000	Stock	33,000
Shankar	1,20,000	Debtors	66,900
Current Accounts:		Furniture and Fittings	66,700
Shyam	21,600	Cash at Bank	1,48,500
Laxman	6,600	(1,01,100+1,65,000-	
Sundry Creditors	29,400	1,17,600)	
Ram's Executor's Loan	2,35,200		
	8,62,800		8,62,800

Working Notes:

1. **Calculation of Goodwill:** ***Rs.***

Profit for the year ended 31.3.2016	86,700
Profit for the year ended 31.3.2017	1,43,200
Profit for the year ended 31.3.2018	1,07,600
	3,37,500

Average profit = $\frac{3,37,500}{3} = 1,12,500$

Goodwill = Rs.1,12,500 X 2 years = Rs. 2,25,000

Ram's share of goodwill $= 2,25,000 \times \frac{1}{3} = 75,000$

Shankar's share of goodwill = $2,25,000 \times \frac{1}{5} = 45,000$

2. **Balance Sheet as on 31stJuly, 2019**

Liabilities	*Rs.*	*Assets*	*Rs.*
Capital (balancing figure)	7,86,000	Building	4,50,000
Creditors	29,400	Stock	33,000
		Sundry Debtors	66,900
		Plant and Machinery	97,700
		Furniture & Fittings	66,700
		Cash at bank	1,01,100
	8,15,400		8,15,400

3. **Calculation of profits made during the period of 1stApril, 2019 to 31st July, 2019**

	Rs.
Combined Capital (of all partners) as on 31.7.2019	7,86,000
Less: Combined Capitals on 1.4.19	
[2,70,000 + 2,40,000 + 2,40,000 + 4,200 + 6,000 less 3,000)	7,57,200

	28,800
Add: Drawings of all partners (60,000 + 48,000 + 54,000)	1,62,000
Total Profit	1,90,800
Share of Profit of each partner	63,600

4. **Partners' Capital Accounts**

Dr.	Ram	Shyam	Laxman	Shankar		Ram	Shyam	Laxman	Shankar Cr.
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To Ram (Goodwill adj.)	-	37,500	37,500	–	By Balance b/d	2,70,000	2,40,000	2,40,000	–
					By Goodwill adjustment (Shyam and Laxman)	75,000	–	–	–
To Ram's Executors A/c	3,52,800	–	–	–	By Ram's current a/c	7,800	–	–	
To Shyam and Laxman	–	–	–	45,000	By Cash	–	–	–	1,65,000
					By Shankar (Goodwill adj.)		22,500	22,500	
To Balance c/d		2,25,000	2,25,000	1,20,000					
	3,52,800	2,62,500	2,62,500	1,65,000		3,52,800	2,62,500	2,62,500	1,65,000

5. **Partners' Current Accounts**

Dr.	***Ram***	***Shyam***	***Laxman***		***Ram***	***Shyam***	***Laxman***
	Rs.	***Rs.***	***Rs.***		***Rs.***	***Rs.***	***Rs.***
To Balance b/d	–	–	3,000	By Balance b/d	4,200	6,000	–
To Drawings	60,000	48,000	54,000	By Profit and loss A/c	63,600	63,600	63,600
To Capital A/c (bal. fig.)	7,800	–	–				
To Balance c/d	-	21,600	6,600				
	67,800	69,600	63,600		67,800	69,600	63,600

6. **Ram' Executors' Account**

	Rs.		***Rs.***
To Cash and Bank	1,17,600	By Ram's Capital A/c	3,52,800
To Ram's Executor's Loan A/c	2,35,200		
	3,52,800		3,52,800

7. (a) Various type of alternatives are available to a business entity for accounting in computerized environment viz: Spread sheet packages, Pre-packaged accounting software, Customized accounting package, ERP package; and Outsourcing the accounting function to a third party.

The criteria for selection of these alternatives are as follows:

1. ***Size of business operation:*** If the size of the operation is small or medium the organization can opt for a pre-packaged accounting package. However, if the size is big, the organization may decide upon a customized software or an ERP package.

2. ***Complexity of operation:*** If the operation is complex with several functional areas which needs to be computerized the choice is usually a customized software or an ERP package.

3. ***Business requirement:*** If the organization has several non-standard requirements, then customized software could be the solution.

4. ***Budgetary constraints:*** Cost consideration could also be a deciding factor for the choice of an alternative. Normally the spread sheet and the pre-packaged accounting software works out to be the cheapest. The customized software and the ERP are of higher cost considerations

(b) Calculation of Interest and Cash Price

Ratio of interest and amount due = 8 / (100 + rate of interest) i.e. 8/108

To ascertain cash price, interest will be calculated from last instalment to first instalment as follows:

No. of instalments	*Amount due at the time of instalment*	*Interest*	*Cumulative Cash price*
[1]	*[2]*	*[3]*	*(2-3) = [4]*
3rd	12,000	8/108 of Rs.12,000 = Rs. 889	11,111
2nd	23,111 [W.N.1]	8/108 of Rs. 23,111 = Rs.1,712	21,399
1st	33,399 [W.N.2]	8/108 of Rs.33,399= Rs.2,474	30,925
		5,075	

Total cash price = Rs. 30,925 + Rs.12,000 (down payment) = Rs.42,925

Working Notes:

1. Rs. 11,111+ 2nd instalment of Rs. 12,000= Rs. 23,111
2. Rs. 21,399+ 1st instalment of Rs. 12,000= Rs. 33,399

(c) Journal Entries

		Rs.	*Rs.*
General Reserve A/c	Dr.	1,25,000	
To Bonus to shareholders A/c			1,25,000
(For making provision of bonus issue)			
Share Final Call A/c		1,25,000	
To Equity share capital A/c			1,25,000
(For final calls of Rs. 2.5 per share on 50,000 equity shares due as per Board's Resolution dated….)			
Bonus to shareholders A/c	Dr.	1,25,000	
To Share Final Call A/c			1,25,000
(For adjusting Final Call A/c against bonus issue)			

(d) Share of profit taken from A and B each= 1/5 x 1/2 = 1/10 each

Calculation of New Profit Sharing Ratio

	A	**B**
Existing ratio	3/5	2/5
Less: Share of profit transferred to C	(1/10)	(1/10)
New share	5/10	3/10

New profit sharing ratio of A:B:C = 5/10 : 3/10 : 2/10

Calculation of Total Capital of the Reconstituted Firm

Capital brought in by C for $1/5^{th}$ share = Rs. 35,000

Total Capital = Rs. 35,000 x (5/1) = Rs. 1,75,000

Calculation of Actual Cash to be paid or brought in by old partners

	A	**B**	**C**
	(Rs.)	**(Rs.)**	**(Rs.)**
New capital of Rs. 1,75,000 distributed in 5:3:2	87,500	52,500	35,000
Less: Adjusted old capital of A & B	(80,000)	(60,000)	-
Cash brought in/ paid	7,500	(7,500)	35,000

(e) Calculation of Average Due date (Taking 6^{th} August as the base date)

Date	*Due Date*	*Amount Rs.*	*No. of days from Base date*	*Product Rs.*
27/7	6/8	18,000	0	0
30/7	9/8	12,000	3	36,000
12/8	22/8	25,000	16	4,00,000
10/9	20/9	7,000	45	3,15,000
12/9	22/9	21,000	47	9,87,000
		83,000		17,38,000

Average due date = 6^{th} August + 17,38,000/83,000

= 6^{th} August + 21 days = 27^{th} August

Thus average due date is 27^{th} August.

If the payment is made on 30^{th} September, then no. of days after 27^{th} August till 30^{th} Sept. will be 34 days

Interest if settlement is done on 30^{th} September

Interest payable by Parveen on Rs. 83,000 for 34 days @ 8% p.a.

= Rs. 83,000 x 8/100 x 34/365 = Rs. 618.50