MOCK TEST PAPER 2

INTERMEDIATE : GROUP – I

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) 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 company. These costs do not meet that requirement of AS 10 "Property, Plant and Equipment" and cannot, therefore, be capitalized.

(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 (₹ 32 lakhs /4 years) = ₹ 8 lakhs x 2 years= ₹ 16 lakhs will be credited to Profit and Loss Account and ₹ 16 lakhs will be the balance of Deferred Grant Account after two years. Therefore, on refund of grant, following entry will be passed:

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

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

   Fixed assets initially recorded in the books = ₹ 80 lakhs

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

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

3. **Amount of depreciation for remaining two years**

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

(c) As per AS 2 (Revised), abnormal amounts of wasted materials, labour and other production costs are excluded from cost of inventories and such costs are recognized as expenses in the period in which they are incurred.

In this case, normal waste is 250 MT and abnormal waste is 50 MT. The cost of 250 MT will be included in determining the cost of inventories (finished goods) at the year end. The cost of abnormal waste (50 MT x 1,052.6315 = ₹ 52,632) will be charged to the profit and loss statement.

Cost per MT (Normal Quantity of 4,750 MT) = 50,00,000 / 4,750 = ₹ 1,052.6315

Total value of inventory = 4,700 MT x ₹ 1,052.6315 = ₹ 49,47,368.

(d) The decision of making provision for non-moving inventories on the basis of technical evaluation does not amount to change in accounting policy. Accounting policy of a company may require that provision for non-moving inventories should be made but the basis for making provision will not constitute accounting policy. The method of estimating the amount of provision may be changed in case a more prudent estimate can be made.

In the given case, considering the total value of inventory, the change in the amount of required provision of non-moving inventory from ₹ 4 lakhs to ₹ 3 lakhs is also not material. The disclosure can be made for such change in the following lines by way of notes to the accounts in the annual accounts of HIL Ltd. for the year 2019-20 in the following manner:

"The company has provided for non-moving inventories on the basis of technical evaluation unlike preceding years. Had the same method been followed as in the previous year, the profit for the year and the value of net assets at the end of the year would have been lower by ₹ 1 lakh."

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 ₹	Interest ₹	Cost ₹	Date	Particulars	Nominal Value (₹)	Interest (₹	Cost (₹)
1.4.20	To Bank A/c	2,00,000	-	2,16,000	30.09.20	By Bank A/c [₹3,00,000 x 8% x (6/12]	-	12,000	-
1.7.20	To Bank A/c (W.N.1)	1,00,000	2,000	1,10,000					
31.12.20	To P & L A/c [Interest]	-	14,033	-	1.10.20	By Bank A/c	80,000		84,000
					1.10.20	By P & L A/c (loss) (W.N.3)			2,933
					1.12.20	By Bank A/c (Accrued interest) (₹ 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 (₹)	Date	Particulars	Cost (₹)
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 = ₹1,12,000 – ₹2,000 (Interest) = ₹1,10,000

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

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

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

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

[(₹ 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 = (₹ 2,16,000 + ₹1,10,000) x 55,000/3,00,000 = ₹ 59,767

(v) Cost of closing balance of Debentures = (₹ 2,16,000 + ₹1,10,000) x 1,65,000 / 3,00,000 = ₹ 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 ₹ 59,767 being lower than the market value ₹ 75,000 (₹ 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) Computation of claim for loss of stock

	₹
Stock on the date of fire (i.e. on 1.10.2021)	3,75,000
Less: Stock salvaged	(50,000)
Stock destroyed by fire (Loss of stock)	3,25,000

Insurance claim amount= ₹ 3,25,000

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

Memorandum Trading A/c
(1.4.21 to 30.9.21)

Particulars	*(₹)*	*Particulars*	*(₹)*
To Opening stock	3,50,000	By Sales	25,68,000
To Purchases (₹ 18,75,000+₹ 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 (₹ 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 ₹ 1,32,000 (i.e. 2/3 of ₹ 1,98,000) hence, these should be valued at cost i.e. ₹ 1,32,000 – 25% of ₹ 1,32,000 = ₹ 99,000.

2. **Calculation of actual sales**

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

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

(c) Statement showing differences between Hire Purchase and Installment System

	Basis of Distinction	*Hire Purchase*	*Installment System*
1.	Governing Act	It is governed by Hire Purchase Act,1972.	It is governed by the Sale of Goods Act, 1930.

2.	Nature of Contract	It is an agreement of hiring.	It is an agreement of sale.
3.	Passing of Title (ownership)	The title to goods passes on last payment.	The title to goods passes immediately as in the case of usual sale.
4.	Right to Return goods	The hirer may return goods without further payment except for accrued installments.	Unless seller defaults, goods are not returnable.
5.	Seller's right to repossess	The seller may take possession of the goods if hirer is in default.	The seller can sue for price if the buyer is in default. He cannot take possession of the goods.
6.	Right of Disposal	Hirer cannot hire out, sell, pledge or assign entitling transferee to retain possession as against the hire vendor.	The buyer may dispose off the goods and give good title to the bonafide purchaser.
7.	Responsibility for Risk of Loss	The hirer is not responsible for risk of loss of goods if he has taken reasonable precaution because the ownership has not yet transferred.	The buyer is responsible for risk of loss of goods because of the ownership has transferred.
8.	Name of Parties involved	The parties involved are called Hirer and Hire vendor.	The parties involved are called buyer and seller.
9.	Component other than cash price.	Component other than Cash Price included in installment is called Hire charges.	Component other than Cash Price included in Installment is called Interest.

Note: Any four differences may form part of the answer.

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

Particulars	*U.K. Pound*	*Rate Per U.K. Pound*	*Dr. (₹)*	*Cr. (₹)*
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) = ₹ 6,16,000

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

	Particulars	*Amount (₹)*		*Particulars*	*Amount (₹)*
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 difference	12,400
To	Net Profit	6,08,200			
		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 of Archana Enterprises**

for the year ended 31st March, 2021

		₹			₹
To	Opening Stock	9,15,000	By Sales		
To	Purchases (W.N. 2)	125,97,000	Cash	110,70,000	
To	Gross profit c/d	13,93,000	Credit (W.N. 1)	28,60,000	139,30,000
	(10% of 139,30,000)		By Closing stock		9,75,000
		149,05,000			149,05,000
To	Sundry expenses (W.N. 4)	9,18,750	By Gross profit b/d		13,93,000
To	Discount allowed	54,000	By Discount received		42,500
To	Depreciation (15% ₹ 1,50,000)	22,500			
To	Net Profit (b.f.)	4,40,250			
		14,35,500			14,35,500

Balance Sheet of Archana Enterprises as at 31st March, 2021

Liabilities		Amount ₹	Assets		Amount ₹
Capital			Furniture & Fittings	1,50,000	
Opening balance	6,75,000		Less: Depreciation	(22,500)	1,27,500
Less: Drawing	(3,60,000)		Stock		9,75,000
	3,15,000		Trade Debtors		3,43,000

Add: Net profit for the years	4,40,250	7,55,250	Unexpired insurance	3,000
Trade creditors (W.N. 3)		8,29,000	Cash in hand & at bank	1,90,950
Outstanding expenses		55,200		
		16,39,450		16,39,450

Working Notes:

1. **Trade Debtors Account**

	₹		₹
To Balance b/d	3,12,000	By Cash/Bank	27,75,000
To Credit sales	28,60,000	By Discount allowed	54,000
(Bal. fig.)		By Balance c/d	3,43,000
	31,72,000		31,72,000

2. **Memorandum Trading Account**

	₹		₹
To Opening stock	9,15,000	By Sales	139,30,000
To Purchases (Balancing figure)	125,97,000	By Closing stock	9,75,000
To Gross Profit (10% on sales)	13,93,000		
	149,05,000		149,05,000

3. **Trade Creditors Account**

	₹		₹
To Cash/Bank	124,83,000	By Balance b/d	7,57,500
To Discount received	42,500	By Purchases (as calculated	125,97,000
To Balance c/d		in W.N. 2)	
(balancing figure)	8,29,000		
	133,54,500		133,54,500

4. **Computation of sundry expenses to be charged to Profit & Loss A/c**

	₹
Sundry expenses paid (as per cash and Bank book)	9,31,050
Add: Prepaid expenses as on 31–3–2020	3,000
	9,34,050
Less: Outstanding expenses as on 31–3–2020	(67,500)
	8,66,550
Add: Outstanding expenses as on 31–3–2021	55,200
	9,21,750

Less: Prepaid expenses as on 31–3–2021 (Insurance paid till July, 2021) (9,000 x 4/12)	(3,000)
	9,18,750

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

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

Working Note:

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

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

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

₹7,50,000

(c) **Journal Entries**

			₹	₹
1-4-2021	Equity share final call A/c	Dr.	5,40,000	
	To Equity share capital A/c			5,40,000
	(For final calls of ₹ 2 per share on 2,70,000 equity shares due as per Board's Resolution dated….)			
20-4-2021	Bank A/c	Dr.	5,40,000	
	To Equity share final call A/c			5,40,000

	(For final call money on 2,70,000 equity shares received)			
	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	₹
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

			(₹)
1.	**Share Capital**		
	Authorized, issued, subscribed & called up		
	1,20,000, Equity Shares of ₹ 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* ₹	*Post-incorporation* ₹
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	₹
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 ₹ 80,00,000 i.e. ₹ 8,00,000)

Profits available

Current year profit	₹ 1,42,500
Amount which can be utilized from reserves (₹ 8,00,000 – 1,42,500)	₹ 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. ₹ 10,50,000 [10% of (80,00,000 + 25,00,000)]

Condition III

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

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

OR

Computation of effective capital:

		₹
Paid-up share capital-		
20,000, 14% Preference shares		20,00,000
1,20,000 Equity shares		96,00,000
Capital reserves (excluding revaluation reserve)		45,000
Securities premium		50,000
15% Debentures		65,00,000
Public Deposits		3,70,000
	(A)	1,85,65,000
Investments		75,00,000
Profit and Loss account (Dr. balance)		15,00,000
	(B)	90,00,000
Effective capital	(A–B)	95,65,000

(c) Cash Flow Statement from Investing Activities of Subham Creative Limited for year ended 31-03-2019

Cash generated from investing activities	₹	₹
Interest on loan received	70,000	
Pre-acquisition dividend received on investment made	52,600	
Unsecured loans given to subsidiaries	(5,00,000)	
Interest received on investments (gross value)	82,000	
TDS deducted on interest	(8,200)	
Sale of Plant & Machinery ₹ (90,000 – 9,600)	80,400	
Cash used in investing activities (before extra-ordinary item)		(2,23,200)
Extraordinary claim received for loss of machinery		55,000
Net cash used in investing activities (after extra-ordinary item)		(1,68,200)

Note:

1. Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.
2. Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the above cash flow statement.

(d) Effects of each transaction on Balance sheet of Mr. A is shown below:

Transactions	*Assets ₹ lakh*	–	*Liabilities ₹ lakh*	=	*Equity ₹ 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