

PUNJAB-BOARD-CLASS-12-ACCOUNTANCY-2-142-A-2025
Question and Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :
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General Instructions

Read the following instructions very carefully and strictly follow them:

1. This question paper is for **Class XII** examination conducted by the **Punjab School Education Board (PSEB)**.
2. The duration of the examination is **3 hours**.
3. The question paper is divided into different sections according to the prescribed syllabus.
4. All questions are compulsory unless stated otherwise.
5. Use of calculators, mobile phones, smart watches, or any other electronic gadgets is **strictly prohibited** inside the examination hall.
6. Figures to the right of the questions indicate full marks.
7. Attempt the questions in the same sequence as given in the question paper.
8. Internal choices, wherever provided, should be attempted carefully.
9. Write your answers neatly and legibly in the answer sheet provided.
10. Draw neat and properly labelled diagrams wherever required.

i. Under which method of valuation of Goodwill, normal rate of return is not required?

- (A) Capitalization Method
- (B) Super Profit Method
- (C) Average Profit Method
- (D) None of these

Correct Answer: (A) Capitalization Method

Solution:

Step 1: Understanding the methods of valuation.

In the valuation of goodwill, some methods require the normal rate of return, while others do not. The Capitalization Method does not require the normal rate of return to calculate the

value of goodwill.

Step 2: Analyzing the options.

(A) Capitalization Method: Correct — In this method, goodwill is valued based on the capitalized amount of the expected earnings, without using a normal rate of return.

(B) Super Profit Method: This method requires the normal rate of return to calculate super profits and is therefore incorrect.

(C) Average Profit Method: This method also involves using an average profit, but it does not exclude the normal rate of return, making it incorrect.

(D) None of these: This is incorrect because the Capitalization Method is the correct answer.

Step 3: Conclusion.

The correct answer is **(A) Capitalization Method**, as this method does not require the normal rate of return.

Quick Tip

In valuation methods, always differentiate between those that rely on the normal rate of return and those that do not. The Capitalization Method falls into the latter category.

ii. An increase in the value of assets is recorded on which side of the Revaluation Account?

- (A) Credit side
- (B) Debit side
- (C) Not Recorded
- (D) None of these

Correct Answer: (B) Debit side

Solution:

Step 1: Understanding the Revaluation Account.

The Revaluation Account is used to record changes in the value of assets during a business restructuring or partnership dissolution. An increase in the value of assets is recorded on the debit side of the Revaluation Account.

Step 2: Analyzing the options.

(A) Credit side: Incorrect — The credit side of the Revaluation Account records decreases in the value of assets.

(B) Debit side: Correct — Increases in asset values are recorded on the debit side of the

Revaluation Account.

(C) **Not Recorded:** Incorrect — Increases in asset values must be recorded in the Revaluation Account.

(D) **None of these:** Incorrect — The correct answer is on the debit side.

Step 3: Conclusion.

The correct answer is (B) **Debit side**, as increases in asset values are recorded on the debit side of the Revaluation Account.

Quick Tip

When dealing with Revaluation Accounts, remember that increases in asset values are always recorded on the debit side.

iii. J, K, L, M are in partnership sharing profits and losses in ratio of 9 : 6 : 5 : 5. 'N' joins the partnership for 20% share. J, K, L and M would in future share profits among themselves as 3 : 4 : 2 : 1. The new profit sharing ratio will be:

(A) 3 : 4 : 2 : 1 : 5

(B) 9 : 6 : 5 : 5 : 5

(C) 8 : 6 : 4 : 2 : 5

(D) 6 : 8 : 4 : 2 : 5

Correct Answer: (A) 3 : 4 : 2 : 1 : 5

Solution:

Step 1: Understanding the partnership.

The existing partnership ratio is 9 : 6 : 5 : 5. With 'N' joining the partnership, the new ratio is to be shared among J, K, L, M, and N.

Step 2: Analyzing the options.

(A) **3 : 4 : 2 : 1 : 5:** Correct — This is the correct answer. The new profit-sharing ratio includes 'N', who gets a 20% share, and the rest of the partners share the remaining 80% in the ratio 3 : 4 : 2 : 1.

(B) **9 : 6 : 5 : 5 : 5:** Incorrect — This is the original ratio and does not reflect 'N' joining the partnership.

(C) **8 : 6 : 4 : 2 : 5:** Incorrect — This does not match the new agreed-upon ratio.

(D) **6 : 8 : 4 : 2 : 5:** Incorrect — This does not match the expected results either.

Step 3: Conclusion.

The correct answer is **(A) 3 : 4 : 2 : 1 : 5**, as this correctly represents the new profit-sharing ratio after 'N' joins.

Quick Tip

In partnership problems, ensure to adjust the original ratio to reflect the new partner's share and how it is distributed among existing partners.

iv. **X, Y and Z are three partners sharing profits in the ratio 10 : 7 : 7. Z retired. X and Y decided to share profits in equal ratio. Gaining ratio will be:**

- (A) 1 : 4
- (B) 10 : 7
- (C) 7 : 10
- (D) 4 : 1

Correct Answer: (D) 4 : 1

Solution:

Step 1: Understanding the situation.

X, Y, and Z share profits in the ratio of 10 : 7 : 7. Z retires, and X and Y agree to share profits equally. The gaining ratio is calculated based on the change in profit-sharing percentages.

Step 2: Analyzing the options.

- (A) 1 : 4:** Incorrect — This does not represent the correct proportion of gains.
- (B) 10 : 7:** Incorrect — This was the original profit-sharing ratio before Z retired.
- (C) 7 : 10:** Incorrect — This is the reverse of the correct gaining ratio.
- (D) 4 : 1:** Correct — This represents the gaining ratio between X and Y, where Y's share increases at the expense of Z's exit.

Step 3: Conclusion.

The correct answer is **(D) 4 : 1**, as this is the correct gaining ratio between X and Y after Z's retirement.

Quick Tip

When calculating gaining ratios, focus on how the shares change after a partner exits or joins, and adjust for any remaining partners' new shares.

v. Rent paid to a partner is _____ against profit. (charge/appropriation)

Correct Answer: appropriation

Solution:

Step 1: Understanding the question.

Rent paid to a partner is an appropriation against the profit, meaning it is deducted from the profit before it is distributed among the partners.

Step 2: Conclusion.

The correct answer is **appropriation**, as rent is considered an appropriation, not a charge.

Quick Tip

In partnership accounting, appropriations are distributions of profit that happen before the final division among partners.

vi. Revaluation Account is _____ account. (real/nominal)

Correct Answer: nominal

Solution:

Step 1: Understanding the Revaluation Account.

A Revaluation Account is a nominal account because it deals with gains or losses arising from the revaluation of assets and liabilities at the time of a partnership change.

Step 2: Conclusion.

The correct answer is **nominal**, as the Revaluation Account records the gains or losses of nominal nature.

Quick Tip

Revaluation accounts deal with gains or losses in real accounts that affect the balance sheet and are therefore classified as nominal.

vii. The ratio in which the remaining partners acquire the retiring partner's share is called _____. (Gaining Ratio/Sacrifice Ratio)

Correct Answer: Gaining Ratio

Solution:

Step 1: Understanding the ratio.

When a partner retires or exits, the remaining partners acquire the retiring partner's share. The ratio in which they acquire this share is called the gaining ratio.

Step 2: Conclusion.

The correct answer is **Gaining Ratio**, as this is the ratio that shows how much the remaining partners gain from the retiring partner's share.

Quick Tip

The gaining ratio is the percentage by which each remaining partner increases their share when another partner retires.

viii. On dissolution of firm all assets and liabilities are transferred to the realization account at their _____ values. (book/market)

Correct Answer: book

Solution:

Step 1: Understanding the dissolution process.

When a partnership firm dissolves, all assets and liabilities are transferred to the Realization Account at their book values, which reflects the values recorded in the books of accounts.

Step 2: Conclusion.

The correct answer is **book**, as the assets and liabilities are recorded at their book values during dissolution.

Quick Tip

During dissolution, assets and liabilities are transferred to the Realization Account at their book values, not their market values.

ix. Mohan withdrew 4,000 at the beginning of each quarter. Calculate interest on drawing at the rate of 6% p.a.

Solution:

Step 1: Understanding the problem.

Interest on drawings is calculated on the amount withdrawn by the partner during the year. Since Mohan withdrew 4,000 at the beginning of each quarter, the calculation will involve the total of all four withdrawals, with interest computed for the periods each withdrawal was outstanding. The rate of interest is 6% p.a.

Step 2: Calculation of interest.

For each withdrawal, interest is calculated based on how long the amount remained in the firm:
- First withdrawal: 4,000 for 3 quarters. - Second withdrawal: 4,000 for 2 quarters. - Third withdrawal: 4,000 for 1 quarter. - Fourth withdrawal: 4,000 for 0 quarters.

Using the formula for interest:

$$\text{Interest} = \text{Amount} \times \frac{\text{Rate} \times \text{Time}}{100}$$

$$\text{Total Interest} = 4000 \times \frac{6 \times 3}{400} + 4000 \times \frac{6 \times 2}{400} + 4000 \times \frac{6 \times 1}{400} = 180 + 120 + 60 = 360$$

Step 3: Conclusion.

The total interest on the drawings is 360.

Quick Tip

When calculating interest on drawings, remember to calculate the interest for each withdrawal according to how long it was in the firm.

x. Define Goodwill.

Solution:

Step 1: Understanding Goodwill.

Goodwill is an intangible asset that represents the value of a business's brand, reputation, customer base, and other factors that enable it to generate profits above the normal return on its assets. It arises when a business is acquired for a price higher than the fair value of its tangible assets.

Step 2: Conclusion.

Goodwill reflects the earning power of a business and is considered a long-term asset in accounting.

Quick Tip

Goodwill is the premium paid over the book value of a company's tangible assets during an acquisition.

xi. What is the formula for calculating Sacrifice Ratio?**Solution:****Step 1: Understanding Sacrifice Ratio.**

The Sacrifice Ratio is used to calculate the proportion of their share that existing partners give up when a new partner joins the partnership. It is calculated as the difference between the old profit-sharing ratio and the new profit-sharing ratio.

Step 2: Formula for Sacrifice Ratio.

The formula for calculating the Sacrifice Ratio is:

$$\text{Sacrifice Ratio} = \text{Old Profit Sharing Ratio} - \text{New Profit Sharing Ratio}$$

Step 3: Conclusion.

The Sacrifice Ratio indicates how much of their profit share the remaining partners give up in order to accommodate the new partner.

Quick Tip

To calculate the Sacrifice Ratio, subtract the new profit-sharing ratio from the old one for each partner.

xii. What is Realisation Account?

Solution:

Step 1: Understanding the Realisation Account.

The Realisation Account is used during the dissolution of a partnership. It records the sale of the firm's assets and the settlement of its liabilities. The profit or loss from these transactions is transferred to the partners' capital accounts.

Step 2: Conclusion.

The Realisation Account helps to determine the final profit or loss on the dissolution of the partnership and ensures that all assets and liabilities are properly accounted for.

Quick Tip

The Realisation Account is a temporary account used in the dissolution of a partnership to record the sale of assets and liabilities.

2. How a partner can retire from the firm?

Solution:

Step 1: Conditions for Retirement.

A partner can retire from a firm based on the terms of the partnership agreement. If the agreement is silent on the matter, the retiring partner must provide notice to the other partners, and the firm will calculate the partner's share of profits, assets, and liabilities.

Step 2: Steps for Retirement.

- The partnership must decide the value of the retiring partner's capital and share of goodwill.
- Any outstanding liabilities are settled.
- The profit or loss on the realization of assets is calculated and distributed among the partners.
- The retiring partner's capital account is credited with their share of profits or debited for their share of losses.
- A retirement agreement may include payment of the retiring partner's share over time.

Step 3: Conclusion.

The process of retirement involves settlement of dues, adjustments of capital, and formal changes to the partnership agreement.

Quick Tip

When a partner retires, ensure to settle all liabilities, distribute profits/losses, and update the partnership agreement accordingly.

3. P and Q are partners in a firm. P is entitled to a salary of 7,500 p.m. and a commission of 10% of net profit before charging any commission. Q is entitled to a commission of 10% of net profit after charging his commission. Net profit for the year ended 31st March 2024 was 2,20,000. Show the distribution of profit.

Solution:

Step 1: Understanding the profit-sharing arrangement.

- P is entitled to a salary of 7,500 per month, and commission of 10% of the net profit before charging any commission. - Q is entitled to a commission of 10% of the net profit after charging his commission. - The total net profit for the year is 2,20,000.

Step 2: Calculation of P's salary and commission.

P's salary for the year:

$$7,500 \times 12 = 90,000$$

Now, P is entitled to 10% commission on net profit before commission. Let's assume the total net profit before P's commission is x . P's commission is:

$$\text{P's commission} = 0.10x$$

Therefore, the total net profit is the sum of the net profit before commission (x), P's salary (90,000), and P's commission ($0.10x$). Hence:

$$x = 2,20,000 + 90,000 = 3,10,000$$

P's commission will be:

$$0.10 \times 3,10,000 = 31,000$$

Step 3: Calculation of Q's commission.

Q's commission is 10% of the net profit after his commission. Let's assume Q's commission is y . Then, the net profit after charging Q's commission is:

$$\text{Net profit after Q's commission} = 2,20,000 - 31,000 - y$$

Since Q is entitled to 10% of the net profit after his commission:

$$y = 0.10(2,20,000 - 31,000 - y)$$

Solving for y , we get:

$$y = 0.10(1,89,000 - y)$$

$$y = 18,900 - 0.10y$$

$$1.10y = 18,900$$

$$y = \frac{18,900}{1.10} = 17,181.82$$

Q's commission is 17,181.82.

Step 4: Distribution of profit.

After P's salary and commission, and Q's commission are deducted, the remaining profit is distributed between P and Q based on their agreed ratio. The remaining profit is:

$$2,20,000 - 90,000 - 31,000 - 17,181.82 = 81,818.18$$

The remaining profit of 81,818.18 is shared between P and Q in the agreed ratio. Since the ratio is not specified, we assume it to be 1:1. Thus, P and Q each receive:

$$\frac{81,818.18}{2} = 40,909.09$$

Step 5: Conclusion.

The distribution of profit is: - P's salary: 90,000 - P's commission: 31,000 - P's share of remaining profit: 40,909.09 - Q's commission: 17,181.82 - Q's share of remaining profit: 40,909.09

Quick Tip

When distributing profit, always consider salaries, commissions, and the agreed-upon profit-sharing ratio before distributing the remaining profit.

4. Sita, Gita and Rita are partners sharing profits in the ratio of 4 : 3 : 2. From April 1, 2024, they decided to share the profit equally. On that date their books showed the following items:

Items:

General Reserves: 1,80,000

Workmen Compensation Reserve: 2,25,000

Profit Loss Account (Dr.): 4,50,000

Record the necessary Journal Entries.

Solution:**Step 1: Understand the situation.**

The partners have decided to share the profit equally from April 1, 2024. To effect this change, we need to adjust the existing balances in the General Reserves, Workmen Compensation Reserve, and Profit Loss Account, based on their old profit-sharing ratio (4:3:2) and the new ratio (1:1:1). The reserves and profit need to be adjusted to reflect the change in profit-sharing ratio.

Step 2: Journal Entries.

1. ****For the General Reserves:****

The General Reserves need to be divided according to the old profit-sharing ratio of 4:3:2. The total General Reserves amount is 1,80,000.

$$\text{Sita's Share} = \frac{4}{9} \times 1,80,000 = 80,000$$

$$\text{Gita's Share} = \frac{3}{9} \times 1,80,000 = 60,000$$

$$\text{Rita's Share} = \frac{2}{9} \times 1,80,000 = 40,000$$

Journal Entry:

General Reserves A/c Dr. 1,80,000 To Sita's Capital A/c 80,000 To Gita's Capital A/c 60,000 To Rita's Capital A/c 40,000

2. ****For the Workmen Compensation Reserve:****

Similarly, the Workmen Compensation Reserve needs to be divided according to the old profit-sharing ratio of 4:3:2. The total Workmen Compensation Reserve amount is 2,25,000.

$$\text{Sita's Share} = \frac{4}{9} \times 2,25,000 = 1,00,000$$

$$\text{Gita's Share} = \frac{3}{9} \times 2,25,000 = 75,000$$

$$\text{Rita's Share} = \frac{2}{9} \times 2,25,000 = 50,000$$

Journal Entry:

Workmen Compensation Reserve A/c Dr. 2,25,000 To Sita's Capital A/c 1,00,000 To Gita's Capital A/c 75,000 To Rita's Capital A/c 50,000

3. ****For the Profit Loss Account (Dr.):****

The debit balance in the Profit Loss Account of 4,50,000 needs to be adjusted. Since they are now sharing profits equally, the loss will be shared equally between Sita, Gita, and Rita.

$$\text{Sita's Share} = \frac{1}{3} \times 4,50,000 = 1,50,000$$

$$\text{Gita's Share} = \frac{1}{3} \times 4,50,000 = 1,50,000$$

$$\text{Rita's Share} = \frac{1}{3} \times 4,50,000 = 1,50,000$$

Journal Entry:

Sita's Capital A/c Dr. 1,50,000 To Profit Loss A/c 1,50,000

Gita's Capital A/c Dr. 1,50,000 To Profit Loss A/c 1,50,000

Rita's Capital A/c Dr. 1,50,000 To Profit Loss A/c 1,50,000

Step 3: Conclusion.

These journal entries will adjust the partners' capital accounts to reflect the new profit-sharing ratio.

Quick Tip

When the profit-sharing ratio changes, you must adjust the reserves, capital accounts, and the Profit Loss Account. Ensure that all adjustments are made based on the old and new profit-sharing ratios.

5. X and Y were partners in a firm. They admitted Z as a new partner for 20% share in the profits. After all adjustments regarding general reserve, Goodwill, gain or loss on revaluation, the balances in capital accounts of X and Y were 2,50,000 and 3,50,000 respectively. Z brought proportionate capital so as to give him 20% share in the profits. Calculate the amount of capital to be brought by Z.

Solution:

Step 1: Understand the situation.

X and Y's combined capital is:

$$2,50,000 + 3,50,000 = 6,00,000$$

Z is to have a 20% share in the profits. Therefore, Z's share of the total capital should be 20% of 6,00,000, which is:

$$\text{Z's capital} = 0.20 \times 6,00,000 = 1,20,000$$

Step 2: Conclusion.

Z needs to bring 1,20,000 as capital to maintain a 20% share in the firm's profits.

Quick Tip

When admitting a new partner, their capital is calculated based on the total capital of the existing partners and their share in the profits.

6. L, M, and N were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31st March every year. M died on 12.06.2024. On M's death the Goodwill of the firm was valued at 1,80,000. On M's death his share in the profits till the time of his death was to be calculated on the basis of previous year's profit which was 3,00,000. Calculate M's share in the profit of the firm. Pass necessary

journal entries for the treatment of Goodwill and M's share of profit at the time of his death.

Solution:

Step 1: M's Share in the Profit till Date of Death.

M's share of the profit for the year is based on the previous year's profit of 3,00,000. M's share in profit is 1/6th, as the ratio of profit sharing is 3:2:1. Therefore, M's share of profit till the date of death is:

$$M's \text{ Share} = \frac{1}{6} \times 3,00,000 = 50,000$$

Step 2: M's Share in Goodwill.

Goodwill on M's death is valued at 1,80,000. Since M's share in the profits is 1/6th, M's share of Goodwill is:

$$M's \text{ Share of Goodwill} = \frac{1}{6} \times 1,80,000 = 30,000$$

Step 3: Journal Entries.

1. ****Journal entry for recording M's share of profit:****

Profit and Loss A/c Dr. 50,000 To M's Capital A/c 50,000

2. ****Journal entry for Goodwill on M's death:****

Goodwill A/c Dr. 1,80,000 To L's Capital A/c 90,000 To N's Capital A/c 60,000

Step 4: Conclusion.

M's share in the profits till the time of death is 50,000, and M's share of Goodwill is 30,000. The journal entries account for M's share of profit and Goodwill.

Quick Tip

When a partner dies, calculate their share in profit up to the date of death and adjust the Goodwill account according to their share.

7. Debtors appearing in the Balance Sheet of a firm were as follows:

Liabilities

Sundry Debtors 4,00,000
Less: Provision 15,000

Assets

Sundry Debtors 3,85,000

On Dissolution of firm, bad debts were 40,000 and the remaining debtors were realised at 5% discount. How much amount was realised from Debtors?

Solution:

Step 1: Total Debtors after Provision.

The total amount of debtors as per the balance sheet is 4,00,000, less the provision of 15,000. Hence, the net amount of debtors is:

$$\text{Net Debtors} = 4,00,000 - 15,000 = 3,85,000$$

Step 2: Bad Debts.

It is given that bad debts amount to 40,000. These bad debts will not be realised, so they are excluded from the amount to be realised.

Step 3: Realisation of Remaining Debtors.

The remaining debtors after bad debts are:

$$\text{Remaining Debtors} = 3,85,000 - 40,000 = 3,45,000$$

The remaining debtors are realised at a 5% discount, meaning only 95% of the remaining debtors are realised. Hence, the amount realised from the remaining debtors is:

$$\text{Amount Realised} = 3,45,000 \times 0.95 = 3,27,750$$

Step 4: Total Amount Realised.

The total amount realised from debtors is the sum of the amount realised from the remaining debtors and the amount of bad debts (which were written off). Hence:

$$\text{Total Realised} = 3,27,750 + 40,000 = 3,67,750$$

Step 5: Conclusion.

The total amount realised from debtors is 3,67,750.

Quick Tip

When realising debtors during dissolution, subtract bad debts from the total and apply the discount to the remaining amount.

8. Write any two differences between fixed capital accounts and fluctuating capital accounts.

Solution:

Step 1: Understanding Fixed Capital Accounts.

In fixed capital accounts, the capital of each partner remains constant throughout the accounting period unless additional contributions or withdrawals are made. The changes are recorded in a separate account called the current account.

Step 2: Understanding Fluctuating Capital Accounts.

In fluctuating capital accounts, the capital account of each partner fluctuates based on profit-sharing ratios, withdrawals, and other adjustments. The current account is not separately maintained. Changes are directly recorded in the capital account.

Step 3: Two key differences:

1. In fixed capital accounts, the capital remains constant unless altered by additional capital or withdrawal, whereas in fluctuating capital accounts, the capital account is constantly adjusted based on profit, loss, and withdrawals. 2. Fixed capital accounts require a separate current account for each partner to record transactions, while fluctuating capital accounts do not require a separate current account.

Quick Tip

Fixed capital accounts are suited for long-term partnerships, while fluctuating capital accounts offer more flexibility in the handling of changes.

9. Write any two factors affecting Goodwill.

Solution:

Step 1: Understanding Goodwill.

Goodwill represents the value of a business beyond its tangible assets. Several factors influence the value of goodwill in a business.

Step 2: Two key factors affecting Goodwill:

1. **Profitability:** A business that generates consistent and high profits typically has higher goodwill, as it indicates stability and future earning potential. 2. **Reputation and Customer Base:** The goodwill of a business is greatly affected by its reputation in the market, the loyalty of customers, and the brand value it holds in the industry.

Quick Tip

Goodwill is not just about financial factors; market reputation and customer loyalty can significantly increase a business's value.

10. Why are 'Reserves and Surplus' distributed at the time of reconstitution of the firm?

Solution:

Step 1: Understanding Reserves and Surplus.

Reserves and Surplus represent the accumulated profits that have been retained in the firm for future use. These reserves are often divided among the partners when there is a change in the partnership structure, such as during reconstitution.

Step 2: Reason for Distribution:

When a firm undergoes reconstitution, such as when a new partner is admitted or an existing partner retires, the reserves and surplus must be distributed among the partners. This is done to ensure that the accumulated profits are fairly allocated according to the new profit-sharing ratio. This prevents the reserves from remaining with the old partners, who no longer share in the profits after the reconstitution.

Step 3: Conclusion.

The distribution of reserves and surplus ensures that all partners receive their fair share of the firm's accumulated wealth, in line with the new partnership structure.

Quick Tip

At the time of reconstitution, always ensure reserves and surplus are distributed according to the new profit-sharing ratio, unless otherwise agreed.

11. (i) A partnership firm earned net profits during the last three years as follows:

Years	Net Profit (₹)
2021 – 22	3,80,000
2022 – 23	4,40,000
2023 – 24	5,00,000

The capital employed in the firm throughout the above mentioned period has been 8,00,000. Having regard to the risk involved, 15% is considered to be a fair return on the capital. The remuneration of all the partners during this period is estimated to be 2,00,000 per annum.

Calculate the value of Goodwill on the basis of the following:

(a) Two years' purchase of super profits earned on average basis during the above mentioned 3 years.

(b) Capitalisation of Average Profit method.

Solution:

(a) Two years' purchase of super profits earned on average basis during the above mentioned 3 years.

Step 1: Calculate the Average Profit.

The average profit for the last 3 years is calculated as:

$$\text{Average Profit} = \frac{(3,80,000 + 4,40,000 + 5,00,000)}{3} = \frac{13,20,000}{3} = 4,40,000$$

Step 2: Calculate the Normal Profit.

The normal profit is calculated based on a 15% return on the capital of 8,00,000:

$$\text{Normal Profit} = 8,00,000 \times 15\% = 1,20,000$$

Step 3: Calculate the Super Profit.

Super profit is the difference between the average profit and the normal profit:

$$\text{Super Profit} = 4,40,000 - 1,20,000 = 3,20,000$$

Step 4: Calculate Goodwill.

The value of Goodwill is calculated as two years' purchase of the super profit:

$$\text{Goodwill} = 3,20,000 \times 2 = 6,40,000$$

(b) Capitalisation of Average Profit Method.

Step 1: Calculate the Average Profit.

The average profit for the last 3 years is 4,40,000 (calculated above).

Step 2: Calculate the Normal Profit.

The normal profit is calculated based on a 15% return on the capital of 8,00,000:

$$\text{Normal Profit} = 8,00,000 \times 15\% = 1,20,000$$

Step 3: Calculate Goodwill.

The value of Goodwill under the capitalisation method is calculated by dividing the average profit by the normal rate of return (15%):

$$\text{Goodwill} = \frac{\text{Average Profit} - \text{Normal Profit}}{\text{Rate of Return}} = \frac{4,40,000 - 1,20,000}{15\%}$$

$$\text{Goodwill} = \frac{3,20,000}{0.15} = 21,33,333.33$$

Step 4: Conclusion.

The value of Goodwill based on: - (a) Two years' purchase of super profits is 6,40,000. - (b) Capitalisation of Average Profit method is 21,33,333.33.

Quick Tip

In Goodwill valuation, the method you choose (super profits or capitalisation of average profits) can significantly impact the value.

ii. Star and Moon were partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2024, the Balance Sheet of the firm was as follows:

Liabilities	Assets
Capital	Cash at Bank 5,00,000
Star	8,00,000
Sundry Debtors 3,00,000	
Moon	6,00,000
Less: Provision (20,000)	
General Reserve	1,00,000
Net Debtors 2,80,000	
Investment Fluctuation Reserve	50,000
Investment 3,20,000	
Workmen Compensation Reserve	25,000
(Market Value 2,90,000)	
Sundry Creditors	3,75,000
Land and Building 15,00,000	
Bank Loan	8,00,000
Goodwill 1,50,000	
Total	27,50,000
Total 27,50,000	

They admitted 'Sun' into partnership on 1st April, 2024 for 1/10 share. It was agreed as follows:

- (a) 'Sun' brings 6,00,000 for his share of capital but could not bring goodwill in cash.
- (b) Goodwill is valued at 4,00,000.
- (c) Provision on debtors is needed 10%.
- (d) Interest on Bank Loan for 6 months is due @ 12% p.a.
- (e) Liability to workers is 15,000 against Workmen Compensation Reserve.
- (f) Unrecorded stock 40,000 is taken by Star at 38,000.

Prepare Revaluation Account and Partners' Capital Account.

Solution:

Step 1: Calculate the Total Capital of the Firm.

Total Capital before admission:

$$\text{Total Capital} = 8,00,000 + 6,00,000 = 14,00,000$$

Sun's share of capital = 1/10th of total capital:

$$\text{Sun's Capital} = \frac{1}{10} \times 27,50,000 = 2,75,000$$

Hence, Sun's capital is 2,75,000. Since Sun brings 6,00,000 for capital but no goodwill, the excess amount of 3,25,000 is credited to his capital account.

Step 2: Prepare Revaluation Account.

Revaluation Account

Particulars	Amount (₹)
Sundry Debtors Provision	20,000 (Dr.)
Workmen Compensation Reserve	15,000 (Cr.)
Unrecorded Stock	40,000 (Cr.)
Profit on Revaluation	5,000 (Cr.)

Step 3: Partners' Capital Accounts.

Partners' Capital Account (Star, Moon, and Sun)

Particulars	Amount (₹)
Star's Capital	8,00,000
Moon's Capital	6,00,000
Sun's Capital	2,75,000
Goodwill Adjustment	1,50,000 (Star and Moon)

Quick Tip

Always adjust the capital accounts when a new partner is admitted, including any goodwill adjustments, reserves, and revaluation of assets.

(iii) Ekam and Akash were partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2024 the Balance Sheet of the firm was as follows:

Liabilities	Assets
Capital:	Land and Building 4,80,000
Ekam	6,00,000
Furniture 3,50,000	
Akash	4,00,000
Debtors 1,50,000	
Sundry Creditors	1,94,000
Bills Receivable 94,000	
Ekam's Loan	40,000
Cash at Bank 12,34,000	
Total	12,34,000
Total 12,34,000	

The firm was dissolved on above date and the assets and liabilities were settled as follows:

- (a) Land and Building was taken over by the creditors as their full and final payment.
- (b) Ekam accepted an unrecorded asset of 50,000 in full settlement of his loan.
- (c) Furniture was taken over by Akash for cash payment at 5% less than the book value.
- (d) Debtors were collected by a debt collection agency at a cost of 10,000.
- (e) Bills Receivable realised 1,41,000.
- (f) Akash agreed to bear all realization expenses. For this service Akash is to be allowed 1,000. Actual expenses on realization 2,000 was paid by Akash.

Prepare Realisation Account.

Solution:

Step 1: Prepare the Realisation Account.

The Realisation Account records the assets and liabilities that are realised during the dissolution of the firm. The gain or loss from the sale of assets is transferred to the partners' capital accounts.

Realisation Account

Particulars	Amount (₹)
To Land and Building (Creditor's settlement)	4,80,000
To Furniture (Taken by Akash at 5% discount)	$3,50,000 \times (1 - 0.05) = 3,32,500$
To Debtors (Collected by debt agency)	$1,50,000 - 10,000 = 1,40,000$
To Bills Receivable (Realised)	1,41,000
To Cash (Bank loan settlement)	12,34,000
By Sundry Creditors (Liabilities settled)	1,94,000
By Akash's Loan (settled)	40,000
By Realisation Expenses (paid by Akash)	2,000
To Profit Transfer (loss or gain)	(Calculated in next step)

Step 2: Calculate the Realisation Profit/Loss.

The total amount realised is:

$$\text{Total Realised} = 4,80,000 + 3,32,500 + 1,40,000 + 1,41,000 + 12,34,000 = 23,27,500$$

The total liabilities to be settled are:

$$\text{Total Liabilities} = 1,94,000 + 40,000 = 2,34,000$$

The Realisation profit is the difference between total realised amount and total liabilities:

$$\text{Realisation Profit} = 23,27,500 - 2,34,000 = 20,93,500$$

Step 3: Allocate the Realisation Profit to Partners.

Since Ekam and Akash share profits in the ratio of 3:2, the Realisation profit is shared as follows:

$$\text{Ekam's share} = \frac{3}{5} \times 20,93,500 = 12,56,100$$

$$\text{Akash's share} = \frac{2}{5} \times 20,93,500 = 8,37,400$$

Step 4: Conclusion.

The final Realisation Account will reflect the settlement of assets and liabilities, and the Realisation profit will be transferred to Ekam and Akash's capital accounts based on their sharing ratio.

Quick Tip

In a Realisation Account, all assets are credited at the amount realised, and liabilities are debited at the amount settled. The gain or loss is then distributed among partners.

iv. What are rules applicable in absence of partnership deed?

Solution:

Step 1: General Rule.

In the absence of a partnership deed, the partnership is governed by the provisions of the Indian Partnership Act, 1932 (or applicable jurisdiction's law). The following general rules apply:

Step 2: Rules in Absence of Partnership Deed.

1. **Profit and Loss Sharing:** In the absence of an agreement, partners will share profits and losses equally.
2. **Interest on Capital:** No interest is allowed on capital in the absence of an agreement.
3. **Interest on Drawings:** No interest is charged on drawings unless the partners agree otherwise.
4. **Salaries to Partners:** No salary is paid to partners unless stated otherwise in the deed.
5. **Admission of New Partner:** A new partner can be admitted only with the consent of all existing partners.

Step 3: Conclusion.

In the absence of a partnership deed, the rules prescribed by law will be applicable. These rules are generally meant to ensure fairness and proper management of the partnership.

Quick Tip

A partnership deed is essential to clearly outline the terms of the partnership. Without it, legal provisions will apply, which may not always suit the partners' intentions.

v. What adjustments are required to be made at the time of retirement of a partner?

Solution:

Step 1: Adjustments in Capital Accounts.

At the time of retirement, the following adjustments are generally made:

Step 2: Necessary Adjustments.

1. **Settlement of the Retiring Partner's Share:** The retiring partner's share of capital, reserves, and profit must be settled. This includes any goodwill, capital balances, and accumulated profits or losses.
2. **Goodwill Adjustment:** Goodwill is adjusted among the remaining partners based on the agreed-upon method (e.g., sacrifice ratio). The retiring partner's share of goodwill is either paid or transferred to the remaining partners.
3. **Revaluation of Assets and Liabilities:** All assets and liabilities are revalued to reflect their current fair value. The profit or loss from revaluation is transferred to the partners' capital accounts.
4. **Adjustment of Current Account:** If there is a current account balance, it is settled at the time of retirement.

5. **Payment of Retirement Amount:** After the adjustments, the amount owed to the retiring partner is paid. This could be in cash or by issuing a promissory note.

Step 3: Conclusion.

The retiring partner's share must be fairly settled through revaluation of assets, adjustment of goodwill, and settlement of the capital account.

Quick Tip

At the time of retirement, it is important to ensure that the retiring partner receives a fair share of the business, including their share of goodwill, revalued assets, and reserves.

Part B

(i) A company purchased machinery for 18,00,000 and in consideration issued shares at 20% premium. What will be the face value of shares issued?

- (A) 21,60,000
- (B) 18,00,000
- (C) 14,40,000
- (D) 15,00,000

Correct Answer: (D) 15,00,000

Solution:

Step 1: Understanding the problem.

The company purchased machinery for 18,00,000 and issued shares at a 20% premium. The premium is calculated on the face value of the shares. Let the face value of the shares be x . The total amount received from issuing shares is:

$$\text{Total amount} = \text{Face value} + \text{Premium}$$

$$\text{Total amount} = x + 0.20x = 1.20x$$

Step 2: Calculate the face value.

We are given that the total amount received is 18,00,000, which equals $1.20x$. Therefore,

$$\begin{aligned} 1.20x &= 18,00,000 \\ x &= \frac{18,00,000}{1.20} = 15,00,000 \end{aligned}$$

Step 3: Conclusion.

The face value of the shares issued is 15,00,000.

Quick Tip

When shares are issued at a premium, the total amount raised includes both the face value and the premium. The face value is calculated by dividing the total amount by $1 + \text{Premium rate}$.

(ii) For whom, analysis of financial statements is not significant?

- (A) Investors
- (B) Government
- (C) Ambassador of India
- (D) Company's Employees

Correct Answer: (C) Ambassador of India

Solution:**Step 1: Understanding the purpose of financial statement analysis.**

Financial statements provide valuable information to a wide range of stakeholders such as investors, employees, government, and others. The analysis is typically done to assess the financial health and performance of a company.

Step 2: Identifying the irrelevant party.

- **(A) Investors:** Investors rely on financial statement analysis to make informed decisions about purchasing, holding, or selling shares.
- **(B) Government:** Governments use financial statements to assess taxes and compliance with regulations.
- **(D) Company's Employees:** Employees may analyze financial statements to understand the company's performance, which can affect their compensation and job security.
- **(C) Ambassador of India:** The Ambassador of India is not typically concerned with a company's financial statements as their role is diplomatic, not financial.

Step 3: Conclusion.

The correct answer is **(C) Ambassador of India**, as financial statement analysis is generally not relevant to them.

Quick Tip

Financial statements are primarily analyzed by stakeholders whose decisions depend on the financial health of the company, such as investors, employees, and government entities.

(iii) Debenture holders are entitled to get _____. (dividend/interest)

Correct Answer: interest

Solution:

Step 1: Understanding Debenture Holders' Rights.

Debenture holders are creditors to the company. They lend money to the company and, in return, the company is obligated to pay interest on their investments. The interest is typically fixed and paid periodically (e.g., annually or semi-annually).

Step 2: Understanding Dividends and Interest.

- **Interest** is the compensation paid to debenture holders (creditors) for using their money. The rate of interest is fixed when the debenture is issued. - **Dividend** is the share of the profit distributed to the shareholders (owners) of the company. It is based on the profit of the company and is not guaranteed.

Step 3: Conclusion.

Since debenture holders are creditors, they are entitled to receive **interest**, not dividends. Therefore, the correct answer is **interest**.

Quick Tip

Debenture holders receive fixed interest payments, while shareholders receive dividends based on company profits.

(iv) Horizontal analysis is also known as _____ analysis. (static/dynamic)

Correct Answer: dynamic

Solution:

Step 1: Understanding Horizontal Analysis.

Horizontal analysis is a method of financial statement analysis that evaluates financial data

over a period of time. The focus is on identifying trends and growth patterns by comparing historical financial information. In horizontal analysis, data from multiple periods is compared to understand the changes, growth, or decline in the company's performance over time.

Step 2: Characteristics of Dynamic Analysis.

Since horizontal analysis focuses on the changes or dynamics in the company's financial performance over several periods, it is referred to as **dynamic analysis**. The term "dynamic" highlights the fact that this type of analysis is concerned with the fluctuations in financial data over time.

Step 3: Understanding Static Analysis.

Static analysis refers to the study of financial statements at a single point in time. It does not involve comparisons over multiple periods. This method is typically used for understanding a company's financial position at a specific date (e.g., balance sheet analysis).

Step 4: Conclusion.

Since horizontal analysis is based on comparing financial data over time to understand changes, it is also known as **dynamic analysis**. Therefore, the correct answer is **dynamic**.

Quick Tip

Horizontal analysis involves comparing financial data from different periods to analyze growth trends, while static analysis focuses on a single period's financial position.

(v) Cash flow statement is prepared on the basis of _____ issued by Institute of Chartered Accountants of India. (AS-3/AS-3 Revised)

Correct Answer: AS-3 Revised

Solution:

Step 1: Understanding the Cash Flow Statement.

A cash flow statement is a financial statement that shows the movement of cash and cash equivalents within a company over a specific period. It helps stakeholders understand how a company generates and uses cash from operating, investing, and financing activities. The statement is crucial for assessing the company's liquidity and financial flexibility.

Step 2: AS-3 and AS-3 Revised.

The cash flow statement is prepared in accordance with **AS-3 (Accounting Standard 3)**, which was issued by the Institute of Chartered Accountants of India. AS-3 defines the structure and components of a cash flow statement, including cash flows from operating activities, investing activities, and financing activities.

- The original AS-3 standard was revised to clarify the treatment of certain transactions and provide better guidance on the presentation of cash flow statements. - The revised version of AS-3 is referred to as **AS-3 Revised**, which includes updates on how to classify and report cash flows under the revised guidelines.

Step 3: Conclusion.

The correct answer is **AS-3 Revised**, as it is the version of the standard currently used for preparing cash flow statements in India.

Quick Tip

AS-3 Revised provides detailed guidelines on how to prepare a cash flow statement, ensuring the correct classification of cash inflows and outflows.

(vi) What is Capital Reserve?

Solution:

Step 1: Understanding Capital Reserve.

Capital Reserve is a reserve created out of capital profits, which are not available for distribution as dividends. These profits typically arise from non-operating activities such as the sale of fixed assets, revaluation of assets, or the premium received on issuing shares or debentures. Capital reserves are typically used for purposes such as issuing bonus shares, writing off capital losses, or increasing the capital of the company. They are not used for regular business expenses or dividends.

Step 2: Characteristics of Capital Reserve.

- Capital reserve is created from non-operating profits. - It is a part of the owner's equity, but it is restricted in its use. - It cannot be distributed as dividends or used for regular business operations.

Step 3: Conclusion.

Capital reserves are created from the capital profits of a company and are restricted for certain uses, usually involving the long-term financial stability or future growth of the company.

Quick Tip

Capital reserves are typically used for strengthening the capital base of a company, such as issuing bonus shares or writing off capital losses.

(vii) Explain redemption of debentures by draw of lots.

Solution:

Step 1: Understanding the Redemption Process.

Redemption of debentures by draw of lots is a method where the company redeems debentures by drawing names of the debenture holders randomly. This process ensures that the redemption is done in a fair and unbiased manner, as it does not depend on the debenture holders' size of holdings or the time of investment. The company will decide on a date when the draw of lots will occur, and on that date, a certain number of debenture holders are selected to have their debentures redeemed.

Step 2: The Procedure for Redemption by Draw of Lots.

1. The company prepares a list of all debenture holders and assigns each debenture a serial number. 2. On the scheduled date, a draw of lots takes place where debenture holders are selected based on their serial number. 3. The selected debenture holders have their debentures redeemed by the company at face value, and the company may choose to pay either in cash or in kind (if applicable). 4. The redemption continues until all the debentures are redeemed or the company decides to stop the process.

Step 3: Conclusion.

The redemption of debentures by the draw of lots is a random and fair process where the company redeems a portion of debentures held by the investors, ensuring equality and fairness.

Quick Tip

The draw of lots ensures fairness in redemption, and it is used to redeem a portion of debentures at random rather than by priority or amount held.

(viii) Harsh Ltd., a financing company obtained loans and advances of 10,00,000 for the year @ 12% per annum. In which activity will it be included while preparing the cash flow statement?

Solution:

Step 1: Understanding the Cash Flow Activities.

A cash flow statement is divided into three main sections: 1. **Operating Activities:** These include activities related to the core business operations of the company. 2. **Investing Activities:** These include cash transactions for the purchase or sale of physical and financial assets (e.g., machinery, investments, etc.). 3. **Financing Activities:** These include cash flows related to the company's financing activities, such as obtaining loans, issuing shares, or repaying debt.

Step 2: Identifying the Relevant Activity.

In this case, Harsh Ltd. has obtained loans and advances, which involve cash inflows from external sources. These activities fall under ****Financing Activities**** in the cash flow statement. Financing activities are concerned with the company's capital structure and its management, including the raising of debt or equity. Thus, loans obtained are classified under this section.

Step 3: Conclusion.

The loans and advances obtained by Harsh Ltd. will be included in the ****Financing Activities**** section of the cash flow statement.

Quick Tip

Loans obtained or repaid are classified under financing activities in the cash flow statement, as they reflect changes in the company's financial structure.

13. Write any two limitations of financial statements.**Solution:****Step 1: Understanding Limitations of Financial Statements.**

Financial statements provide useful information about a company's financial performance and position. However, there are some limitations associated with these statements.

Step 2: Two Key Limitations:

1. **Historical Nature:** Financial statements are based on historical data, meaning they reflect past performance and do not necessarily predict future trends or changes in market conditions.
2. **Non-Financial Information:** Financial statements do not capture non-financial aspects such as employee satisfaction, customer loyalty, or market reputation, which can be important for evaluating a company's overall health.

Step 3: Conclusion.

While financial statements are essential tools, they do have limitations, including their historical nature and the exclusion of non-financial factors.

Quick Tip

Financial statements provide a snapshot of a company's financial health but should be used in conjunction with other tools to assess its long-term prospects.

14. Ritu Ltd. forfeited 2,000 shares of 20 each issued at 10% premium to Neeru (18 called up) on which he did not pay 6 of allotment (including premium) and first call of 4. Out of these, 1200 shares were re-issued to Goldy as fully paid up for 16 per share. Give journal entries for forfeiture and re-issue of shares.

Solution:

Step 1: Understanding the Forfeiture of Shares.

Neeru was allotted 2,000 shares of 20 each at a 10% premium, so the total issue price per share is $20 + 2 = 22$. Neeru did not pay 6 of the allotment, which includes 2 premium and 4 for the first call. Therefore, the unpaid amount is 6.

Step 2: Forfeiture Journal Entry.

When the shares are forfeited, we need to reverse the amounts that were received for the shares that are now being forfeited. The journal entry for forfeiting 2,000 shares is:

Bank A/c Dr. 40,000 (for the amount paid by Neeru) Share Capital A/c Cr. 40,000 (for the face value)

Step 3: Re-issue Journal Entry.

Out of the 2,000 forfeited shares, 1,200 shares were re-issued at 16 per share (fully paid). The re-issue price is less than the face value of 20, so the difference must be debited to the Share Forfeiture Account.

The journal entry for re-issuing 1,200 shares is:

Bank A/c Dr. 19,200 (for the amount received on re-issue) Share Capital A/c Cr. 24,000 (for the face value)

Step 4: Conclusion.

These journal entries reflect the forfeiture of shares for non-payment and the re-issue of the shares at a discount. The forfeited amount is transferred to the Share Forfeiture Account and adjusted during the re-issue.

Quick Tip

Forfeiture and re-issue of shares should be carefully recorded, ensuring that the forfeited amount is properly transferred to the Share Forfeiture Account and that the re-issue is done at an appropriate price.

15. ABC Ltd. invited applications for issuing 30,000, 10% debentures of 100 each at a premium of 50 per debenture. Applications were received for 50,000 debentures. The full amount was payable on application. Applications for 10,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants on a pro-rata basis.

Pass the necessary journal entries for the above transactions in the books of ABC Ltd.

Solution:

Step 1: Record the Application Money Received.

Applications for 50,000 debentures were received at 50 each, which includes 100 face value + 50 premium. The total amount received is:

$$\text{Application money received} = 50,000 \times 50 = 25,00,000$$

The journal entry for receiving the application money is:

Bank A/c Dr. 25,00,000 To Debenture Application A/c 25,00,000

Step 2: Rejection and Refund of Application Money for 10,000 Debentures.

Applications for 10,000 debentures were rejected, and the application money for these debentures needs to be refunded. The amount to be refunded is:

$$\text{Refund amount} = 10,000 \times 50 = 5,00,000$$

The journal entry for refunding the application money is:

Debenture Application A/c Dr. 5,00,000 To Bank A/c 5,00,000

Step 3: Allotment of Debentures.

The remaining applications are for 40,000 debentures (50,000 - 10,000), and the full amount of 50 per debenture will be received. The debentures are allotted to the remaining applicants on a pro-rata basis. The journal entry for the allotment is:

Debenture Application A/c Dr. 20,00,000 (40,000 debentures @ 50 each) To Debenture Allotment A/c 20,00,000

Step 4: Conclusion.

These journal entries reflect the receipt, refund, and allotment of debenture applications in the books of ABC Ltd.

Quick Tip

When debenture applications are received at a premium, the application money is received as part of the total debenture price. If applications are rejected, the amount must be refunded.

16. A firm has a current ratio of 3.5:1 and a quick ratio of 2:1. Assuming inventory at 96,000, find out total current assets and total current liabilities.

Solution:

Step 1: Understanding the Ratios.

- The **current ratio** is the ratio of total current assets to total current liabilities. We are given that:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = 3.5 : 1$$

This means that for every 1 of liabilities, the company has 3.5 of assets.

- The **quick ratio** is the ratio of liquid assets (current assets excluding inventory) to current liabilities. We are given that:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}} = 2 : 1$$

This means that for every 1 of liabilities, the company has 2 of liquid assets.

Step 2: Let's assume Current Liabilities as x .

From the current ratio, we know that:

$$\text{Current Assets} = 3.5x$$

Step 3: Use the Quick Ratio.

From the quick ratio, we know that:

$$\text{Current Assets} - \text{Inventory} = 2x$$

Substitute the value of current assets from the previous equation:

$$3.5x - 96,000 = 2x$$

Step 4: Solve for x .

$$3.5x - 2x = 96,000$$

$$1.5x = 96,000$$

$$x = \frac{96,000}{1.5} = 64,000$$

Step 5: Calculate Current Assets.

Now that we know x , the current liabilities, we can calculate the current assets:

$$\text{Current Assets} = 3.5x = 3.5 \times 64,000 = 2,24,000$$

Step 6: Conclusion.

Thus, the total current liabilities are 64,000, and the total current assets are 2,24,000.

Quick Tip

In financial ratio analysis, the current ratio includes all current assets, while the quick ratio excludes inventory to assess the company's liquidity.

17. Calculate Cash Flow from Investing Activities from the following particulars:

Plant & Machinery (Written Down Value) 1st April, 2023: 14,40,000 31st March, 2024: 17,20,000

Information: (i) Depreciation charged during the year 1,70,000. (ii) Plant & Machinery having a written down value of 2,20,000 was sold for 2,50,000.

Solution:

Step 1: Calculate the Net Increase in Plant & Machinery.

The written down value of Plant & Machinery at the beginning of the year (1st April, 2023) is 14,40,000 and at the end of the year (31st March, 2024) is 17,20,000. The net increase in the value of Plant & Machinery is:

$$\text{Net Increase in Plant \& Machinery} = 17,20,000 - 14,40,000 = 2,80,000$$

Step 2: Adjust for Depreciation.

Depreciation of 1,70,000 is charged during the year. Depreciation reduces the book value of assets, so it is added back to calculate the actual cash flow from investing activities.

Step 3: Adjust for the Sale of Plant & Machinery.

The company sold Plant & Machinery with a written down value of 2,20,000 for 2,50,000. The sale resulted in a cash inflow of 2,50,000. The difference between the sale value and the written down value is the profit on sale, which is:

$$\text{Profit on Sale} = 2,50,000 - 2,20,000 = 30,000$$

Step 4: Calculate Cash Flow from Investing Activities.

To calculate the cash flow from investing activities, we use the following formula:

$$\text{Cash Flow from Investing Activities} = \text{Net Increase in Plant \& Machinery} + \text{Depreciation} - \text{Profit on Sale}$$

Substitute the values into the formula:

$$\text{Cash Flow from Investing Activities} = 2,80,000 + 1,70,000 - 30,000 = 4,20,000$$

Step 5: Conclusion.

The cash flow from investing activities is 4,20,000. This includes the net increase in the value of plant and machinery, depreciation, and the profit from the sale of machinery.

Quick Tip

When calculating cash flow from investing activities, account for the net change in assets, depreciation, and proceeds from the sale of assets.

18. Give any two differences between Calls in Arrears & Calls in Advance.

Solution:

Step 1: Understanding Calls in Arrears and Calls in Advance.

- **Calls in Arrears** refer to the amount of money that shareholders have not paid on shares after being called for payment. If a shareholder fails to pay the required amount by the due date, the amount is termed as calls in arrears.

- **Calls in Advance** refers to the amount paid by shareholders in advance, before the official call for payment. It is an amount paid by shareholders in anticipation of a future call on shares.

Step 2: Two Key Differences:

1. **Timing of Payment:** Calls in arrears are the unpaid amounts for the shares after the call is made, whereas calls in advance are amounts paid before the call is made. 2. **Treatment in Books:** Calls in arrears are shown as a liability in the company's balance sheet, while calls in advance are recorded as a liability but under the shareholder's account.

Step 3: Conclusion.

The main difference lies in when the payment is made and how they are treated in the books of the company.

Quick Tip

Calls in arrears represent unpaid amounts, while calls in advance represent overpaid amounts before the call is due.

19. What are the convertible and non-convertible debentures?

Solution:

Step 1: Understanding Convertible Debentures.

Convertible debentures are a type of debenture that can be converted into equity shares of the issuing company after a certain period. The conversion is typically done at a predetermined price. Convertible debentures provide flexibility to the debenture holders to exchange their debentures for shares, thus benefiting from potential growth in the company's equity value.

Step 2: Understanding Non-Convertible Debentures.

Non-convertible debentures are fixed-interest debentures that cannot be converted into equity shares. These debentures offer a fixed rate of interest and have a fixed maturity date, at which the principal amount is repaid. They are typically used by companies that do not wish to dilute ownership by issuing additional shares.

Step 3: Key Differences:

- Convertible debentures offer the option to convert them into equity shares, whereas non-convertible debentures do not. - Convertible debentures have the potential for higher returns if the company's shares increase in value, while non-convertible debentures provide fixed returns.

Step 4: Conclusion.

Convertible debentures give debenture holders the right to convert their investment into shares, whereas non-convertible debentures remain as debt throughout their life.

Quick Tip

Convertible debentures offer the potential for capital appreciation, while non-convertible debentures offer fixed returns and no opportunity for equity conversion.

20. Do any three questions out of four questions. Each question carries 4 marks.

(i) Write any four differences between 'Share' and 'Debenture'.

Solution:

Step 1: Understanding 'Shares' and 'Debentures'.

- **Share** represents the ownership interest in a company. Shareholders are owners and have a claim on the company's profits in the form of dividends. - **Debenture** represents a debt or loan taken by the company. Debenture holders are creditors and receive fixed interest (debenture interest) but do not have a claim on the company's profits.

Step 2: Four Key Differences:

1. **Nature of Investment:** - Shares represent ownership in the company. - Debentures represent a loan taken by the company.
2. **Return:** - Shareholders earn a dividend which is not fixed and depends on the company's profits. - Debenture holders receive a fixed rate of interest, regardless of the company's profit.
3. **Risk:** - Shares are riskier as the returns depend on the company's performance. If the company does poorly, dividends may not be paid. - Debentures are less risky as they provide a fixed interest payment. However, if the company defaults, debenture holders may face losses.
4. **Voting Rights:** - Shareholders have voting rights in the company and can influence the company's decisions at general meetings. - Debenture holders do not have voting rights and cannot influence the company's decisions.

Step 3: Conclusion.

Shares represent ownership, while debentures represent debt, with different rights, risks, and returns for investors.

Quick Tip

Shares give ownership and voting rights, whereas debentures give fixed returns with no ownership rights.

(ii) **Ambuja Ltd. issued for public subscription 2,00,000 equity shares of 20 each at a premium of 10 per share payable as under:**

On application 10

On allotment 14 (including premium 10)

On first & final call 6

Applications were received for 3,00,000 shares. Allotment was made pro-rata to all the applicants, and the money overpaid on application was utilized towards sums due on allotment.

Pooja, who applied for 3,600 shares, failed to pay the allotment and call money, and the shares were subsequently forfeited. Two-thirds of the forfeited shares and the money paid were re-issued to Sandeep as fully paid-up at 16 per share. Show the journal entries to record the above transactions.

Solution:

Step 1: Application Money Received.

When applications are received, we record the amount received in the application account. The total application money received for 3,00,000 shares at 10 each is:

$$\text{Total Application Money} = 3,00,000 \times 10 = 30,00,000$$

The journal entry for the application money is:

Bank A/c Dr. 30,00,000 To Share Application A/c 30,00,000

Step 2: Allotment Money Received.

The allotment money is 14 per share, which is payable on allotment. The total amount due on allotment is:

$$\text{Total Allotment Money} = 2,00,000 \times 14 = 28,00,000$$

Since the application money exceeds the amount due on allotment, the excess application money of 6 per share (total 18,00,000) is used to cover the allotment. The journal entry for allotment money is:

Share Allotment A/c Dr. 28,00,000 To Share Capital A/c 20,00,000 (for face value) To Share Premium A/c 8,00,000

Step 3: Forfeiture of Shares for Pooja.

Pooja, who applied for 3,600 shares, failed to pay the allotment and call money. Therefore, 3,600 shares are forfeited. The journal entry for forfeiture is:

Share Capital A/c Dr. 72,000 (20 × 3,600) (20 × 3,600) (20 × 3,600) (20 × 3,600) Share Premium A/c Dr. 36,000

Step 4: Re-issue of Forfeited Shares to Sandeep.

Two-thirds of the forfeited shares (2,400 shares) are re-issued to Sandeep at 16 per share. The journal entry for re-issuing the shares is:

Bank A/c Dr. 38,400 (16 × 2,400) (16 × 2,400) (16 × 2,400) (16 × 2,400) Share Capital A/c Cr. 48,000

Step 5: Conclusion.

These journal entries reflect the application, allotment, forfeiture, and re-issue of shares. The forfeited shares are re-issued at a discount, and the amounts are appropriately adjusted in the capital and forfeiture accounts.

Quick Tip

When shares are forfeited, the forfeited amount is transferred to the Share Forfeiture Account. When shares are re-issued at a discount, the difference between the issue price and the forfeited value is credited to the Share Forfeiture Account.

(iii) From the following information, prepare a comparative income statement of Arun Ltd. for the year ended 31st March, 2024.

Particulars	31st March, 2024 ()	31st March, 2023 ()
Revenue from Operations	40,00,000	20,00,000
Cost of Material Consumed	40,00,000	20,00,000
Other Expenses	30,00,000	12,00,000
Tax Rate	30%	30%

Solution:

Step 1: Calculate the Gross Profit.

Gross Profit = Revenue from Operations - Cost of Material Consumed For 2024:

$$\text{Gross Profit (2024)} = 40,00,000 - 40,00,000 = 0$$

For 2023:

$$\text{Gross Profit (2023)} = 20,00,000 - 20,00,000 = 0$$

Step 2: Calculate the Operating Profit.

Operating Profit is calculated by subtracting other expenses from the Gross Profit.

For 2024:

$$\text{Operating Profit (2024)} = 0 - 30,00,000 = -30,00,000$$

For 2023:

$$\text{Operating Profit (2023)} = 0 - 12,00,000 = -12,00,000$$

Step 3: Calculate the Net Profit.

Net Profit is calculated after deducting tax.

For 2024:

$$\text{Net Profit (2024)} = \text{Operating Profit (2024)} \times (1 - 30\%) = -30,00,000 \times 0.70 = -21,00,000$$

For 2023:

$$\text{Net Profit (2023)} = \text{Operating Profit (2023)} \times (1 - 30\%) = -12,00,000 \times 0.70 = -8,40,000$$

Step 4: Comparative Income Statement.

Particulars	31st March, 2024 (₹)	31st March, 2023 (₹)	Increase/Decrease (₹)
Revenue from Operations	40,00,000	20,00,000	20,00,000
Cost of Material Consumed	40,00,000	20,00,000	20,00,000
Gross Profit	0	0	0
Other Expenses	30,00,000	12,00,000	18,00,000
Operating Profit	-30,00,000	-12,00,000	-18,00,000
Tax (30%)	-9,00,000	-3,60,000	-5,40,000
Net Profit	-21,00,000	-8,40,000	-12,60,000

Quick Tip

Comparative income statements help in evaluating the performance over different periods by comparing key financial figures. The increase or decrease in these figures helps in understanding the business trends.

(iv) Write any four limitations of the cash flow statement.

Solution:

Step 1: Understanding Limitations of Cash Flow Statement.

Although the cash flow statement is useful in evaluating the liquidity position of a company, it has certain limitations:

Step 2: Four Limitations of Cash Flow Statement.

- Excludes Non-Cash Transactions:** The cash flow statement does not include non-cash transactions such as revaluation of assets, stock appreciation, or depreciation.
- Ignores Profitability:** While cash flow statements reflect cash inflows and outflows, they do not provide a clear picture of the company's profitability. A company could have positive cash flow but may not be profitable.
- No Information on Future Cash Flow:** The statement does not give any information about future cash flows, making it difficult to predict the future financial position of the company.
- Not Useful for Long-Term Planning:** The cash flow statement mainly focuses on short-term liquidity and does not provide sufficient information for long-term financial planning or

investment decisions.

Step 3: Conclusion.

Although the cash flow statement is helpful in assessing the liquidity of a company, it is not a comprehensive tool for evaluating the overall financial health or performance of a business.

Quick Tip

While cash flow statements provide valuable insights into the company's liquidity, it's important to use other financial statements like the income statement and balance sheet for a complete financial analysis.

Part C

12. All parts are compulsory. Each question will carry one mark.

(i) One or more cells selected is called:

- (A) Range
- (B) Text
- (C) Label
- (D) Formula

Correct Answer: (A) Range

Solution:

Step 1: Understanding the Term 'Range'.

In spreadsheet software like Excel, when one or more cells are selected, it is referred to as a "range". A range can consist of a single cell or multiple adjacent cells. The range is usually referred to by its starting and ending cell addresses (e.g., A1:B2).

Step 2: Conclusion.

The correct term for one or more cells selected is **Range**.

Quick Tip

A "range" is a group of cells that can be selected, modified, or analyzed together in spreadsheet applications.

(ii) Which chart is also known as scatter chart?

- (A) XY
- (B) YZ
- (C) ZX
- (D) None of these

Correct Answer: (A) XY

Solution:

Step 1: Understanding Scatter Chart.

A scatter chart, also known as an XY chart, is used to display data points that are plotted on the X and Y axes. It helps to show the relationship between two variables by displaying them as dots on a grid. Each point represents a pair of values (X, Y).

Step 2: Conclusion.

The scatter chart is commonly referred to as the **XY chart**. Therefore, the correct answer is **(A) XY**.

Quick Tip

In a scatter chart (XY chart), each point represents a pair of values and helps to identify trends or correlations between the variables.

(iii) _____ is not a feature of computer. (Accuracy/Intelligency)

Correct Answer: Intelligence

Solution:

Step 1: Understanding Computer Features.

A computer is known for its accuracy in processing data, performing calculations, and following instructions. However, it does not possess intelligence in the human sense. Computers can perform tasks based on pre-defined rules and instructions but do not have the ability to think, reason, or understand like humans.

Step 2: Conclusion.

The correct answer is **Intelligency**, as computers do not have intelligence, only accuracy.

Quick Tip

While computers excel in accuracy, they do not possess human-like intelligence, which is the ability to think and understand.

(iv) Command of _____ in Tally is used to delete a voucher. (Alt+D/Alt+C)

Correct Answer: Alt+D

Solution:

Step 1: Understanding the Commands in Tally.

In Tally, the **Alt+D** command is used to delete a voucher. It allows users to remove any unwanted or incorrect vouchers from the accounting system. The **Alt+C** command, on the other hand, is used to create a new voucher.

Step 2: Conclusion.

The correct answer is **Alt+D**, as this command is used to delete a voucher in Tally.

Quick Tip

To delete a voucher in Tally, use the shortcut **Alt+D**, while **Alt+C** is used for creating a new voucher.

(v) PMT Method is used to prepare _____. (Payroll statement/Loan repayment statement)

Correct Answer: Loan repayment statement

Solution:

Step 1: Understanding PMT Method.

The PMT function is commonly used in finance to calculate the payment amount for a loan based on constant payments and a constant interest rate. This method is used for preparing a

loan repayment statement, where it helps calculate the periodic payment required to repay a loan.

Step 2: Conclusion.

The correct answer is **Loan repayment statement**, as the PMT method is specifically used for calculating loan payments.

Quick Tip

The PMT function is useful in financial calculations, especially for determining periodic payments required for loan repayments.

(vi) Write the name of any three types of accounting software.

Solution:

Step 1: Identifying Types of Accounting Software.

There are various types of accounting software used by businesses to manage their financial transactions and accounting tasks. Here are three examples: 1. **Tally** 2. **QuickBooks** 3.

Zoho Books

Step 2: Conclusion.

These are some of the popular accounting software used by businesses for bookkeeping and financial management.

Quick Tip

Accounting software helps businesses automate their financial tasks, manage accounting processes, and generate financial reports efficiently.

(vii) Write any one security feature of computerized accounting software.

Solution:

Step 1: Identifying Security Features.

A major concern for businesses using computerized accounting software is data security. One of the key security features is: **Role-based Access Control (RBAC)**. This feature ensures that only authorized personnel have access to specific parts of the accounting system. Users are granted different levels of access depending on their roles, preventing unauthorized users

from accessing sensitive financial data.

Step 2: Conclusion.

Role-based access control is an important security feature that helps protect financial information from unauthorized access and data breaches.

Quick Tip

Role-based access control is essential for maintaining data integrity and security, ensuring that only authorized users can view or modify sensitive financial information.

(viii) What do you mean by spreadsheet?

Solution:

Step 1: Understanding Spreadsheets.

A **spreadsheet** is an electronic application used for organizing, analyzing, and storing data in tabular form. It consists of rows and columns where data is entered in cells. Spreadsheet software, such as Microsoft Excel or Google Sheets, allows users to perform various calculations, data analysis, and create charts based on the entered data.

Step 2: Conclusion.

Spreadsheets are widely used for managing data, performing calculations, and generating reports, making them a valuable tool for businesses and individuals.

Quick Tip

Spreadsheets allow for quick data organization, analysis, and visualization, making them essential tools for financial management, budgeting, and data analysis.

13. What do you mean by Data Audit?

Solution:

Step 1: Understanding Data Audit.

A **data audit** refers to the process of reviewing and verifying the accuracy, quality, and compliance of data. It involves checking data for errors, inconsistencies, or missing information. Data audits are typically conducted to ensure that the data is correct, up-to-date, and suitable

for its intended purpose, particularly for financial, operational, or legal purposes.

Step 2: Conclusion.

A data audit ensures that data is reliable, accurate, and complies with applicable standards, helping organizations make informed decisions based on high-quality data.

Quick Tip

Regular data audits are essential for maintaining data integrity, ensuring that data is error-free and useful for decision-making.

14. Write any two features of electronic spreadsheet.

Solution:

Step 1: Understanding Electronic Spreadsheets.

An **electronic spreadsheet** is a digital tool used for organizing, calculating, and analyzing data in tabular form. Spreadsheets like Microsoft Excel or Google Sheets have several features that make data management easier. Here are two important features:

1. **Data Calculation and Analysis:** Spreadsheets allow users to perform complex calculations and data analysis using built-in functions and formulas such as SUM, AVERAGE, VLOOKUP, etc. This helps in quickly analyzing large datasets.
2. **Data Visualization:** Electronic spreadsheets provide tools to create charts and graphs (e.g., pie charts, bar charts, line graphs) to visually represent data, making it easier to understand trends, comparisons, and insights.

Step 2: Conclusion.

Electronic spreadsheets are powerful tools for managing, analyzing, and visualizing data. Their flexibility and ease of use make them indispensable in business, finance, and personal data management.

Quick Tip

Spreadsheets not only help with calculations but also offer excellent tools for creating charts and visualizing data trends.

15. Complete the following table:

Formula	Description	Result
=Round(1765.4321, 2)	Round to two decimal places	1765.43
=Round(1765.4321, 0)	Round to nearest integer	1765

Solution:

The **Round** function in Excel rounds a number to a specified number of digits. The first example rounds the number 1765.4321 to two decimal places, resulting in 1765.43. The second example rounds the number to the nearest integer, resulting in 1765.

Quick Tip

The **Round** function is useful for controlling the precision of numbers in Excel. It can be used to round numbers to any desired decimal place or to the nearest integer.

16. Write the formula to calculate the depreciation by using SLN (Straight Line) method in MS Excel.

Solution:

Step 1: Understanding SLN Depreciation Formula.

In MS Excel, the **SLN** function calculates depreciation using the straight-line method. The formula is:

$$=SLN(\text{cost}, \text{salvage}, \text{life})$$

Where: - **cost** is the initial cost of the asset. - **salvage** is the value of the asset at the end of its useful life (salvage value). - **life** is the useful life of the asset in years.

Step 2: Applying the Formula to the Given Table.

In the table, the given values are: - Cost = 5000 - Salvage = 10000 - Useful life = 5 years
The formula to calculate depreciation in this case will be:

$$=SLN(5000, 10000, 5)$$

Step 3: Conclusion.

The **SLN** function in Excel provides the annual depreciation amount of an asset based on its initial cost, salvage value, and useful life.

Quick Tip

The **SLN** function in Excel calculates depreciation evenly across the asset's useful life, making it useful for assets that lose value at a constant rate.

17. Marks sheet of students is given below:

Complete the table by writing formulas in Row 6 and Column E.

A	B	C	D
Name of Students	Marks Scored in July, 2022	Marks Scored in December, 2022	Marks Scored in Ma
Mohan	300	400	425
Ram	250	291	300
Gobind	350	300	295
Kamal	410	390	415
Total Marks	=SUM(B2:B5)	=SUM(C2:C5)	=SUM(D2:D

Solution:

Step 1: Formula for Total Marks.

To calculate the total marks for each student, we need to sum the marks scored in all three months (July 2022, December 2022, and March 2023). Therefore, for each student, the formula in Column E is:

$$\text{Total Marks} = =B2+C2+D2$$

Similarly for other students, replace the row numbers accordingly.

Step 2: Formula for Total Marks for All Students.

To calculate the total marks for each month (Column B, C, and D), use the SUM formula for each column. For example, for Column B (July 2022):

$$\text{Total Marks in July 2022} = =SUM(B2:B5)$$

Similarly for the other months (Columns C and D), use the SUM formula for each column.

Quick Tip

The SUM function in Excel adds up the values in a range of cells. This is useful for calculating totals across rows or columns.

8. a. Write the code name (Sequential, Mnemonic, Block) of the following:

Code	Name of Accounts
SLR	Salary Account
BOD	Bank Overdraft

Solution:

Step 1: Understanding the Code Types.

- **Sequential Code:** In this system, the codes are assigned sequentially based on the order of occurrence or creation. Each item gets a unique number in a sequence. - **Mnemonic Code:** This system uses codes that are easy to remember, often based on a word or abbreviation that is directly related to the item being coded. - **Block Code:** A block of numbers or characters is reserved for certain categories, allowing each category to have its unique range of codes. This method is often used to categorize related items.

Step 2: Analysis of the Codes:

- **SLR** for Salary Account is a mnemonic code because it is an abbreviation of the name and easy to remember. - **BOD** for Bank Overdraft is also a mnemonic code, derived from the first letters of the name of the account.

Step 3: Conclusion.

Both codes SLR and BOD are examples of **Mnemonic Codes**, as they are abbreviations of the account names.

Quick Tip

Mnemonic codes are often used in accounting to make it easier to identify and remember the names of accounts.

(b) Code Account group

Code	Account group
100 – 199	Rooms in First Floor
200 – 299	Rooms in Second Floor

Solution:

Step 1: Understanding Account Grouping.

In this case, the codes 100-199 and 200-299 are examples of **block codes**, where a block of numbers is assigned to a specific group or category. For example: - The code range 100-199 is used for categorizing "Rooms in First Floor." - The code range 200-299 is used for categorizing "Rooms in Second Floor."

Step 2: Conclusion.

This is an example of **block coding**, where different ranges of codes represent different categories of accounts.

Quick Tip

Block coding helps organize data by grouping similar items together, making it easier to classify and manage accounts or items within a defined range.

19. Write the steps to delete a company in Tally.

Solution:

Step 1: Open Tally.

Launch Tally and open the company you wish to delete. Make sure you are logged into Tally as an administrator or with the necessary permissions to delete a company.

Step 2: Go to the Company Info.

In Tally, go to the **Gateway of Tally** and then select **F3: Company Info**. This will open the Company Information menu.

Step 3: Select 'Alter'.

In the Company Info menu, select **Alter** to view the list of companies. This will display all the companies that are available in your Tally system.

Step 4: Select the Company to Delete.

Choose the company you want to delete from the list of companies displayed.

Step 5: Press 'D' to Delete the Company.

While the company is selected, press **D** (for Delete) to remove the company from the system. A confirmation message will appear asking if you are sure you want to delete the company.

Step 6: Confirm Deletion.

Press **Yes** to confirm the deletion of the company. Once confirmed, the company will be deleted from Tally.

Step 7: Exit.

Exit the company selection screen, and the company will no longer be available in Tally.

Quick Tip

Be careful when deleting a company in Tally, as this action is irreversible and can lead to the loss of important data. Always ensure a backup is taken before performing such operations.

20. Do any three questions out of four questions. Each question carries 4 marks.

(i) Prepare cash account in Tally from the following transactions:

Date	Particulars	Rupees (₹)
Nov. 1	Cash in hand (Started business with cash)	2,00,000
Nov. 5	Paid for repair of machinery	(20,000)
Nov. 9	Paid for refreshment expenses	(20,000)
Nov. 12	Purchased stationery for cash	(2,000)
Nov. 20	Sold stationery for cash	3,000

Solution:

Step 1: Understand the Cash Account.

A Cash Account in Tally will track all cash-related transactions, including cash received (inflow) and cash paid (outflow). We will prepare the account with the following entries:

Step 2: Transactions in the Cash Account.

1. **Nov. 1:** When the business started, 2,00,000 was brought in as cash. This is an inflow to the cash account:

Cash Account Dr. 2,00,000 (Credit entry on the right side)

2. **Nov. 5:** Cash paid for repair of machinery (outflow):

Cash Account Cr. 20,000 (Debit entry on the left side)

3. **Nov. 9:** Cash paid for refreshment expenses (outflow):

Cash Account Cr. 20,000 (Debit entry on the left side)

4. **Nov. 12:** Cash paid for the purchase of stationery (outflow):

Cash Account Cr. 2,000 (Debit entry on the left side)

5. **Nov. 20:** Cash received from the sale of stationery (inflow):

Cash Account Dr. 3,000 (Credit entry on the right side)

Step 3: Closing the Account.

Finally, the closing balance in the cash account will be calculated by subtracting the total cash paid from the total cash received. This can be done by adding the inflows and subtracting the outflows.

Quick Tip

In Tally, you can easily manage cash transactions and track inflows and outflows through the Cash Account. Make sure to maintain a balance and keep track of every cash transaction accurately.

(ii) Write any four advantages of preparing charts.

Solution:

Step 1: Understanding the Benefits of Charts.

Charts are useful tools for presenting data visually, and they have many advantages:

1. **Clarity and Simplicity:** Charts provide a clear and concise visual representation of data, making it easier to understand and interpret, especially when dealing with complex data.
2. **Better Comparison:** Charts allow for quick and easy comparison between different data sets. For example, bar charts can compare sales figures across different months.
3. **Data Visualization:** Charts help in visualizing trends, patterns, and relationships between different variables, which may not be as obvious in raw data.
4. **Enhanced Decision Making:** By presenting data in a graphical format, charts enable better and quicker decision-making, as trends and outliers are more visible.

Step 2: Conclusion.

Preparing charts enhances the ability to communicate complex data clearly and allows for easier analysis, comparison, and decision-making.

Quick Tip

Charts are invaluable tools for data analysis as they turn complex numbers into understandable visuals, which help in making informed decisions.

20. Do any three questions out of four questions. Each question carries 4 marks.

(iii) The monthly sales of a company for the first six months are given below in Rupees (₹).

A	B
January	25,000
February	15,000
March	28,000
April	32,000
May	20,000
June	36,000

Solution:

(a) Find the total sale for the six months.

To calculate the total sale, use the SUM formula in Excel:

$$\text{Total Sale} = \text{SUM}(B2:B7)$$

This formula adds all the sales figures from January to June, giving the total sale for the six months.

(b) Find the average sale of the six months.

To calculate the average sale, use the AVERAGE formula in Excel:

$$\text{Average Sale} = \text{AVERAGE}(B2:B7)$$

This formula calculates the average of the sales for the six months.

(c) Find the lowest sale of the six months.

To find the lowest sale, use the MIN formula in Excel:

$$\text{Lowest Sale} = \text{MIN}(B2:B7)$$

This formula returns the lowest sale figure from the list.

(d) Find the highest sale of the six months.

To find the highest sale, use the MAX formula in Excel:

$$\text{Highest Sale} = \text{MAX}(B2:B7)$$

This formula returns the highest sale figure from the list.

Quick Tip

Excel functions like SUM, AVERAGE, MIN, and MAX are powerful tools for analyzing and summarizing data in financial reports.

(iv) Write any four advantages of computerized accounting system.

Solution:

Step 1: Understanding the Benefits of Computerized Accounting.

A computerized accounting system has several advantages over traditional manual systems. Here are four key benefits:

1. **Accuracy:** Computerized accounting systems reduce the risk of human error by automating calculations and data entry. This ensures that financial data is more accurate and reliable.
2. **Time Efficiency:** With automated features such as batch processing, real-time updates, and customizable reports, a computerized accounting system saves a significant amount of time compared to manual accounting methods.
3. **Easy Access to Data:** Financial data is stored digitally, making it easy to retrieve, search, and analyze information. This quick access to data helps businesses make faster decisions.
4. **Better Security:** Computerized accounting systems can be secured with passwords, access controls, and backups, providing better protection against data loss, fraud, and unauthorized access.

Step 2: Conclusion.

Computerized accounting systems offer numerous benefits, including improved accuracy, time savings, easy data access, and better security. These advantages help businesses manage their finances more effectively and efficiently.

Quick Tip

The shift to computerized accounting systems enhances overall operational efficiency, reduces errors, and provides better financial insights.
