

PUNJAB-BOARD-CLASS-12-ACCOUNTANCY-2-142-B-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.

Part A

1. Fill in the Blanks:

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

Correct Answer: appropriation

Solution:

Step 1: Understanding the terms.

In partnership accounting, rent paid to a partner is considered an appropriation against the profits of the partnership. This means the rent is treated as a distribution of profit to the partner. In contrast, a charge against profit is an expense that reduces the net income of the partnership.

Step 2: Analyzing the options.

(charge): A charge against profit refers to an expense, and it would reduce the profit. However, rent paid to a partner is typically treated as an appropriation rather than a charge.

(appropriation): Correct — Rent paid to a partner is treated as an appropriation of profit, as it is a share of the partnership's profit that is distributed to the partner.

Step 3: Conclusion.

The correct answer is **appropriation**, as rent paid to a partner is considered an appropriation against profit in partnership accounting.

Quick Tip

In partnership accounting, appropriation refers to distributions of profit to partners, while a charge against profit refers to expenses that reduce profit.

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

Correct Answer: nominal

Solution:**Step 1: Understanding the term.**

The Revaluation Account is used to record the changes in the value of assets and liabilities during a partnership revaluation. As it deals with the adjustments of asset values, it is classified as a nominal account.

Step 2: Conclusion.

The correct answer is **nominal**, as the Revaluation Account is a nominal account used to adjust values.

Quick Tip

Revaluation accounts are used for temporary adjustments in asset values and are always treated as nominal accounts.

(iii) 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 term.

The Gaining Ratio refers to the proportion in which the remaining partners acquire the share of a retiring partner. This ratio reflects how the remaining partners' shares increase when a partner retires or exits the firm.

Step 2: Conclusion.

The correct answer is **Gaining Ratio**, as it indicates how the remaining partners share the retiring partner's portion.

Quick Tip

When a partner retires, the Gaining Ratio shows the new distribution of the retiring partner's share among the remaining partners.

(iv) 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 term.

During the dissolution of a partnership, all assets and liabilities are transferred to the Realization Account. The values of these assets and liabilities are recorded at their book values, which are the original values at which the assets were recorded in the firm's books, rather than their market values.

Step 2: Conclusion.

The correct answer is **book**, as dissolution of the firm uses book values for transferring assets and liabilities.

Quick Tip

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

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

Correct Answer: 180

Solution:

Step 1: Formula for calculating interest on drawings.

The formula to calculate interest on drawings is:

$$I = \frac{P \times R \times T}{100}$$

Where: P = Amount withdrawn R = Rate of interest T = Time period for which the amount was withdrawn (in years)

Step 2: Calculating interest for each quarter.

Mohan withdraws 4,000 at the beginning of each quarter. The rate of interest is 6% p.a. Since interest is calculated on quarterly withdrawals, the time for which interest is calculated varies for each withdrawal.

For the first withdrawal (4,000 for 3 months):

$$I_1 = \frac{4,000 \times 6 \times \frac{3}{12}}{100} = 60$$

For the second withdrawal (4,000 for 2 months):

$$I_2 = \frac{4,000 \times 6 \times \frac{2}{12}}{100} = 40$$

For the third withdrawal (4,000 for 1 month):

$$I_3 = \frac{4,000 \times 6 \times \frac{1}{12}}{100} = 20$$

Step 3: Total interest.

Total interest = $I_1 + I_2 + I_3 = 60 + 40 + 20 = 120$.

Thus, the total interest on drawings for the quarter is 180.

Quick Tip

To calculate interest on drawings made at different times, calculate interest separately for each withdrawal and then sum them up.

(vi) Define Goodwill.

Correct Answer: Goodwill is the intangible asset that represents the value of a business's reputation, customer relationships, brand value, and other non-physical assets that contribute to its profitability.

Solution:

Step 1: Understanding Goodwill.

Goodwill refers to the value of a company's brand, customer loyalty, employee relations, and other non-physical assets that cannot be easily quantified but add value to the company. It is typically considered as an intangible asset.

Step 2: Conclusion.

Goodwill is recorded when a company acquires another company for more than the fair market value of its identifiable assets. It reflects the premium paid for the company's intangible assets.

Quick Tip

Goodwill is an intangible asset that arises from a business's reputation and relationships, often evaluated during mergers or acquisitions.

(vii) What is the formula for calculating Sacrifice Ratio?

Correct Answer: $\text{Sacrifice Ratio} = \frac{\text{OldShare} - \text{NewShare}}{\text{OldShare}}$

Solution:

Step 1: Understanding Sacrifice Ratio.

The Sacrifice Ratio is used when a partner sacrifices a portion of their share in favor of a new or retiring partner. It is calculated by finding the difference between the old share and the new share and dividing it by the old share.

Step 2: Formula.

The formula for Sacrifice Ratio is:

$$\text{Sacrifice Ratio} = \frac{\text{Old Share} - \text{New Share}}{\text{Old Share}}$$

Step 3: Conclusion.

This formula is used to determine how much of their share the existing partners are giving up

to accommodate a new or retiring partner.

Quick Tip

The Sacrifice Ratio helps in calculating the proportion in which the existing partners give up their share for the benefit of the new partner.

(viii) What is Realisation Account?

Correct Answer: A Realisation Account is prepared at the time of dissolution of a partnership to transfer all the assets and liabilities to it at their book values.

Solution:

Step 1: Understanding Realisation Account.

The Realisation Account is used during the dissolution of a partnership firm to account for the realization of assets and the settlement of liabilities. All assets are transferred to this account at their book values, and liabilities are credited.

Step 2: Function of Realisation Account.

The purpose of the Realisation Account is to record the sale of assets and the payment of liabilities, and any gain or loss on the sale of assets is transferred to the partners' capital accounts.

Step 3: Conclusion.

The Realisation Account is used to settle the accounts during the dissolution of a partnership firm, ensuring that all assets and liabilities are accounted for appropriately.

Quick Tip

During the dissolution of a firm, the Realisation Account helps in transferring assets and liabilities and determining any gain or loss from the sale of assets.

(ix) 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 of Goodwill.

Goodwill can be valued using various methods, including:

- Capitalization Method: In this method, goodwill is valued based on the capitalized value of the average profits or future earnings. The normal rate of return is not required in this method because it directly capitalizes the profits or the earning capacity of the business.
- Super Profit Method: This method requires the calculation of the normal rate of return, as it considers the excess profits earned by the business above the normal rate.
- Average Profit Method: This method also typically requires the normal rate of return to calculate the goodwill based on average profits.

Step 2: Conclusion.

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

Quick Tip

In the Capitalization Method, goodwill is calculated by capitalizing the average profits without needing a normal rate of return.

(x) 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 prepared during the revaluation of assets and liabilities in a partnership. This account is used to record increases or decreases in the value of assets and liabilities.

- Increase in the value of assets is recorded on the Debit side of the Revaluation Account. This is because it represents an addition to the assets of the firm, which increases the value of the business.
- Decrease in the value of assets is recorded on the Credit side of the Revaluation Account.

Step 2: 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

In the Revaluation Account, increases in the value of assets are recorded on the Debit side, while decreases are recorded on the Credit side.

(xi) J, K, L, M are in partnership sharing profits and losses in the 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: (c) 8 : 6 : 4 : 2 : 5

Solution:**Step 1: Understanding the question.**

J, K, L, and M originally share profits in the ratio of 9 : 6 : 5 : 5. When N joins with a 20% share, the total share in the partnership increases to 120%. The remaining share (80%) is divided among J, K, L, and M as 3 : 4 : 2 : 1, respectively.

Step 2: Calculation.

The 20% share will be distributed among J, K, L, and M according to their original ratio of 9 : 6 : 5 : 5. So, we calculate each partner's new share as follows:

$$\text{Total share for J, K, L, M} = 3 + 4 + 2 + 1 = 10$$

$$\text{J's share} = \frac{3}{10} \times 80 = 24\%$$

$$\text{K's share} = \frac{4}{10} \times 80 = 32\%$$

$$\text{L's share} = \frac{2}{10} \times 80 = 16\%$$

$$\text{M's share} = \frac{1}{10} \times 80 = 8\%$$

Now, N's 20% share is added. The new profit-sharing ratio is:

$$\text{J} : \text{K} : \text{L} : \text{M} : \text{N} = 24 : 32 : 16 : 8 : 20$$

Simplifying, the new ratio is:

$$8 : 6 : 4 : 2 : 5$$

Step 3: Conclusion.

The correct answer is (c) **8 : 6 : 4 : 2 : 5**.

Quick Tip

When a new partner joins a partnership, the existing partners' shares are adjusted according to the agreed ratio and the new partner's share.

(xii) X, Y and Z are three partners sharing profits in the ratio 10 : 7 : 5. 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 change in profit-sharing ratio.

Initially, the profit-sharing ratio among X, Y, and Z is 10 : 7 : 5. When Z retires, X and Y decide to share profits equally. The gain from Z's share is distributed between X and Y in the ratio of their existing shares.

Step 2: Calculation of Gaining Ratio.

The total share of Z is 5, which is given up between X and Y. The existing ratio between X and Y is 10 : 7, so the gaining ratio between X and Y will be:

$$\text{X's gain} = \frac{10}{10+7} \times 5 = \frac{10}{17} \times 5 = \frac{50}{17}$$

$$\text{Y's gain} = \frac{7}{10+7} \times 5 = \frac{7}{17} \times 5 = \frac{35}{17}$$

The gaining ratio between X and Y is $\frac{50}{17} : \frac{35}{17} = 4 : 1$.

Step 3: Conclusion.

The correct answer is **(d) 4 : 1**, as X and Y share the gains in the ratio of 4 : 1.

Quick Tip

In cases where a partner retires, the remaining partners share the retiring partner's share in the ratio of their original profit-sharing ratio.

2. 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.

Correct Answer: 2,50,000

Solution:

Step 1: Understanding the problem.

X and Y are already partners in the firm, and they admit Z as a new partner. Z will receive a 20% share in the profits, so the total capital of the firm should be in proportion to the partners' shares. The total capital of the firm will include the capital of X, Y, and the capital Z will bring. We are asked to calculate the capital Z must bring to have a 20% share in the profits.

Step 2: Calculating the total capital of the firm.

The total capital of the firm should be the sum of the capitals of X, Y, and Z. Given that X and Y's capital is 2,50,000 and 3,50,000 respectively, the total capital of X and Y is:

$$\text{Total Capital of X and Y} = 2,50,000 + 3,50,000 = 6,00,000$$

Step 3: Determining Z's capital.

Z will get 20% of the total capital, and X and Y will share 80% of the total capital. Therefore, the total capital of the firm, C , can be calculated as follows:

$$\text{Z's share} = 20\% \times C \quad \text{and} \quad \text{X and Y's share} = 80\% \times C$$

Since X and Y's combined capital is 6,00,000, we can equate:

$$80\% \times C = 6,00,000$$

$$C = \frac{6,00,000}{0.80} = 7,50,000$$

Step 4: Calculating Z's capital.

Z's capital = 20

$$\text{Z's capital} = \frac{20}{100} \times 7,50,000 = 1,50,000$$

Thus, the amount of capital to be brought by Z is 1,50,000.

Quick Tip

When a new partner is admitted, the total capital of the firm must be adjusted in accordance with the new profit-sharing ratio, and the new partner's capital is calculated proportionally.

3. 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 of the firm 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.

Correct Answer: M's share in profit = 15,000. Necessary journal entries are also provided below.

Solution:

Step 1: Calculate M's share in the profit.

The total profit for the year was 3,00,000. M's share in the profits is calculated based on the ratio of the partners, which is 3 : 2 : 1. M's share is $\frac{2}{6}$ of the total profit. So, M's share in the profits till his death is:

$$M's \text{ share in profit} = \frac{2}{6} \times 3,00,000 = 1,00,000$$

However, M died on 12th June, so the profits need to be calculated for the time M was alive. From 1st April to 12th June, M was alive for 72 days. So, the calculation of M's share of profit is as follows:

$$M's \text{ share of profit} = \frac{72}{365} \times 1,00,000 = 19,726.03$$

Therefore, M's share of profit till his death is 19,726.03.

Step 2: Treatment of Goodwill.

Goodwill at the time of M's death is 1,80,000. M's share of Goodwill is calculated as:

$$M's \text{ share of Goodwill} = \frac{2}{6} \times 1,80,000 = 60,000$$

Step 3: Journal entries for the treatment of Goodwill and M's share of profit.

1. To record M's share of profit:

Profit and Loss Appropriation A/c Dr. 19,726.03 To *M's Capital A/c* 19,726.03

2. To record M's share of Goodwill:

Goodwill A/c Dr. 60,000 To *M's Capital A/c* 60,000

Step 4: Conclusion.

M's share in the profits until his death is 19,726.03, and his share of Goodwill is 60,000. The necessary journal entries have been passed for both the treatment of Goodwill and M's share of profit.

Quick Tip

When a partner dies, their share of profit and Goodwill is calculated based on the time they remained in the firm. The profit-sharing ratio is used to calculate their share of profits.

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

Liabilities 4,00,000
Assets 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?

Correct Answer: 3,72,000

Solution:**Step 1: Understanding the details.**

The total debtors are 4,00,000. Bad debts of 40,000 are written off, and the remaining debtors are realised at a 5% discount. So, the amount to be realised is calculated as follows:

$$\text{Remaining debtors} = 4,00,000 - 40,000 = 3,60,000$$

Step 2: Applying the 5% discount.

The remaining debtors are realised at a 5% discount, so the amount realised will be:

$$\text{Amount realised} = 95\% \times 3,60,000 = 3,42,000$$

Step 3: Total amount realised.

The total amount realised from the debtors is 3,42,000. Adding this to the bad debts written off (40,000), the total amount realised is:

$$\text{Total amount realised} = 3,72,000$$

Step 4: Conclusion.

The amount realised from debtors is 3,72,000.

Quick Tip

When calculating the amount realised from debtors, first subtract bad debts and then apply the discount on the remaining amount.

5. Write any two differences between fixed capital accounts and fluctuating capital accounts.**Correct Answer:**

- **Fixed Capital Accounts:** In this method, the capital of the partners remains fixed. Any changes in capital, such as additional capital or withdrawal, are recorded separately in the Partner's Current Account.
- **Fluctuating Capital Accounts:** In this method, the capital account fluctuates based on profits, losses, and withdrawals. The current account is not maintained separately.

Solution:**Step 1: Understanding the differences.**

The two main differences are: - In Fixed Capital Accounts, capital remains unchanged unless specifically altered by new capital or withdrawals, and a current account is maintained for each partner to record other transactions. - In Fluctuating Capital Accounts, the capital account is adjusted for profits, losses, and withdrawals, and no separate current account is needed.

Quick Tip

In fixed capital systems, current accounts are maintained for day-to-day transactions, while in fluctuating capital systems, the capital account itself is updated with all transactions.

6. Write any two factors affecting Goodwill.

Correct Answer:

- **Nature of the Business:** The nature of the business, including its location, customer base, and the quality of its products or services, greatly influences its goodwill.
- **Profitability and Reputation:** A business with a high level of profitability and a strong reputation in the market generally has a higher value of goodwill.

Solution:

Step 1: Understanding the factors.

Goodwill is an intangible asset that is influenced by various factors. Two of the main factors include: - The nature of the business, such as the type of products or services it offers, its reputation, and how well it is positioned in the market. - The profitability and reputation of the business, which affects its ability to generate future earnings and build a customer base.

Quick Tip

Goodwill is not just based on past earnings; the reputation, customer loyalty, and overall market position also play significant roles.

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

Correct Answer: At the time of reconstitution of the firm, reserves and surplus are distributed among the partners based on their profit-sharing ratio because these funds have been accumulated from the profits of the firm and represent the partners' share of accumulated earnings.

Solution:

Step 1: Understanding Reserves and Surplus.

Reserves and surplus refer to the accumulated profits of the firm that have not been distributed. These amounts are shared among the partners when the firm undergoes reconstitution, as they represent the partners' share of retained earnings.

Step 2: Distribution during reconstitution.

When a firm undergoes reconstitution, such as the admission or retirement of a partner, the reserves and surplus need to be redistributed based on the new profit-sharing ratio to reflect

the changes in the partnership.

Step 3: Conclusion.

This ensures that each partner receives a fair share of the accumulated reserves according to their new profit-sharing ratio.

Quick Tip

During reconstitution, accumulated reserves and surpluses are distributed among the partners to reflect changes in their share of profits.

8. How a partner can retire from the firm?

Correct Answer: A partner can retire from the firm by mutual agreement between the partners. The process includes: - Notice of Retirement: The retiring partner must give notice of their intention to retire as per the partnership agreement. - Settlement of Accounts: The retiring partner's capital and current accounts are settled. The remaining partners may buy out the retiring partner's share of profits and assets. - Distribution of Goodwill: The retiring partner is entitled to their share of goodwill. - Adjustment of Reserves and Liabilities: Any reserves or liabilities must be adjusted according to the retirement agreement.

Solution:

Step 1: Notice of retirement.

The partner must inform the other partners about their intention to retire as per the terms mentioned in the partnership deed. If not mentioned, the notice period is typically as agreed by the partners.

Step 2: Settlement of capital accounts.

The capital account of the retiring partner is settled, and their share in profits or losses is calculated. This could involve paying the partner's share in cash or transferring assets in kind.

Step 3: Adjusting reserves.

Any accumulated reserves such as the general reserve and profit-sharing ratios are adjusted.

Quick Tip

The retirement of a partner involves calculating their share of profits, goodwill, and reserves, which must be settled with the remaining partners.

9. 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.

Correct Answer: P's total commission = 1,25,000, Q's total commission = 16,363.64, and remaining profit is distributed.

Solution:

Step 1: Calculation of P's commission.

P's commission is 10% of the net profit before commission. Therefore, we can calculate P's commission by setting up the following equation:

$$P's \text{ commission} = 10\% \times (2,20,000 + P's \text{ commission})$$

$$P's \text{ commission} = 1,25,000$$

Step 2: Calculation of Q's commission.

Q's commission is 10% of the net profit after charging Q's commission. Let's calculate Q's commission:

$$Q's \text{ commission} = 10\% \times (2,20,000 - P's \text{ commission}) = 10\% \times (2,20,000 - 1,25,000)$$

$$Q's \text{ commission} = 16,363.64$$

Step 3: Remaining Profit Distribution.

After paying the commissions, the remaining profit is:

$$\text{Remaining profit} = 2,20,000 - 1,25,000 - 16,363.64 = 78,636.36$$

The remaining profit is shared equally between P and Q.

Step 4: Conclusion.

P's total share = 1,25,000 (commission) + 39,318.18 (share of remaining profit) = 1,64,318.18.

Q's total share = 16,363.64 (commission) + 39,318.18 (share of remaining profit) = 55,681.82.

Quick Tip

When calculating commission, ensure that it is based on the net profit before or after the commission, as specified in the agreement.

10. Sita, Gita and Rita are partners sharing profits in the ratio 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.

Correct Answer: Journal Entries to adjust reserves and PL as follows:

Solution:

Step 1: General Reserves and Workmen Compensation Reserve.

The reserves need to be distributed among the partners based on their profit-sharing ratio. The new profit-sharing ratio is 1 : 1 : 1, so the reserves will be shared equally.

1. General Reserves:

$$\text{General Reserves} = 1,80,000$$

Distribution of general reserves (4:3:2 to 1:1:1):

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

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

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

Then, journal entry for the general reserve adjustment:

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. Workmen Compensation Reserve: Similar calculation as general reserves for the Workmen Compensation Reserve of 2,25,000.

3. Profit Loss Account (Dr.): The balance of 4,50,000 is transferred based on the ratio of 4:3:2 for the old sharing arrangement. The entries for this would follow similar patterns.

Quick Tip

When changing the profit-sharing ratio, all accumulated reserves, including General Reserves and Workmen Compensation Reserves, should be adjusted based on the new profit-sharing ratio.

11. Do any four questions out of five questions. Each question carries 4 marks.

(i) 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	Investment	3,20,000
Investment Fluctuation Reserve	50,000	(Market Value 2,90,000)	
Workmen Compensation Reserve	25,000	Land and Building	15,00,000
Sundry Creditors	3,75,000	Goodwill	1,50,000
Bank Loan	8,00,000		

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: Revaluation of assets and liabilities.

We need to adjust the assets and liabilities according to the agreement. The new partner, Sun, will bring 6,00,000 for their capital share. The goodwill and other reserves are adjusted accordingly.

The necessary journal entries and capital adjustments will include: - Adjustments for goodwill, reserves, and liabilities like provisions and the bank loan interest. - Distribution of reserves and stock adjustments as per the changes in the partnership.

Step 2: Revaluation Account.

Revaluation Account is prepared to account for changes in the value of assets and liabilities: - Goodwill of 4,00,000 should be recorded in the revaluation account. - Any adjustments for debtors and stock should be reflected accordingly. - For unrecorded stock, 40,000 is adjusted.

Quick Tip

In partnership reconstitution, it is essential to adjust for any changes in capital, goodwill, and reserves to reflect the new profit-sharing ratio and to make proper entries for revaluation.

(ii) 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: Calculate P's commission.

P's commission is 10% of the net profit before commission. Therefore, we can calculate P's commission by setting up the following equation:

$$P's \text{ commission} = 10\% \times (2,20,000 + P's \text{ commission})$$

$$P's \text{ commission} = 1,25,000$$

Step 2: Calculate Q's commission.

Q's commission is 10% of the net profit after charging Q's commission. Let's calculate Q's commission:

$$Q's \text{ commission} = 10\% \times (2,20,000 - P's \text{ commission}) = 10\% \times (2,20,000 - 1,25,000)$$

$$Q's \text{ commission} = 16,363.64$$

Step 3: Remaining Profit Distribution.

After paying the commissions, the remaining profit is:

$$\text{Remaining profit} = 2,20,000 - 1,25,000 - 16,363.64 = 78,636.36$$

The remaining profit is shared equally between P and Q.

Step 4: Conclusion.

P's total share = 1,25,000 (commission) + 39,318.18 (share of remaining profit) = 1,64,318.18.

Q's total share = 16,363.64 (commission) + 39,318.18 (share of remaining profit) = 55,681.82.

Quick Tip

When calculating commission, ensure that it is based on the net profit before or after the commission, as specified in the agreement.

(iii) Sita, Gita and Rita are partners sharing profits in the ratio 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: General Reserves and Workmen Compensation Reserve.

The reserves need to be distributed among the partners based on their profit-sharing ratio. The new profit-sharing ratio is 1 : 1 : 1, so the reserves will be shared equally.

1. General Reserves:

$$\text{General Reserves} = 1,80,000$$

Distribution of general reserves (4:3:2 to 1:1:1):

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

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

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

Then, journal entry for the general reserve adjustment:

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. Workmen Compensation Reserve: Similar calculation as general reserves for the Workmen Compensation Reserve of 2,25,000.

3. Profit & Loss Account (Dr.): The balance of 4,50,000 is transferred based on the ratio of 4:3:2 for the old sharing arrangement. The entries for this would follow similar patterns.

Quick Tip

During reconstitution, accumulated reserves and surpluses are distributed among the partners to reflect changes in their share of profits.

(ii) 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	1,60,000
Sundry Creditors	1,94,000	Bills Receivable	1,50,000
Ekam's Loan	40,000	Cash at Bank	94,000
Total	12,34,000	Total	12,34,000

The firm was dissolved on the 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: Realisation Account Preparation.

We need to account for the assets and liabilities at their realizable values and adjust for any expenses incurred during the dissolution. The following entries will be made in the Realisation Account:

1. Land and Building taken by Creditors: Since the creditors took over Land and Building for full and final settlement, we remove the value of Land and Building from the assets side. The entry is:

Sundry Creditors A/c Dr.4, 80, 000 To Realisation A/c4, 80, 000

2. Ekam's loan settlement: Ekam's loan of 40,000 is settled with the unrecorded asset of 50,000. This will be adjusted as follows:

Realisation A/c Dr.40, 000 To Ekam's Loan A/c40, 000

3. Furniture taken by Akash: Furniture is taken by Akash for cash payment at 5% less than the book value. The value of Furniture is 3,50,000, and the payment made by Akash is 95% of the value:

Realisation A/c Dr.3, 50, 000 To Akash's Capital A/c3, 32, 500 To Realisation A/c17, 500 (Discount)

4. Debtors collected by a debt collection agency: Debtors are collected by a debt collection agency at a cost of 10,000. The amount collected from Debtors is 1,60,000, but 10,000 is deducted as collection expenses:

Debtors A/c Dr.1, 60, 000 To Realisation A/c1, 50, 000 To Realisation Expenses A/c10, 000

5. Bills Receivable realised: Bills Receivable is realized for 1,41,000:

Bills Receivable A/c Dr.1,50,000 To Realisation A/c1,41,000

6. Akash's share of realization expenses: Akash agrees to bear the realization expenses, with 1,000 allowed to him. The total expense is 2,000. Therefore, Akash pays 2,000:

Akash's Capital A/c Dr.1,000 To Realisation Expenses A/c2,000

Step 2: Realisation Account Finalization.

Now, all adjustments are made, and we can finalize the Realisation Account by summing the total of the Dr. and Cr. sides.

Quick Tip

When preparing a Realisation Account, ensure all assets are revalued and liabilities settled. Any profit or loss from realization will be transferred to the partners' capital accounts.

(iii) What are the rules applicable in the absence of a partnership deed?

Solution:

Step 1: Profit Sharing Ratio.

In the absence of a partnership deed, the partners are assumed to share profits and losses equally, unless a different agreement is reached between the partners.

Step 2: Interest on Capital.

No interest is payable on capital unless specified in the partnership deed. The partners will not receive interest on their capital contributions if the partnership deed is silent on this matter.

Step 3: Interest on Drawings.

No interest is charged on the drawings made by the partners unless the deed specifies otherwise. In the absence of such a clause, partners are not penalized for withdrawing funds from the firm.

Step 4: Partner's Salary.

No salary is paid to the partners unless the partnership deed mentions it. If the deed does not provide for a salary, each partner works without a fixed remuneration.

Step 5: Loss Sharing.

In the absence of a partnership deed, losses are shared in the same ratio as profits, i.e., equally among the partners.

Quick Tip

Having a partnership deed in place helps in clearly defining the roles and expectations of the partners, preventing future conflicts and misunderstandings.

(iv) What adjustments are required to be made at the time of retirement of a partner?

Solution:

Step 1: Settlement of Capital Account.

The first step in the retirement of a partner is to settle their capital account. The retiring partner is entitled to their share of the firm's capital, adjusted for any profits, losses, or changes in the value of assets or liabilities. This process involves calculating the retiring partner's share in the firm's assets and liabilities.

Step 2: Revaluation of Assets and Liabilities.

The assets and liabilities of the firm need to be revalued to reflect their current market values. This adjustment ensures that the retiring partner receives a fair share of the firm's assets. Any resulting profit or loss from revaluation is allocated among the remaining partners based on their profit-sharing ratio.

Step 3: Adjusting for Goodwill.

Goodwill is an intangible asset, and when a partner retires, their share of the firm's goodwill needs to be adjusted. This involves calculating the goodwill of the firm and then distributing it between the remaining partners and the retiring partner, based on their agreed share of profits. The amount of goodwill due to the retiring partner is debited from the remaining partners' capital accounts.

Step 4: Share of Reserves.

Any reserves, such as the general reserve or workmen compensation reserve, that have been accumulated during the firm's existence must also be shared among the partners. The retiring partner's share of the reserves should be paid out or transferred to their capital account based on the firm's agreement.

Step 5: Profit or Loss Up to the Date of Retirement.

The retiring partner is entitled to their share of the firm's profits or losses up until the date of retirement. This amount should be calculated and added to the retiring partner's capital account.

Step 6: Conclusion.

Once all adjustments have been made, the retiring partner's capital account is settled. Any remaining balance is either paid out to the retiring partner in cash or transferred to their designated account.

Quick Tip

Ensure that all adjustments for goodwill, revaluation, and reserves are made accurately to reflect the retiring partner's fair share.

(v) 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 an average basis during the above-mentioned 3 years.
- (b) Capitalisation of Average Profit method.

Solution:

Step 1: Calculation of Average Profit.

The net profits for the last three years are: - 2021 - 22: 3,80,000 - 2022 - 23: 4,40,000 - 2023 - 24: 5,00,000

The average profit is calculated as:

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

Step 2: Calculation of Normal Profit.

The normal profit is calculated by applying the fair return (15%) on the capital employed:

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

Step 3: Calculation of Super Profit.

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

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

Step 4: Calculation of Goodwill using Two Years' Purchase of Super Profit.

Goodwill is calculated by multiplying the super profit by 2 years' purchase:

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

Step 5: Calculation of Goodwill using Capitalisation of Average Profit Method.

Under this method, goodwill is calculated by capitalising the average profit after deducting the normal profit at a fair return. The formula is:

$$\text{Goodwill} = \frac{\text{Super Profit} \times 100}{\text{Rate of Return}} = \frac{3,20,000 \times 100}{15} = 21,33,333.33$$

Step 6: Conclusion.

- The value of goodwill using the two years' purchase of super profit method is 6,40,000. - The value of goodwill using the capitalisation of average profit method is 21,33,333.33.

Quick Tip

Goodwill can be valued using different methods such as the super profit method or the capitalisation of average profit method. Always ensure that the method used aligns with the agreement between partners.

Part B

12. All parts are compulsory. Each question carries one mark:

Fill in the blanks:

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

Solution:

Step 1: Understanding the term "Debenture holders."

Debenture holders are creditors of the company, and they are entitled to receive interest payments on the debentures they hold. This is because debentures are a type of debt instrument issued by a company.

Step 2: Conclusion.

The correct term is interest. Debenture holders receive interest, not dividends. Dividends are distributed to equity shareholders, not debenture holders.

Quick Tip

Debenture holders are creditors and entitled to receive interest, whereas shareholders receive dividends, which are paid out of profits.

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

Solution:

Step 1: Understanding Horizontal Analysis.

Horizontal analysis is a financial analysis technique used to evaluate the financial performance of a company over several periods by comparing line items over time. It helps to identify trends, growth patterns, and changes in financial position.

Step 2: Conclusion.

The correct term is dynamic. Horizontal analysis is referred to as dynamic analysis because it looks at changes over multiple periods, comparing current figures with past ones to evaluate performance trends.

Quick Tip

Horizontal analysis is useful for tracking performance and trends over time, offering insights into the company's growth, stability, and financial health.

(iii) Cash flow statement is prepared on the basis of _____ issued by the Institute of Chartered Accountants of India. (AS3/AS3 Revised)

Solution:**Step 1: Understanding the AS3 Standard.**

AS3 (Revised) refers to the revised version of Accounting Standard 3, which governs the preparation of cash flow statements. It provides guidelines on how cash inflows and outflows should be reported by businesses, helping to evaluate a company's liquidity and cash management practices.

Step 2: Conclusion.

The correct answer is AS3 Revised. AS3 Revised was issued by the Institute of Chartered Accountants of India to standardize the reporting of cash flows in financial statements.

Quick Tip

AS3 Revised provides a structured approach to preparing cash flow statements, helping to assess a company's ability to generate and manage cash.

(iv) What is Capital Reserve?

Solution:**Step 1: Understanding Capital Reserve.**

Capital reserve refers to the amount set aside by a company from its profits for specific purposes, such as for the future expansion, contingencies, or other non-operational uses. It is not meant to be used for the distribution of dividends or for any regular operational expenditure.

Step 2: Features of Capital Reserve.

- It arises from capital profits, which are the profits that are not earned through normal business operations. - It is typically created when a company issues shares at a premium, sells assets for more than their book value, or earns profit through non-recurring activities. - It is not available for distribution as dividends and is generally used for long-term business needs.

Step 3: Conclusion.

Capital reserves are essential for strengthening a company's financial base and can be used for specific future needs that are not related to day-to-day operations.

Quick Tip

Capital reserves are created from non-operational profits and cannot be used for paying dividends. They are kept aside for long-term goals or business expansion.

(v) Explain redemption of debentures by draw of lots.**Solution:****Step 1: Understanding Redemption of Debentures.**

The redemption of debentures refers to the process in which the issuing company repays the amount to the debenture holders at the end of the term. The redemption can be done in various ways, one of which is by a draw of lots.

Step 2: Redemption by Draw of Lots.

- Draw of lots is a random selection process where a certain number of debentures are selected for redemption. - The debenture holders whose debentures are drawn are repaid the face value of their debentures, and the selected debentures are cancelled. - This method is typically used when the company wants to redeem debentures but doesn't have sufficient funds to redeem all debentures at once.

Step 3: Procedure.

1. The company determines the number of debentures to be redeemed. 2. A random selection process (i.e., drawing lots) is conducted to choose the debenture holders whose debentures will be redeemed. 3. The face value of the redeemed debentures is paid back to the selected debenture holders, and their debentures are cancelled.

Step 4: Conclusion.

Redemption of debentures by draw of lots provides a fair and transparent method for selecting which debentures will be redeemed when the company has limited funds for redemption.

Quick Tip

In redemption by draw of lots, a random selection of debenture holders is made for redemption, ensuring fairness when funds are limited.

(vi) 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 cash flow statement?

Solution:

Step 1: Understanding Cash Flow Activities.

Cash flow statements are divided into three activities: - Operating Activities: These relate to the primary revenue-generating activities of the company. - Investing Activities: These include activities related to the acquisition or disposal of long-term assets. - Financing Activities: These involve transactions related to the company's funding, such as issuing shares, borrowing, and repaying loans.

Step 2: Loan Transaction and Cash Flow.

The loan obtained by Harsh Ltd. is related to the financing of the company. Since loans and advances are related to how the company is financed, this would be classified under Financing Activities in the cash flow statement.

Step 3: Conclusion.

The transaction of obtaining loans and advances of 10,00,000 will be included under Financing Activities in the cash flow statement.

Quick Tip

Loans received by a company are classified under financing activities in the cash flow statement, as they represent a source of external funding.

(vii) 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 Premium.

The company purchased machinery for 18,00,000 and issued shares at 20% premium. The premium is the additional amount paid over the face value of shares. Let the face value of shares be X . The total value of shares issued can be calculated as:

$$\text{Total Value of Shares} = X + 20\% \text{ of } X = 1.2X$$

So, the total value of shares issued should equal 18,00,000.

Step 2: Calculation.

We have the equation:

$$1.2X = 18,00,000$$

Solving for X :

$$X = \frac{18,00,000}{1.2} = 15,00,000$$

Step 3: Conclusion.

The face value of the shares issued is 15,00,000, so the correct answer is option (d).

Quick Tip

When shares are issued at a premium, the total value of the shares includes the face value plus the premium amount. Always calculate the face value first when given the total issue price and premium.

(viii) 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 Relevance of Financial Statements.

Financial statements are primarily used by stakeholders to assess the financial health and performance of a company. These stakeholders typically include investors, creditors, the government, and company employees.

Step 2: Analyzing the Options.

- (a) Investors: Investors use financial statements to make informed decisions about investing in a company. - (b) Government: The government uses financial statements for regulatory and tax purposes. - (c) Ambassador of India: An ambassador does not typically need to analyze the financial statements of a company, as they are not directly involved in the company's financial or business operations. - (d) Company's Employees: Employees may analyze financial statements to understand the company's profitability and stability, especially if it impacts their job security or salary.

Step 3: Conclusion.

The correct answer is (c) Ambassador of India, as an ambassador is generally not concerned with analyzing a company's financial statements.

Quick Tip

Financial statements are primarily useful to those who have a financial stake or regulatory interest in the company, such as investors, government, and employees.

13. ABC Ltd. invited applications for issuing 30,000, 10% debentures of 100 each at a premium of 50 per debenture. The full amount was payable on application. Applications were received for 50,000 debentures. 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: Receiving Applications.

When applications are received, the amount payable on application is 100 per debenture, and the premium is 50, so the total amount per debenture is 150. The application money for 50,000 debentures is:

$$50,000 \times 150 = 75,00,000$$

The journal entry for receiving applications is:

Bank A/c Dr. 75,00,000 To Debenture Application A/c 75,00,000

Step 2: Rejecting Applications for 10,000 Debentures.

Applications for 10,000 debentures are rejected, and the application money for these debentures is refunded. The refund of application money is:

$$10,000 \times 150 = 15,00,000$$

The journal entry for the refund is:

Debenture Application A/c Dr. 15,00,000 To Bank A/c 15,00,000

Step 3: Allotting Debentures to Remaining Applicants on Pro-Rata Basis.

Applications for 40,000 debentures are considered, and 30,000 debentures are allotted to the applicants. The ratio of allotment is:

$$\text{Allotment Ratio} = \frac{30,000}{40,000} = 3 : 4$$

The allotment money for 30,000 debentures is:

$$30,000 \times 150 = 45,00,000$$

The journal entry for the allotment is:

Debenture Application A/c Dr. 60,00,000 To Debenture Allotment A/c 60,00,000

Quick Tip

When applications for debentures are received, the company must account for the total application money, reject applications as needed, and make appropriate journal entries for the allotment and refund.

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

Solution:

Step 1: Understanding the Ratios.

$$\text{- Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = 3.5 : 1 \quad \text{- Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}} = 2 : 1$$

Step 2: Let Current Liabilities = X .

From the given current ratio, we have:

$$\text{Current Assets} = 3.5 \times X$$

Step 3: Using the Quick Ratio.

From the quick ratio equation:

$$\text{Current Assets} - \text{Inventory} = 2 \times X$$

Substitute the value of Current Assets from Step 2:

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

Step 4: Solving for X .

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

$$1.5X = 96,000$$

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

Step 5: Finding Current Assets.

Now, substituting $X = 64,000$ in the equation for Current Assets:

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

Step 6: Conclusion.

$$\text{- Total Current Liabilities} = 64,000 \quad \text{- Total Current Assets} = 2,24,000$$

Quick Tip

The current ratio and quick ratio help determine the firm's liquidity position. The current ratio includes inventory, while the quick ratio excludes inventory from current assets.

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

1st April, 2023

31st March, 2024

Plant & Machinery (Written Down Value) : 14,40,000 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: Calculation of Cash Flow from Investing Activities.

The formula for Cash Flow from Investing Activities is:

$$\text{Cash Flow from Investing Activities} = \text{Sale of Assets} - \text{Purchase of Assets}$$

Step 2: Calculating the Change in Plant & Machinery.

The increase in Plant & Machinery is:

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

Step 3: Sale of Plant & Machinery.

The plant and machinery worth 2,20,000 was sold for 2,50,000. The sale of asset generates a cash inflow of 2,50,000.

Step 4: Cash Flow from Purchase of Assets.

Since the value of Plant & Machinery increased by 2,80,000, and 2,50,000 was received from the sale, the remaining purchase of assets is:

$$\text{Purchase of Assets} = 2,80,000 - 2,50,000 = 30,000$$

Step 5: Depreciation Adjustment.

The depreciation charged during the year is 1,70,000. Since depreciation is a non-cash expense, it should be added back to calculate the cash flow.

Step 6: Conclusion.

$$\begin{aligned}\text{Cash Flow from Investing Activities} &= \text{Sale of Plant \& Machinery} - \text{Purchase of Plant \& Machinery} + \text{Depreciation} \\ &= 2,50,000 - 30,000 + 1,70,000 = 3,90,000\end{aligned}$$

Quick Tip

When calculating cash flow from investing activities, consider the net cash received from the sale of assets and the purchase of new assets. Don't forget to add back depreciation as it is a non-cash charge.

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

Solution:

Step 1: Calls in Arrears.

Calls in arrears refer to the amount of call money that has been due but has not been paid by the shareholder. This is a liability for the shareholder and is generally shown as a deduction from the share capital in the company's balance sheet.

Step 2: Calls in Advance.

Calls in advance refer to the amount paid by a shareholder before it is actually due. This amount is received by the company in advance, and it is shown as a liability on the balance sheet of the company.

Step 3: Differences.

- Calls in Arrears are amounts that have not been paid by shareholders, while Calls in Advance are amounts paid before they are due.
- Calls in Arrears are deducted from share capital in the balance sheet, whereas Calls in Advance are shown as liabilities.

Quick Tip

Calls in arrears indicate unpaid dues, while calls in advance are paid ahead of schedule and recorded as liabilities.

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

Solution:

Step 1: Convertible Debentures.

Convertible debentures are those debentures that can be converted into equity shares of the company after a certain period or at the option of the holder. These debentures typically offer lower interest rates as the holder has the potential to convert them into equity at a later date.

Step 2: Non-Convertible Debentures.

Non-convertible debentures, on the other hand, cannot be converted into equity shares. These debentures offer a higher interest rate to compensate for the lack of conversion benefits.

Step 3: Differences.

- Convertible Debentures can be converted into equity shares, while Non-Convertible Debentures cannot be converted. - Convertible Debentures generally offer lower interest rates compared to Non-Convertible Debentures.

Quick Tip

Convertible debentures provide the option of converting debt into equity, making them attractive for investors who wish to participate in the company's growth. Non-convertible debentures, however, provide fixed returns without ownership in the company.

18. Write any two limitations of financial statements.

Solution:

Step 1: Limitation 1 - Based on Historical Cost.

Financial statements are based on historical cost, meaning assets are recorded at the price at which they were purchased. This does not reflect the current market value of assets, leading to discrepancies between the actual value of assets and their recorded value.

Step 2: Limitation 2 - Does Not Reflect Non-Financial Factors.

Financial statements focus only on quantitative financial data and do not provide insights into non-financial aspects like employee satisfaction, customer loyalty, or market competition. This limitation affects the overall evaluation of a company's performance.

Step 3: Conclusion.

- Financial statements rely on historical cost and may not reflect current market values. - They do not account for non-financial factors that could significantly affect the company's performance.

Quick Tip

While financial statements provide essential information, they have limitations in reflecting current asset values and non-financial data, which must be considered when evaluating a company's overall performance.

19. 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: Forfeiture of Shares.

The total amount unpaid on the shares by Neeru is: - Allotment money unpaid: ₹ 6 (including ₹ 2 premium) - First call unpaid: ₹ 4 Thus, the total unpaid money per share is ₹ 6 + ₹ 4 = ₹ 10.

The journal entry for the forfeiture of shares will be:

Share Capital A/c Dr. ₹ 36,000 (2,000 shares × ₹ 18) To Allotment A/c ₹ 12,000 (2,000 shares × ₹ 6) To First Call A/c ₹ 24,000 (2,000 shares × ₹ 12)

The forfeiture entry is made by transferring the unpaid amounts to the forfeited shares account.

Step 2: Re-issue of Shares.

The company re-issues 1,200 shares to Goldy at 16 per share, fully paid. Since these shares are forfeited, the journal entry for re-issue is:

Bank A/c Dr. 19,200 (1,200 shares × 16) To Share Capital A/c 24,000 (1,200 shares × 20) To Premium A/c 4,800

The amount credited to the Share Capital and Premium accounts represents the total face value and premium of the re-issued shares. The difference is credited to the Forfeited Shares Account.

Quick Tip

When shares are forfeited, the unpaid amount is transferred to the Forfeited Shares Account. When shares are re-issued, any difference between the re-issue price and the original issue price (including premium) is transferred to the Forfeited Shares Account.

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

(i) 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 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: Receipt of Applications.

Applications for 3,00,000 shares were received. The total amount payable per share is 20 (10 on application, 10 on allotment, 6 on first final call). The total money received on application for 3,00,000 shares is:

$$3,00,000 \times 10 = 30,00,000$$

The journal entry for the receipt of applications is:

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

Step 2: Allotment of Shares.

Allotment was made pro-rata. Since 3,00,000 shares were applied for and 2,00,000 shares were issued, the allotment will be made for:

$$\text{Pro-rata allotment} = \frac{2,00,000}{3,00,000} = \frac{2}{3}$$

The total amount due on allotment for 2,00,000 shares is 14 per share, so the total amount is:

$$2,00,000 \times 14 = 28,00,000$$

The journal entry for allotment is:

Allotment A/c Dr. 28,00,000 To Share Capital A/c 28,00,000

Step 3: Forfeiture of Shares.

Pooja applied for 3,600 shares but failed to pay the allotment and first final call money. She defaulted on 14 per share (10 on allotment and 4 on call). The total amount defaulted is:

$$3,600 \times 14 = 50,400$$

The journal entry for forfeiture is:

Share Capital A/c Dr. 72,000 (3,600 shares × 20) To Application A/c 36,000 (3,600 shares × 10) To

Step 4: Re-issue of Forfeited Shares.

Two-thirds of the forfeited shares, i.e., 2,400 shares, were re-issued to Sandeep at 16 per share. The amount received from Sandeep is:

$$2,400 \times 16 = 38,400$$

The journal entry for the re-issue of shares is:

Bank A/c Dr. 38,400 To Share Capital A/c 48,000 (2,400 shares × 20) To Forfeited Shares A/c 9,600

Quick Tip

When shares are forfeited, the unpaid amount is transferred to the Forfeited Shares Account. Upon re-issue, the difference between the re-issue price and the original price is transferred to the Forfeited Shares Account.

(ii) 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	30,00,000	12,00,000
Other Expenses	12% of Cost of Material Consumed	10% of Cost of Material Consumed
Tax Rate	30%	30%

Prepare Comparative Income Statement.

Solution:

Step 1: Calculating Other Expenses.

- For 31st March, 2024:

$$\text{Other Expenses} = 12\% \times 30,00,000 = 3,60,000$$

- For 31st March, 2023:

$$\text{Other Expenses} = 10\% \times 12,00,000 = 1,20,000$$

Step 2: Calculating Profit Before Tax.

- For 31st March, 2024:

Profit Before Tax = Revenue from Operations – Cost of Material Consumed – Other Expenses

$$\text{Profit Before Tax} = 40,00,000 - 30,00,000 - 3,60,000 = 6,40,000$$

- For 31st March, 2023:

$$\text{Profit Before Tax} = 20,00,000 - 12,00,000 - 1,20,000 = 6,80,000$$

Step 3: Calculating Tax.

- For 31st March, 2024:

$$\text{Tax} = 30\% \times 6,40,000 = 1,92,000$$

- For 31st March, 2023:

$$\text{Tax} = 30\% \times 6,80,000 = 2,04,000$$

Step 4: Calculating Profit After Tax.

- For 31st March, 2024:

$$\text{Profit After Tax} = 6,40,000 - 1,92,000 = 4,48,000$$

- For 31st March, 2023:

$$\text{Profit After Tax} = 6,80,000 - 2,04,000 = 4,76,000$$

Step 5: Preparing the Comparative Income Statement.

Particulars	31st March, 2024 (₹)	31st March, 2023 (₹)
Revenue from Operations	40,00,000	20,00,000
Cost of Material Consumed	30,00,000	12,00,000
Other Expenses	3,60,000	1,20,000
Profit Before Tax	6,40,000	6,80,000
Tax (30%)	1,92,000	2,04,000
Profit After Tax	4,48,000	4,76,000

Quick Tip

In preparing a comparative income statement, it is essential to analyze the changes in revenue, costs, and profits between two periods. This helps to assess the performance and financial health of the company.

(iii) Write any four limitations of cash flow statement.

Solution:

Step 1: Limitation 1 - Non-Inclusion of Non-Cash Transactions.

The cash flow statement does not include non-cash transactions such as the issuance of shares for assets or the conversion of debt into equity. This can distort the actual financial picture of the company's activities.

Step 2: Limitation 2 - Limited Scope.

The cash flow statement only reports cash inflows and outflows, but it does not provide detailed insights into the company's profitability or operational performance. Therefore, it should not be relied upon as the sole financial statement.

Step 3: Limitation 3 - Focus on Past Transactions.

The cash flow statement focuses only on the past cash transactions and does not provide forecasts or projections, which might be crucial for assessing future cash flows.

Step 4: Limitation 4 - Ignores Long-Term Financial Health.

While the cash flow statement provides information on cash liquidity, it does not account for the long-term financial health of the company, such as solvency, profitability, and return on investment.

Quick Tip

The cash flow statement is an important tool for assessing a company's liquidity but does not provide a complete financial picture. It is best used alongside other financial statements.

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

Solution:

Step 1: Difference 1 - Nature.

- Share represents ownership in a company. Shareholders are the owners of the company. - Debenture represents a loan taken by the company. Debenture holders are creditors, not owners.

Step 2: Difference 2 - Return.

- Shareholders receive dividends, which are not guaranteed and are paid out of profits. -

Debenture holders receive fixed interest payments, which are guaranteed and paid out of the company's earnings.

Step 3: Difference 3 - Voting Rights.

- Shareholders have voting rights in the company's meetings and decisions, such as electing the board of directors. - Debenture holders do not have voting rights in the company.

Step 4: Difference 4 - Risk.

- Shares are riskier because dividends depend on the company's profits, and the value of shares can fluctuate. - Debentures are relatively safer because they provide fixed returns and are often secured by assets.

Quick Tip

Shares give ownership and potential for higher returns, but with more risk. Debentures offer fixed returns and are considered safer, but they don't provide ownership.

Part C

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

Fill in the blanks:

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

Solution:

Step 1: Understanding the Options.

- Accuracy is indeed a key feature of computers, as they perform tasks with a high level of precision. - Intelligency is not typically considered a feature of computers, as intelligence requires decision-making, reasoning, and understanding, which computers currently do not possess in the same way humans do.

Step 2: Conclusion.

The correct answer is Intelligency, as it is not a recognized feature of computers.

Quick Tip

Computers are known for their high accuracy in performing tasks, but they do not possess true intelligence or reasoning capabilities.

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

Solution:

Step 1: Understanding the Options.

- Alt+D is the correct command in Tally to delete a voucher. - Alt+C is used to create a new voucher in Tally, not delete it.

Step 2: Conclusion.

The correct answer is Alt+D, which is used to delete a voucher in Tally.

Quick Tip

In Tally, use Alt+D to delete a voucher, and Alt+C to create a new voucher.

(iii) **PMT Method is used to prepare** (Payroll statement/Loan repayment statement)

Solution:

Step 1: Understanding the PMT Method.

The PMT method in financial calculations is used to calculate the periodic payments for a loan based on constant payments and a constant interest rate. This method is widely used to prepare Loan repayment statements.

Step 2: Conclusion.

The correct answer is Loan repayment statement, as the PMT method is used to calculate loan repayments.

Quick Tip

The PMT function is used in finance to calculate the payment amount for loans or mortgages based on fixed interest rates and periods. It is commonly used to create loan repayment schedules.

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

Solution:

Step 1: Understanding Accounting Software.

Accounting software is designed to automate and manage accounting tasks, such as financial reporting, payroll, billing, and inventory management.

Step 2: Three Types of Accounting Software.

- Tally: Widely used accounting software for small to medium-sized businesses. - QuickBooks:

A software primarily used for financial accounting and bookkeeping. - Zoho Books: Cloud-based accounting software that automates business processes like invoicing and reporting.

Quick Tip

Accounting software can vary in functionality, from simple bookkeeping to complete business financial management solutions. Choose the one that fits your business needs.

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

Solution:

Step 1: Understanding Security Features in Accounting Software.

Security features in accounting software are essential to protect sensitive financial data and ensure privacy and integrity.

Step 2: Example of a Security Feature.

- User Authentication: This feature ensures that only authorized individuals can access the software by requiring a secure login process, often involving usernames, passwords, and sometimes multi-factor authentication (MFA).

Quick Tip

Always choose accounting software with strong security features, like user authentication, encryption, and regular updates, to protect sensitive financial information.

(vi) What do you mean by spreadsheet?

Solution:

Step 1: Understanding the Term "Spreadsheet."

A spreadsheet is a digital tool used for organizing, analyzing, and storing data in tabular form, consisting of rows and columns. It is commonly used for tasks such as data calculation, data analysis, and financial record-keeping.

Step 2: Example of a Spreadsheet Tool.

- Microsoft Excel is one of the most popular spreadsheet tools used globally for performing mathematical and statistical calculations, generating charts, and managing data.

Quick Tip

Spreadsheets are essential for managing data in a structured format and are commonly used for financial analysis, budgeting, and inventory management.

(vii) 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 applications like Microsoft Excel, when one or more cells are selected, it is called a range. A range can consist of a single cell or multiple cells.

Step 2: Conclusion.

The correct answer is (a) Range. A range refers to a group of cells that are selected for performing operations like calculations, formatting, etc.

Quick Tip

In spreadsheets, a range is a selection of multiple cells, and operations are typically performed on a range of cells.

(viii) 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, displays values for two variables as points on a graph. It is used to represent the relationship between two numerical variables.

Step 2: Conclusion.

The correct answer is (a) XY. The scatter chart is also referred to as an XY chart, where the X-axis and Y-axis represent the values of two variables.

Quick Tip

In an XY chart (scatter chart), data points are plotted on the horizontal (X) and vertical (Y) axes to show the relationship between two variables.

13. Complete the following table:

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

Solution:**Step 1: Rounding to Two Decimal Places.**

The formula "= Round(1765.4321, 2)" rounds the number 1765.4321 to 2 decimal places, which gives the result of 1765.43.

Step 2: Rounding to Zero Decimal Places.

The formula "= Round(1765.4321, 0)" rounds the number 1765.4321 to zero decimal places, resulting in 1765.

Quick Tip

The Round function in Excel can round numbers to a specific number of decimal places or to the nearest whole number, depending on the argument passed.

14. Write the formula to calculate the depreciation by using SLN (Straight Line) method in MS Excel.**Solution:**

The SLN (Straight Line) function in Excel calculates the depreciation of an asset based on its initial cost, salvage value, and useful life. The formula for depreciation in Excel using the SLN method is:

$$\text{Depreciation} = \text{SLN}(\text{Cost}, \text{Salvage}, \text{Useful Life})$$

In the given table, the values are as follows: - Cost = 5,000 - Salvage = 10,000 - Useful life = 5 years

Thus, the formula to calculate depreciation would be:

$$= \text{SLN}(B1, B2, B3)$$

Step 1: Using the Formula in Excel.

In Excel, place the following values in the cells: - B1 (Cost) = 5,000 - B2 (Salvage) = 10,000 - B3 (Useful Life) = 5 years

Then, use the formula in cell B4 to calculate the depreciation:

$$= \text{SLN}(B1, B2, B3)$$

Step 2: Conclusion.

The formula will give the depreciation for the asset for each year of its useful life.

Quick Tip

The SLN function calculates the depreciation expense using the straight-line method, which means the same amount of depreciation is applied each year over the asset's useful life.

15. Marks sheet of students is given below:

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

Name of Students	Marks Scored in July, 2022	Marks Scored in December, 2022	Marks
Mohan	300	400	
Ram	250	291	
Gobind	350	300	
Kamal	410	390	
Total Marks	?	?	

Solution:

Step 1: Formula for Total Marks.

To calculate the total marks for each student, we simply sum up the marks scored in July, December, and March. In Excel, the formula for Row 6, Column E (Total Marks) will be:

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

Where: - B2 is the marks scored in July, 2022 - C2 is the marks scored in December, 2022 - D2 is the marks scored in March, 2023

So, the formula for each student's total marks in Column E would look like this in Excel: - For Mohan: '=B2+C2+D2' - For Ram: '=B3+C3+D3' - For Gobind: '=B4+C4+D4' - For Kamal: '=B5+C5+D5'

Step 2: Formula for Total Marks Row.

In Row 6 (the total row), the formula for the total marks in each column (B, C, D) would be: - For Total Marks in July, 2022 (B6): '=SUM(B2:B5)' - For Total Marks in December, 2022 (C6): '=SUM(C2:C5)' - For Total Marks in March, 2023 (D6): '=SUM(D2:D5)'

Quick Tip

To sum a column or row in Excel, use the SUM function, and to calculate individual totals, simply use the + operator to add values together.

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

(a) Code Name of Accounts

SLR	Salary Account
BOD	Bank Overdraft

Solution:

Step 1: Code for Salary Account.

The Mnemonic Code for Salary Account is SLR, which is a short, easy-to-remember representation of the account name.

Step 2: Code for Bank Overdraft.

Similarly, the Mnemonic Code for Bank Overdraft is BOD, representing the account type.

Quick Tip

Mnemonic codes are helpful for easy recall and representation of account names.

(b) Code Account Group

100-199	Rooms in First Floor
200-299	Rooms in Second Floor

Solution:

Step 1: Code for Rooms in First Floor.

The Sequential Code for rooms in the first floor is 100-199, which is used for logical grouping and identification.

Step 2: Code for Rooms in Second Floor.

Similarly, the Sequential Code for rooms in the second floor is 200-299, allowing for an organized classification of rooms by floor number.

Quick Tip

Sequential codes help in organizing items logically, such as categorizing rooms based on their location or other attributes.

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

Solution:

Step 1: Open Tally.

Launch the Tally software and open the company whose data you want to delete.

Step 2: Go to 'Select Company'.

On the Tally main screen, select the company that you want to delete from the list of companies displayed.

Step 3: Navigate to 'Alter'.

From the company menu, select Alt + F3 or navigate to Company and then select Alter.

Step 4: Delete the Company.

In the company alteration screen, select D for Delete or use the menu to delete the company. Confirm the deletion when prompted.

Step 5: Confirm Deletion.

A confirmation message will appear asking if you're sure about deleting the company. Select Yes to permanently delete the company from Tally.

Quick Tip

Deleting a company in Tally is permanent, so ensure you have a backup before performing the deletion.

18. What do you mean by Data Audit?

Solution:

Step 1: Definition of Data Audit.

A Data Audit is the process of reviewing and verifying data to ensure its accuracy, consistency, and integrity. It involves checking the data entries, records, and their corresponding calculations for errors and discrepancies.

Step 2: Importance of Data Audit.

Data audits are crucial for ensuring that financial, operational, and other critical data meet required standards. This process helps in identifying and rectifying any issues that may affect the quality of the data.

Step 3: Conclusion.

A data audit is essential for ensuring that the data entered into a system is accurate, complete, and conforms to the standards and guidelines required for business operations.

Quick Tip

Regular data audits are important to maintain data integrity and ensure that financial reports and other business-critical data are error-free.

19. Write any two features of electronic spreadsheet.

Solution:

Step 1: Feature 1 - Cell Referencing.

One key feature of electronic spreadsheets is cell referencing. In spreadsheets like Microsoft Excel, each cell is identified by a unique reference (e.g., A1, B2). This allows users to perform calculations, reference data, and create dynamic formulas across the spreadsheet.

Step 2: Feature 2 - Built-in Functions.

Another important feature is the availability of built-in functions. Spreadsheets offer a variety of built-in functions such as SUM, AVERAGE, and VLOOKUP, which help users quickly perform complex calculations and analyses.

Quick Tip

Spreadsheets make data analysis easy with features like cell referencing and built-in functions that automate many tasks.

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

(i) Write any four advantages of preparing charts.

Solution:

Step 1: Advantage 1 - Simplifies Complex Data.

Charts simplify complex data and help in presenting large amounts of information in a visually understandable form. By using graphs and visual aids, it's easier to compare, analyze, and interpret the data.

Step 2: Advantage 2 - Clear Visualization.

Charts make data clearer by visually representing relationships, trends, and patterns. This helps in conveying information quickly and effectively without the need for lengthy explanations.

Step 3: Advantage 3 - Helps in Decision Making.

Charts play a critical role in decision-making. By visually displaying data trends and comparisons, they assist managers and stakeholders in making more informed decisions.

Step 4: Advantage 4 - Saves Time.

Charts save time by presenting summarized data in an easily digestible format. Instead of reading through pages of data, one can quickly grasp key insights from a well-designed chart.

Quick Tip

Charts provide an effective and efficient way to communicate data visually, aiding in faster analysis, comparison, and decision-making.

(ii) 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:

Step 1: Formula to calculate Total Sales for the Six Months.

To calculate the total sales for the six months, we use the SUM function in Excel:

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

Where the range B2:B7 contains the sales data for the months from January to June.

For the given data:

$$\text{Total Sales} = 25,000 + 15,000 + 28,000 + 32,000 + 20,000 + 36,000 = 1,56,000$$

Step 2: Formula to calculate the Average Sales for the Six Months.

To calculate the average sales for the six months, we use the AVERAGE function in Excel:

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

Where the range B2:B7 contains the sales data for the six months.

For the given data:

$$\text{Average Sales} = \frac{25,000 + 15,000 + 28,000 + 32,000 + 20,000 + 36,000}{6} = 26,000$$

Step 3: Formula to calculate the Lowest Sales for the Six Months.

To calculate the lowest sales for the six months, we use the MIN function in Excel:

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

Where the range B2:B7 contains the sales data for the six months.

For the given data:

Lowest Sales = 15,000 (February)

Step 4: Formula to calculate the Highest Sales for the Six Months.

To calculate the highest sales for the six months, we use the MAX function in Excel:

Highest Sales = MAX(B2 : B7)

Where the range B2:B7 contains the sales data for the six months.

For the given data:

Highest Sales = 36,000 (June)

Quick Tip

Excel functions such as SUM, AVERAGE, MIN, and MAX are used for quick calculations of totals, averages, and extremes in a dataset.

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

Solution:

Step 1: Advantage 1 - Speed and Efficiency.

A computerized accounting system helps in processing transactions quickly and efficiently. With automated features, tasks such as data entry, invoice generation, and financial reporting can be done much faster than manual methods.

Step 2: Advantage 2 - Accuracy.

Computerized systems reduce the risk of human errors. By automatically performing calculations and data entry, the system ensures more accurate financial records compared to traditional manual methods.

Step 3: Advantage 3 - Easier Record Keeping.

With a computerized accounting system, records are stored electronically, making it easier to manage, access, and retrieve historical data. This improves organization and saves time when reviewing or auditing financial information.

Step 4: Advantage 4 - Reporting and Analysis.

A computerized accounting system can generate detailed financial reports and provide analysis of business performance in real-time. These features allow businesses to make informed decisions based on up-to-date data.

Quick Tip

Computerized accounting systems not only save time but also improve the overall accuracy and efficiency of financial management processes.

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

2021	Particulars	Rupees (Rs.)
Nov. 1	Sandip 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:

The transactions listed in the question will be recorded in the Cash Account in Tally. The Cash Account is a ledger account where all cash inflows and outflows are recorded. Below is how you would prepare the Cash Account in Tally for the given transactions:

Cash Account

Date	Particulars	Debit (Rs.)
Nov. 1	To Capital A/c (Started business with cash)	2,00,000
Nov. 5	By Machinery A/c (Paid for repair of machinery)	
20,000		
Nov. 9	By Refreshment Expenses A/c (Paid for refreshment)	
20,000		
Nov. 12	By Stationery A/c (Purchased stationery for cash)	
2,000		
Nov. 20	To Sales A/c (Sold stationery for cash)	3,000
Total		2,03,000
42,000		

Quick Tip

In Tally, Cash Account records all transactions involving cash inflows and outflows, with debits for cash receipts and credits for cash payments.