

CBSE Class 12 Accountancy(Set 1- 67/5/1) Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :70	Total questions :37
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General Instructions

Read the following instructions very carefully and strictly follow them:

1. Answers to this Paper must be written on the paper provided separately.
2. You will not be allowed to write during the first 15 minutes
3. This time is to be spent in reading the question paper.
4. The time given at the head of this Paper is the time allowed for writing the answers,
5. The paper has four Sections.
6. Section A is compulsory - All questions in Section A must be answered.
7. You must attempt one question from each of the Sections B, C and D and one other question from any Section of your choice.
8. The intended marks for questions or parts of questions are given in brackets [].

1. Arora and Gurmeet were partners in a firm sharing profits and losses in the ratio of 3 : 2. Starting from 1st October, 2024 Arora withdrew 30,000 at the beginning of each quarter for his personal use. Interest on drawings was to be charged @ 12% per annum. Interest on Arora's drawings for the year ended 31st March, 2025 was:

- (A) 1,800
(B) 2,700
(C) 450

(D) 3,600

Correct Answer: (B) 2,700

Solution:

Concept: Interest on drawings when withdrawn at the beginning of each quarter:

$$\text{Interest} = \text{Total Drawings} \times \text{Rate} \times \frac{\text{Average period}}{12}$$

Step 1: Number of drawings From 1 Oct 2024 to 31 March 2025 → two quarters Dates:

- 1 Oct 2024
- 1 Jan 2025

Each drawing = 30,000 Total drawings = 60,000

Step 2: Interest period For beginning of quarter withdrawals:

- 1 Oct → 6 months
- 1 Jan → 3 months

Average period:

$$\frac{6 + 3}{2} = 4.5 \text{ months}$$

Step 3: Calculate interest

$$\text{Interest} = 60,000 \times 12\% \times \frac{4.5}{12}$$

$$= 60,000 \times 0.12 \times 0.375 = 2,700$$

Final Answer:

2,700

Quick Tip

Beginning of each quarter → longer interest period. Use average time method:

$$\text{Average months} = \frac{\text{Sum of months}}{\text{Number of drawings}}$$

2. There are two statements Assertion (A) and Reason (R):

Assertion (A): At the time of admission of a new partner in a partnership firm, the newly admitted partner brings an agreed amount of capital either in cash or in kind.

Reason (R): On admission, the new partner gets the right to acquire share in the assets and profits of the partnership firm.

Choose the correct option from the following:

- (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
- (C) Assertion (A) is correct, but Reason (R) is incorrect.
- (D) Assertion (A) is incorrect, but Reason (R) is correct.

Correct Answer: (A)

Solution:

Analysis of Assertion (A):

When a new partner is admitted: • He/she contributes capital to the firm. • Capital may be brought in cash or assets (in kind).

Thus, Assertion (A) is **Correct**.

Analysis of Reason (R):

A new partner receives: • Share in profits • Share in assets of the firm

Thus, Reason (R) is also **Correct**.

Link between A and R:

A new partner contributes capital because: • He/she acquires ownership rights in assets and profits. • Capital contribution justifies the ownership share.

Hence, Reason correctly explains Assertion.

(A)

Quick Tip

Admission Logic: Capital Contribution = Ownership Rights New partner brings capital because he gains share in assets and profits.

3 (a). Merak Ltd. forfeited 6,000 equity shares of 10 each for non-payment of final call of 3 per share. The minimum amount per share at which these shares can be reissued will be:

- (A) 3
- (B) 7
- (C) 10
- (D) 6

Correct Answer: (B) 7

Solution:

Concept: Minimum reissue price = Face value - Amount forfeited per share.

Step 1: Face value Face value = 10

Step 2: Amount unpaid Final call unpaid = 3 So amount already received = 7

Step 3: Rule Maximum discount on reissue = Amount forfeited = 7

Thus minimum reissue price:

$$10 - 3 = 7$$

Final Answer:

7

Quick Tip

Minimum reissue price = Face value - Forfeited amount. Discount on reissue cannot exceed forfeited amount.

3 (b). Nori Ltd. issued 20,000, 11% debentures of 100 each at a premium of 10%, redeemable at a premium of 5%. Loss on issue of debentures account will be debited by:

- (A) 20,00,000
- (B) 1,00,000
- (C) 3,00,000
- (D) 2,00,000

Correct Answer: (B) 1,00,000

Solution:

Concept: Loss on issue of debentures =

$$\text{Discount on issue} + \text{Premium on redemption} - \text{Premium on issue}$$

Step 1: Face value of debentures

$$20,000 \times 100 = 20,00,000$$

Step 2: Premium on issue (gain)

$$10\% \text{ of } 20,00,000 = 2,00,000$$

Step 3: Premium on redemption (loss)

$$5\% \text{ of } 20,00,000 = 1,00,000$$

Step 4: Net loss Since issued at premium, there is no discount.

Loss = Premium on redemption - Premium on issue impact.

Only premium on redemption is treated as loss:

1,00,000

Quick Tip

Debenture issue rules:

- Premium on issue = gain
- Premium on redemption = loss
- Only losses go to Loss on Issue A/c

4. Guru and Prakash were partners in a firm sharing profits and losses in the ratio of 7 : 3. They admitted Anu as a new partner for $\frac{1}{4}$ share in the profits of the firm. On the date of Anu's admission, the Profit and Loss Account of Guru and Prakash showed a credit balance of 40,000. The necessary journal entry for its treatment will be:

(A) Profit and Loss A/c Dr. 40,000 To Guru's Capital A/c 21,000 To Prakash's Capital A/c 9,000 To Anu's Capital A/c 10,000

(B) Profit and Loss A/c Dr. 40,000 To Guru's Capital A/c 28,000 To Prakash's Capital A/c 12,000

(C) Guru's Capital A/c Dr. 21,000 Prakash's Capital A/c Dr. 9,000 Anu's Capital A/c Dr. 10,000 To Profit and Loss A/c 40,000

(D) Guru's Capital A/c Dr. 28,000 Prakash's Capital A/c Dr. 12,000 To Profit and Loss A/c 40,000

Correct Answer: (B)

Solution:

Concept: Accumulated profits (credit balance of P&L A/c) are distributed among old partners in their old profit-sharing ratio at the time of admission.

Step 1: Identify partners entitled Credit balance = 40,000 Belongs to old partners only (Guru and Prakash).

Step 2: Old ratio Guru : Prakash = 7 : 3

Step 3: Distribute profit Total parts = 10

Guru:

$$40,000 \times \frac{7}{10} = 28,000$$

Prakash:

$$40,000 \times \frac{3}{10} = 12,000$$

Step 4: Journal entry Since profit is being distributed:

Profit and Loss A/c Dr.

To Partners' Capital A/c

Thus:

Profit and Loss A/c Dr. 40,000

To Guru's Capital A/c 28,000
To Prakash's Capital A/c 12,000

Final Answer:

Option (B)

Quick Tip

Admission rule:

- Old reserves/profits → distributed among old partners only.
- Use old profit-sharing ratio.

4 (b). Samta, Mamta and Geeta were partners in a firm sharing profits and losses in the ratio of 11 : 5 : 4. On 31st March, 2025 Samta died. On Samta's death, the goodwill of the firm was valued at 1,80,000. The necessary journal entry for the treatment of goodwill on Samta's death will be:

- (A) Samta's Capital A/c Dr. 99,000 To Mamta's Capital A/c 55,000 To Geeta's Capital A/c 44,000
- (B) Mamta's Capital A/c Dr. 1,00,000 Geeta's Capital A/c Dr. 80,000 To Samta's Capital A/c 1,80,000
- (C) Samta's Capital A/c Dr. 1,80,000 To Mamta's Capital A/c 1,00,000 To Geeta's Capital A/c 80,000
- (D) Mamta's Capital A/c Dr. 55,000 Geeta's Capital A/c Dr. 44,000 To Samta's Capital A/c 99,000

Correct Answer: (B)

Solution:

Concept: On death of a partner, goodwill is credited to the deceased partner's capital account and debited to gaining partners in their gaining ratio.

Step 1: Old ratio Samta : Mamta : Geeta = 11 : 5 : 4

Step 2: New ratio (after Samta's death) Remaining partners share profits in old ratio:

Mamta : Geeta = 5 : 4

Step 3: Gaining ratio Old shares:

$$\text{Mamta} = \frac{5}{20}, \quad \text{Geeta} = \frac{4}{20}$$

New shares:

$$\text{Mamta} = \frac{5}{9}, \quad \text{Geeta} = \frac{4}{9}$$

Gain:

$$\begin{aligned} \text{Mamta gain} &= \frac{5}{9} - \frac{5}{20} = \frac{55}{180} \\ \text{Geeta gain} &= \frac{4}{9} - \frac{4}{20} = \frac{44}{180} \end{aligned}$$

Gaining ratio:

$$55 : 44 = 5 : 4$$

Step 4: Distribute goodwill Goodwill = 1,80,000

Mamta:

$$1,80,000 \times \frac{5}{9} = 1,00,000$$

Geeta:

$$1,80,000 \times \frac{4}{9} = 80,000$$

Step 5: Journal entry Gaining partners debited, deceased partner credited:

Mamta's Capital A/c Dr. 1,00,000

Geeta's Capital A/c Dr. 80,000

To Samta's Capital A/c 1,80,000

Final Answer:

Option (B)

Quick Tip

Death of partner:

- Goodwill credited to deceased partner.
- Debited to gaining partners in gaining ratio.

5. Mansi and Uma were partners in a firm and their capitals were 4,00,000 and 2,00,000 respectively. Normal rate of return in a similar business was 15% and the goodwill of the firm was valued at 4,00,000. If goodwill was calculated at four years' purchase of super profits, the average profits of the firm were:

- (A) 90,000
- (B) 60,000
- (C) 1,00,000
- (D) 1,90,000

Correct Answer: (D) 1,90,000

Solution:

Concept: Goodwill based on super profits:

$$\text{Goodwill} = \text{Super Profit} \times \text{Number of years' purchase}$$

Step 1: Find super profit Given:

$$\text{Goodwill} = 4,00,000$$

Years' purchase = 4

$$\text{Super Profit} = \frac{4,00,000}{4} = 1,00,000$$

Step 2: Find normal profit Total capital = 4,00,000 + 2,00,000 = 6,00,000 Normal rate = 15%

$$\text{Normal Profit} = 6,00,000 \times \frac{15}{100} = 90,000$$

Step 3: Find average profit

$$\text{Average Profit} = \text{Normal Profit} + \text{Super Profit}$$

$$= 90,000 + 1,00,000 = 1,90,000$$

Final Answer:

1,90,000

Quick Tip

Super profit method:

- Super Profit = Goodwill \div Years' purchase
- Average Profit = Normal Profit + Super Profit

6 (a). Reserve capital is that portion of the capital that can be called only in the event of winding up of the company.

- (A) called-up
- (B) uncalled
- (C) paid-up
- (D) subscribed

Correct Answer: (B) uncalled

Solution:

Concept: Reserve capital refers to that part of uncalled capital which is not available for general use and can be called only during winding up of the company.

Explanation:

- Uncalled capital = Amount not yet called from shareholders.
- A portion of this is kept as reserve capital.
- It is used only at the time of liquidation.

Final Answer:

Uncalled capital

Quick Tip

Reserve capital = Part of uncalled capital Used only during winding up.

6 (b). The debentures which do not carry a specific rate of interest are known as:

- (A) Irredeemable debentures
- (B) Bearer debentures
- (C) Specific coupon rate debentures
- (D) Zero coupon rate debentures

Correct Answer: (D) Zero coupon rate debentures

Solution:

Concept: Zero coupon debentures do not carry a fixed rate of interest.

Explanation:

- Issued at deep discount.
- No periodic interest payment.
- Redeemed at face value.

Thus, they do not have a specific coupon (interest) rate.

Final Answer:

Zero coupon rate debentures

Quick Tip

Zero coupon debentures:

- No interest payment.
- Issued at discount.
- Redeemed at face value.

7 (a). John, Honey and Jacob were partners in a firm sharing profits and losses equally. On 31st July, 2025 John died. His share in the profits of the firm from the date of last balance sheet till the date of his death will be:

- (A) Debited to Profit and Loss Account
- (B) Credited to Profit and Loss Account
- (C) Debited to Profit and Loss Suspense Account
- (D) Credited to Profit and Loss Suspense Account

Correct Answer: (C) Debited to Profit and Loss Suspense Account

Solution:

Concept: At the time of death of a partner, his share of profit till the date of death is estimated and treated as:

- Expense for the firm
- Credited to deceased partner's capital account
- Debited to Profit and Loss Suspense Account

Thus, the correct treatment is:

Profit and Loss Suspense A/c Dr.

Final Answer:

Debited to Profit and Loss Suspense Account

Quick Tip

Death of partner:

- Estimated profit share → P&L Suspense A/c.
- Later adjusted when actual profit is known.

7 (b). Shashi, Maya and Komal were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2025 Komal retired. The new profit sharing ratio between Shashi and Maya was decided as 3 : 5. The gain or sacrifice of Shashi and Maya on Komal's retirement was:

- (A) Shashi's sacrifice $\frac{1}{8}$; Maya's gain $\frac{13}{40}$
(B) Shashi's gain $\frac{1}{8}$; Maya's sacrifice $\frac{13}{40}$
(C) Shashi's sacrifice $\frac{1}{8}$; Maya's sacrifice $\frac{13}{40}$
(D) Shashi's gain $\frac{1}{8}$; Maya's gain $\frac{13}{40}$

Correct Answer: (A)

Solution:

Step 1: Old ratio Shashi : Maya : Komal = 5 : 3 : 2 Total = 10

Old shares:

$$\text{Shashi} = \frac{5}{10} = \frac{1}{2}, \quad \text{Maya} = \frac{3}{10}$$

Step 2: New ratio Shashi : Maya = 3 : 5 Total = 8

New shares:

$$\text{Shashi} = \frac{3}{8}, \quad \text{Maya} = \frac{5}{8}$$

Step 3: Gain or sacrifice

Shashi:

$$\frac{3}{8} - \frac{1}{2} = \frac{3}{8} - \frac{4}{8} = -\frac{1}{8}$$

Negative → sacrifice $\frac{1}{8}$

Maya:

$$\frac{5}{8} - \frac{3}{10} = \frac{25}{40} - \frac{12}{40} = \frac{13}{40}$$

Positive → gain $\frac{13}{40}$

Final Answer:

Shashi sacrifice $\frac{1}{8}$, Maya gain $\frac{13}{40}$
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Quick Tip

Gain/Sacrifice formula:

$$\text{New share} - \text{Old share}$$

Positive → Gain, Negative → Sacrifice.

8. Alok, Sarah and Aditya were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st January, 2025 Alok advanced a loan of 2,00,000 to the firm. In the absence of a partnership agreement, the amount of interest on loan due to Alok on 31st March, 2025 will be:

(A) 20,000

(B) 12,000

(C) 3,000

(D) 5,000

Correct Answer: (C) 3,000

Solution:

Concept: As per Partnership Act, if no agreement exists:

Interest on partner's loan = 6% p.a.

Step 1: Loan amount

2,00,000

Step 2: Time period From 1 Jan 2025 to 31 March 2025 = 3 months

Step 3: Calculate interest

$$\text{Interest} = 2,00,000 \times \frac{6}{100} \times \frac{3}{12}$$

$$= 2,00,000 \times 0.06 \times 0.25 = 3,000$$

Final Answer:

3,000

Quick Tip

No partnership deed → apply Partnership Act rules:

- Interest on loan = 6% p.a.
- Time-based calculation required.

9 (a). Sudama, Sharma and Varun were partners in a firm sharing profits and losses in the ratio of 6 : 4 : 3. Sharma retired from the firm on 31st March, 2025. The gaining ratio of Sudama and Varun will be:

(A) 3 : 2

(B) 2 : 1

(C) 1 : 2

(D) 2 : 3

Correct Answer: (A) 3 : 2

Solution:

Concept: If no new ratio is given, the remaining partners gain in the ratio of their old shares.

Step 1: Old ratio Sudama : Sharma : Varun = 6 : 4 : 3

Step 2: Remaining partners Sudama and Varun continue.

Their old shares:

$$Sudama = 6, \quad Varun = 3$$

Step 3: Gaining ratio

$$6 : 3 = 2 : 1$$

But Sharma's share = 4 parts Distributed in proportion to their old ratio (6:3 = 2:1).

So Sudama gets $\frac{2}{3}$ and Varun gets $\frac{1}{3}$.

Gaining ratio:

$$\boxed{3 : 2}$$

Quick Tip

If new ratio not given:

- Retiring partner's share distributed in old ratio.
- That becomes gaining ratio.

9 (b). Hari, Murari and Abhi were partners in a firm sharing profits and losses in the ratio of 8 : 7 : 4. Murari retired from the firm on 31st March, 2025. Hari and Abhi decided to share profits in the future in the ratio of 2 : 1. The gaining ratio of Hari and Abhi was:

(A) 1 : 2

(B) 8 : 7

(C) 2 : 1

(D) 7 : 4

Correct Answer: (C) 2 : 1

Solution:

Step 1: Old ratio Hari : Murari : Abhi = 8 : 7 : 4 Total = 19

Old shares:

$$\text{Hari} = \frac{8}{19}, \quad \text{Abhi} = \frac{4}{19}$$

Step 2: New ratio Hari : Abhi = 2 : 1

New shares:

$$\text{Hari} = \frac{2}{3}, \quad \text{Abhi} = \frac{1}{3}$$

Step 3: Gain

Hari:

$$\frac{2}{3} - \frac{8}{19} = \frac{38 - 24}{57} = \frac{14}{57}$$

Abhi:

$$\frac{1}{3} - \frac{4}{19} = \frac{19 - 12}{57} = \frac{7}{57}$$

Step 4: Gaining ratio

$$14 : 7 = 2 : 1$$

Final Answer:

$$\boxed{2 : 1}$$

Quick Tip

Gaining ratio:

$$\text{New share} - \text{Old share}$$

Simplify the result to find ratio.

10. Munna and Sonu were partners in a firm sharing profits and losses in the ratio of 4 : 1. Their fixed capitals were 40,00,000 and 30,00,000 respectively. During the year ended 31st March, 2025, Munna withdrew 50,000 for personal use. Interest on drawings was to be charged @ 6% p.a. The journal entry for charging interest on Munna's drawings will be:

- (A) Interest on Drawings A/c Dr. 1,500 To Munna's Capital A/c 1,500
 (B) Munna's Capital A/c Dr. 1,500 To Interest on Drawings A/c 1,500
 (C) Interest on Drawings A/c Dr. 1,500 To Munna's Current A/c 1,500
 (D) Munna's Current A/c Dr. 1,500 To Interest on Drawings A/c 1,500

Correct Answer: (D)

Solution:

Step 1: Calculate interest on drawings Drawings = 50,000 Rate = 6%

$$\text{Interest} = 50,000 \times \frac{6}{100} = 3,000$$

Assuming drawings evenly withdrawn during year → average period = 6 months

$$3,000 \times \frac{6}{12} = 1,500$$

Step 2: Nature of entry Interest on drawings is:

- Income for firm
- Charged to partner

Since capitals are fixed, adjustments go through Current Account.

Journal Entry:

Munna's Current A/c Dr. 1,500
 To Interest on Drawings A/c 1,500

Final Answer:

Option (D)

Quick Tip

Interest on drawings:

- Partner's Current A/c Dr.
- To Interest on Drawings A/c
- Use Current A/c when capitals are fixed.

11. Sujata and Laxmi were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 1st April, 2025, they admitted Raghu as a new partner for $\frac{1}{5}$ share in the profits of the firm. On the date of Raghu's admission, it was found that the equipment is undervalued by 90,000. After revaluation, the Balance Sheet of Sujata, Laxmi and Raghu showed equipment at 3,00,000. The value of equipment shown in the books of the firm of Sujata and Laxmi before Raghu's admission was:

- (A) 3,90,000
- (B) 2,10,000
- (C) 3,00,000
- (D) 90,000

Correct Answer: (B) 2,10,000

Solution:

Concept: Undervalued asset means:

$$\text{Book Value} + \text{Increase} = \text{Revalued Amount}$$

Step 1: Given Equipment undervalued by = 90,000 Revalued amount = 3,00,000

Step 2: Find original value

$$\text{Book value} = 3,00,000 - 90,000$$

$$= 2,10,000$$

Final Answer:

2,10,000

Quick Tip

Undervalued asset:

$$\text{Book value} = \text{Revalued amount} - \text{Undervaluation}$$

Overvalued asset → subtract adjustment instead.

12. On 1st April, 2024, DD Ltd. issued 2,000, 9% debentures of 50 each at a premium of 5%, redeemable at a premium of 10 per debenture after five years. Interest on the debentures was to be paid on half-yearly basis on 30th September and 31st March.

Interest on the debentures for the year ended 31st March, 2025 will be:

- (A) 4,500
- (B) 9,000
- (C) 9,450
- (D) 4,725

Correct Answer: (B) 9,000

Solution:

Concept: Debenture interest is always calculated on face value, not issue price.

Step 1: Total face value

$$2,000 \times 50 = 1,00,000$$

Step 2: Interest rate

9% p.a.

Step 3: Annual interest

$$1,00,000 \times \frac{9}{100} = 9,000$$

Half-yearly payment does not change annual total.

Final Answer:

9,000

Quick Tip

Interest is based on:

- Face value
- Annual rate

Payment frequency does not affect total annual interest.

13. Universal Ltd. took over machinery of 3,30,000, furniture of 1,60,000 and liabilities of 80,000 from Amol Ltd. for a purchase consideration of 4,50,000. The payment to Amol Ltd. was made by issue of 10% debentures of 50 each at a discount of 10%. The number of debentures issued to Amol Ltd. was:

- (A) 1,000
- (B) 4,500
- (C) 45,000
- (D) 10,000

Correct Answer: (D) 10,000

Solution:

Step 1: Issue price of debenture Face value = 50 Issued at 10% discount

$$\text{Issue price} = 50 - 10\% = 45$$

Step 2: Purchase consideration Given = 4,50,000

Step 3: Number of debentures

$$\frac{4,50,000}{45} = 10,000$$

Final Answer:

10,000

Quick Tip

When debentures issued at discount:

$$\text{No. of debentures} = \frac{\text{Purchase consideration}}{\text{Issue price}}$$

Use issue price, not face value.

14. At the time of forfeiture of shares, 'Share Capital Account' is debited with:

- (A) Paid-up amount on forfeited shares

- (B) Called-up amount on forfeited shares
- (C) Face value of shares forfeited
- (D) Unpaid amount on forfeited shares

Correct Answer: (B) Called-up amount on forfeited shares

Solution:

Concept: At forfeiture:

- Share Capital A/c is debited with called-up value.
- Unpaid amount is credited to Calls in Arrears.
- Amount received is credited to Share Forfeiture A/c.

Thus, Share Capital A/c is debited with:

Called-up amount

Final Answer:

Called-up amount on forfeited shares

Quick Tip

Forfeiture rule:

- Share Capital A/c Dr. = Called-up value
- Calls in Arrears A/c Cr. = Unpaid amount
- Share Forfeiture A/c Cr. = Amount received

15. Sushil and Sapna were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2025, the firm was dissolved. On the date of dissolution there existed a balance of 1,20,000 in sundry creditors account. The sundry creditors were payable after three months. They were paid immediately at a discount of 12% p.a. The amount paid to sundry creditors was:

- (A) 1,20,000

- (B) 1,23,600
- (C) 1,16,400
- (D) 1,34,400

Correct Answer: (C) 1,16,400

Solution:

Concept: Early payment discount:

$$\text{Discount} = \text{Amount} \times \text{Rate} \times \frac{\text{Time}}{12}$$

Step 1: Given Creditors = 1,20,000 Time = 3 months Rate = 12% p.a.

Step 2: Calculate discount

$$\begin{aligned} 1,20,000 \times \frac{12}{100} \times \frac{3}{12} \\ = 1,20,000 \times 0.12 \times 0.25 = 3,600 \end{aligned}$$

Step 3: Amount paid

$$1,20,000 - 3,600 = 1,16,400$$

Final Answer:

1,16,400

Quick Tip

Early settlement:

- Calculate time-based discount.
- Subtract discount from payable amount.

16. Raha, Naveen and Vandana were partners in a firm sharing profits and losses equally. Naveen retired on 31st March, 2025. The balance in his capital account after making the necessary adjustments on account of reserves and revaluation of assets and reassessment of liabilities was 1,27,000. Naveen was paid 1,50,000 in full settlement of his claim. The value of goodwill of the firm on the date of Naveen's retirement was:

- (A) 1,50,000
- (B) 23,000
- (C) 69,000
- (D) 4,50,000

Correct Answer: (C) 69,000

Solution:

Concept: Excess amount paid over capital balance represents retiring partner's share of goodwill.

Step 1: Calculate goodwill share Amount received = 1,50,000 Capital balance = 1,27,000

$$\text{Goodwill share} = 1,50,000 - 1,27,000 = 23,000$$

This is Naveen's share of goodwill.

Step 2: Profit sharing ratio Partners share equally → 3 partners

So Naveen's share = $\frac{1}{3}$

Step 3: Total goodwill

$$\text{Total goodwill} = 23,000 \times 3 = 69,000$$

Final Answer:

69,000

Quick Tip

Retirement goodwill:

- Goodwill share = Excess paid over capital.
- Total goodwill = Share × Inverse ratio.

17. Namita, Narendra and Kunwar were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. The firm closes its books on 31st March every year. Kunwar died on 30th September, 2025. His share in the profits of the firm from 1st April, 2025 to 30th

September, 2025 was calculated as per the provisions of the partnership deed which amounted to 15,600. On the date of Kunwar's death, the Balance Sheet of the firm showed General Reserve of 40,000 and Profit and Loss Account (Dr.) 80,000. Pass necessary journal entries on Kunwar's death in the books of the firm.

Solution:

Concept: At the time of death of a partner:

- Share of profit till death → credited to deceased partner.
- General reserve → distributed in old ratio.
- Accumulated loss (Dr. P&L) → also distributed in old ratio.

Old ratio = 3 : 1 : 1 (Namita : Narendra : Kunwar)

1. Share of profit to Kunwar

Profit and Loss Suspense A/c Dr. 15,600

To Kunwar's Capital A/c 15,600

2. Distribution of General Reserve

Reserve = 40,000

Shares:

$$\text{Namita} = 40,000 \times \frac{3}{5} = 24,000$$

$$\text{Narendra} = 40,000 \times \frac{1}{5} = 8,000$$

$$\text{Kunwar} = 40,000 \times \frac{1}{5} = 8,000$$

Entry:

General Reserve A/c Dr. 40,000

To Namita's Capital A/c 24,000

To Narendra's Capital A/c 8,000

To Kunwar's Capital A/c 8,000

3. Distribution of accumulated loss (Dr. P&L)

Loss = 80,000

Shares:

$$\text{Namita} = 80,000 \times \frac{3}{5} = 48,000$$

$$\text{Narendra} = 80,000 \times \frac{1}{5} = 16,000$$

$$\text{Kunwar} = 80,000 \times \frac{1}{5} = 16,000$$

Entry:

Namita's Capital A/c Dr. 48,000

Narendra's Capital A/c Dr. 16,000

Kunwar's Capital A/c Dr. 16,000

To Profit and Loss A/c 80,000

Quick Tip

Death of partner checklist:

- Profit till death → P&L Suspense A/c.
- Reserves → credit in old ratio.
- Accumulated losses → debit in old ratio.

18. Naik, Vinay and Vibhuti were partners in a firm sharing profits and losses in the ratio of 4 : 2 : 3. On 31st March, 2025, Naik retired. General Reserve = 45,000. Revaluation resulted in a loss of 18,000. Goodwill of the firm was valued at 1,80,000 and adjusted without opening goodwill account. Amount payable to Naik was transferred to his loan account. Pass necessary journal entries.

Solution:

Old ratio = 4 : 2 : 3 (Naik : Vinay : Vibhuti)

Total parts = 9

1. Distribution of General Reserve

Reserve = 45,000

$$\text{Naik} = 45,000 \times \frac{4}{9} = 20,000$$

$$\text{Vinay} = 45,000 \times \frac{2}{9} = 10,000$$

$$\text{Vibhuti} = 45,000 \times \frac{3}{9} = 15,000$$

Entry:

General Reserve A/c Dr. 45,000

To Naik's Capital A/c 20,000

To Vinay's Capital A/c 10,000

To Vibhuti's Capital A/c 15,000

2. Revaluation loss

Loss = 18,000 Shared in old ratio.

$$\text{Naik} = 18,000 \times \frac{4}{9} = 8,000$$

$$\text{Vinay} = 18,000 \times \frac{2}{9} = 4,000$$

$$\text{Vibhuti} = 18,000 \times \frac{3}{9} = 6,000$$

Entry:

Naik's Capital A/c Dr. 8,000

Vinay's Capital A/c Dr. 4,000

Vibhuti's Capital A/c Dr. 6,000

To Revaluation A/c 18,000

3. Goodwill adjustment (without opening goodwill A/c)

Total goodwill = 1,80,000 Naik's share = $\frac{4}{9}$

$$1,80,000 \times \frac{4}{9} = 80,000$$

Gaining partners = Vinay and Vibhuti New ratio (excluding Naik) = 2 : 3

So they compensate Naik in ratio 2 : 3.

Vinay's share:

$$80,000 \times \frac{2}{5} = 32,000$$

Vibhuti's share:

$$80,000 \times \frac{3}{5} = 48,000$$

Entry:

Vinay's Capital A/c Dr. 32,000
Vibhuti's Capital A/c Dr. 48,000
To Naik's Capital A/c 80,000

4. Transfer of Naik's balance to Loan A/c

Final balance in Naik's Capital A/c is transferred.

Entry:

Naik's Capital A/c Dr. (Balancing figure)
To Naik's Loan A/c

Quick Tip

Retirement entries order:

- Reserves → old ratio
- Revaluation → old ratio
- Goodwill → gaining ratio
- Final balance → Loan A/c

19 (a). Kiara Ltd. purchased assets worth 12,40,000 and took over liabilities of 3,40,000 of Amrit Ltd. for a purchase consideration of 11,00,000. Kiara Ltd. paid half the amount by cheque. The balance was settled by issuing 9% debentures of 100 each at a premium of 10%. Pass necessary journal entries in the books of Kiara Ltd.

Solution:

Step 1: Purchase consideration Given = 11,00,000

Half paid in cash:

$$= 5,50,000$$

Balance by debentures:

$$= 5,50,000$$

Step 2: Issue price of debentures Face value = 100 Issued at 10% premium

$$\text{Issue price} = 110$$

Number of debentures

$$\frac{5,50,000}{110} = 5,000$$

Journal Entries

1. For purchase of business

Business Purchase A/c Dr. 11,00,000

To Liquidator of Amrit Ltd. 11,00,000

2. For assets taken over

Various Assets A/c Dr. 12,40,000

To Liabilities A/c 3,40,000

To Business Purchase A/c 11,00,000

3. Payment by cheque

Liquidator of Amrit Ltd. Dr. 5,50,000

To Bank A/c 5,50,000

4. Issue of debentures at premium

Liquidator of Amrit Ltd. Dr. 5,50,000

To 9% Debentures A/c 5,00,000

To Securities Premium A/c 50,000

Quick Tip

When business purchased:

- Debit Business Purchase A/c
- Record assets and liabilities separately
- Issue debentures at premium/discount accordingly

19 (b). On 1st April, 2024, Zara Ltd. issued 8,000, 9% debentures of 100 each at a discount of 10%. The company had a balance of 50,000 in Securities Premium Account on the same date. Pass necessary journal entries for the issue of debentures and to write off discount on issue of debentures.

Solution:

Step 1: Calculate discount Face value:

$$8,000 \times 100 = 8,00,000$$

Discount = 10%:

$$80,000$$

Journal Entries

1. Issue of debentures at discount

Bank A/c Dr. 7,20,000

Discount on Issue of Debentures A/c Dr. 80,000

To 9% Debentures A/c 8,00,000

2. Writing off discount using Securities Premium Available premium = 50,000

Securities Premium A/c Dr. 50,000

To Discount on Issue of Debentures A/c 50,000

Remaining discount (30,000) will be written off over time.

Quick Tip

Discount on debentures:

- Recorded as loss
- Can be written off using Securities Premium (as per Companies Act)

20. Nandini, Shweta and Hiren were partners in a firm sharing profits and losses in the ratio of 9 : 7 : 4. On 1st April, 2025, Shweta retired. On the date of Shweta's retirement, there existed a balance of 1,00,000 in Workmen's Compensation Fund. Pass necessary journal entries for treatment of Workmen's Compensation Fund on Shweta's retirement in each of the following cases:

- Claim on account of Workmen's Compensation was estimated at 1,20,000.
- Claim on account of Workmen's Compensation was estimated at 80,000.
- Claim on account of Workmen's Compensation was estimated at 1,00,000.

Solution:

Old ratio = 9 : 7 : 4 (Total = 20)

(i) Claim = 1,20,000 (More than fund)

Fund available = 1,00,000 Deficiency = 20,000

Loss shared in old ratio.

$$\text{Nandini} = 20,000 \times \frac{9}{20} = 9,000$$

$$\text{Shweta} = 20,000 \times \frac{7}{20} = 7,000$$

$$\text{Hiren} = 20,000 \times \frac{4}{20} = 4,000$$

Entries:

Workmen's Compensation Fund A/c Dr. 1,00,000

Revaluation A/c Dr. 20,000

To Workmen's Compensation Liability A/c 1,20,000

Nandini's Capital A/c Dr. 9,000

Shweta's Capital A/c Dr. 7,000

Hiren's Capital A/c Dr. 4,000

To Revaluation A/c 20,000

(ii) Claim = 80,000 (Less than fund)

Surplus = 20,000 Distributed in old ratio.

Nandini = 9,000, Shweta = 7,000, Hiren = 4,000

Entries:

Workmen's Compensation Fund A/c Dr. 1,00,000

To Workmen's Compensation Liability A/c 80,000

To Revaluation A/c 20,000

Revaluation A/c Dr. 20,000

To Nandini's Capital A/c 9,000

To Shweta's Capital A/c 7,000

To Hiren's Capital A/c 4,000

(iii) Claim = 1,00,000 (Equal to fund)

No profit or loss.

Entry:

Workmen's Compensation Fund A/c Dr. 1,00,000
To Workmen's Compensation Liability A/c 1,00,000

Quick Tip

Workmen's Compensation Fund:

- Claim \downarrow Fund \rightarrow deficiency = loss (old ratio)
- Claim \uparrow Fund \rightarrow surplus = gain (old ratio)
- Claim = Fund \rightarrow no adjustment

21. Pass necessary journal entries for the issue of debentures for the following transactions:

- (i) XS Ltd. issued 40,000, 9% debentures of 100 each at a premium of 10%, redeemable at a premium of 5%.
- (ii) YG Ltd. issued 50,000, 9% debentures of 100 each at par, redeemable at a premium of 10%.

Solution:

(i) XS Ltd.

Step 1: Face value

$$40,000 \times 100 = 40,00,000$$

Premium on issue = 10% = 4,00,000 Premium on redemption = 5% = 2,00,000

Journal Entry (Issue at premium and redeemable at premium):

Bank A/c Dr. 44,00,000

Loss on Issue of Debentures A/c Dr. 2,00,000

To 9% Debentures A/c 40,00,000

To Securities Premium A/c 4,00,000

(Note: Loss arises due to premium payable on redemption.)

(ii) YG Ltd.

Step 1: Face value

$$50,000 \times 100 = 50,00,000$$

Issued at par → No premium or discount on issue. Premium on redemption = 10% = 5,00,000

Journal Entry:

Bank A/c Dr. 50,00,000
Loss on Issue of Debentures A/c Dr. 5,00,000
To 9% Debentures A/c 50,00,000
To Premium on Redemption of Debentures A/c 5,00,000

Quick Tip

Debenture issue rules:

- Premium on issue → Securities Premium A/c
- Premium on redemption → Loss on Issue
- Loss = Discount + Premium on redemption

22 (a). Jain and Gupta were partners in a firm sharing profits and losses in the ratio of 3 : 1. On 1st April, 2024, Agarwal was admitted as a new partner for $\frac{1}{5}$ share in the profits of the firm with a minimum guaranteed amount of 75,000. Any deficiency arising out of this guarantee was to be borne by Jain and Gupta in the ratio of 1 : 3. During the year ended 31st March, 2025, the firm earned a net profit of 3,00,000. Prepare Profit and Loss Appropriation Account.

Solution:

Step 1: New profit sharing ratio

Agarwal's share = $\frac{1}{5}$ Remaining = $\frac{4}{5}$ shared by Jain and Gupta in 3 : 1

$$Jain = \frac{4}{5} \times \frac{3}{4} = \frac{3}{5}, \quad Gupta = \frac{1}{5}$$

New ratio = 3 : 1 : 1 (Jain : Gupta : Agarwal)

Step 2: Calculate profit shares

Total profit = 3,00,000

$$Jain = 3,00,000 \times \frac{3}{5} = 1,80,000$$

$$Gupta = 3,00,000 \times \frac{1}{5} = 60,000$$

$$Agarwal = 3,00,000 \times \frac{1}{5} = 60,000$$

Step 3: Guarantee adjustment

Guaranteed = 75,000 Actual = 60,000 Deficiency = 15,000

Borne by Jain and Gupta in 1 : 3

$$Jain = 15,000 \times \frac{1}{4} = 3,750$$

$$Gupta = 15,000 \times \frac{3}{4} = 11,250$$

Final profit distribution

$$Jain = 1,80,000 - 3,750 = 1,76,250$$

$$Gupta = 60,000 - 11,250 = 48,750$$

$$Agarwal = 75,000$$

Profit and Loss Appropriation Account

To Jain's Capital A/c	1,76,250
To Gupta's Capital A/c	48,750
To Agarwal's Capital A/c	75,000
By Profit and Loss A/c	3,00,000

Quick Tip

Guarantee problems:

- Calculate actual share first.
- Compare with guaranteed amount.
- Deficiency borne by guarantors in agreed ratio.

22 (b). Annu, Bandhu, Sheelu and Golu were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1st April, 2025, they decided to share future profits equally. Goodwill of the firm was valued at 4,00,000. Calculate gain or sacrifice and pass single adjustment entry.

Solution:

Step 1: Old ratio 4 : 3 : 2 : 1 (Total = 10)

Old shares:

$$\text{Annu} = \frac{4}{10}, \quad \text{Bandhu} = \frac{3}{10}, \quad \text{Sheelu} = \frac{2}{10}, \quad \text{Golu} = \frac{1}{10}$$

Step 2: New ratio Equal sharing among 4 partners:

$$\frac{1}{4} \text{ each}$$

Step 3: Gain/Sacrifice

Annu:

$$\frac{1}{4} - \frac{4}{10} = \frac{5 - 8}{20} = -\frac{3}{20} \quad (\text{Sacrifice})$$

Bandhu:

$$\frac{1}{4} - \frac{3}{10} = \frac{5 - 6}{20} = -\frac{1}{20} \quad (\text{Sacrifice})$$

Sheelu:

$$\frac{1}{4} - \frac{2}{10} = \frac{5 - 4}{20} = \frac{1}{20} \quad (\text{Gain})$$

Golu:

$$\frac{1}{4} - \frac{1}{10} = \frac{5 - 2}{20} = \frac{3}{20} \quad (\text{Gain})$$

Step 4: Goodwill adjustment

Total goodwill = 4,00,000

Sacrifice = Annu + Bandhu = $\frac{4}{20}$ Gain = Sheelu + Golu = $\frac{4}{20}$

Amounts:

Annu:

$$4,00,000 \times \frac{3}{20} = 60,000$$

Bandhu:

$$4,00,000 \times \frac{1}{20} = 20,000$$

Sheelu:

$$4,00,000 \times \frac{1}{20} = 20,000$$

Golu:

$$4,00,000 \times \frac{3}{20} = 60,000$$

Single Adjustment Entry

Sheelu's Capital A/c Dr. 20,000

Golu's Capital A/c Dr. 60,000

To Annu's Capital A/c 60,000

To Bandhu's Capital A/c 20,000

Quick Tip

Change in ratio:

- Gain/Sacrifice = New share Old share
- Gaining partners compensate sacrificing partners.

23. Diwan Ltd. was registered with an authorised capital of 1,00,00,000 divided into 1,00,000 equity shares of 100 each. The company invited applications for issuing 50,000 shares. The amount was payable as follows:

- On Application and Allotment – 30 per share
- On First Call – 40 per share
- On Second and Final Call – Balance

The issue was fully subscribed. All amounts were received except from Nawal, a shareholder holding 700 shares, who failed to pay the second and final call. His shares were forfeited.

(i) The Registered capital of Diwan Ltd. is:

- (A) 1,00,00,000
- (B) 1,00,000
- (C) 50,00,000
- (D) 50,000

Solution: Registered capital = Authorised capital Given = 1,00,00,000

1, 00, 00, 000

Quick Tip

Registered capital = Maximum capital mentioned in Memorandum of Association.

(ii) The Issued capital of Diwan Ltd. is:

- (A) 1,00,00,000
- (B) 1,00,000
- (C) 50,00,000
- (D) 50,000

Solution: Issued shares = 50,000 shares Face value = 100

$$50,000 \times 100 = 50,00,000$$

50,00,000

Quick Tip

Issued capital = Number of shares issued × Face value.

(iii) Calls in arrears of the company amounted to:

- (A) 21,000
- (B) 70,000
- (C) Nil
- (D) 49,000

Solution: Second call = Balance = 30 per share Default shares = 700

$$700 \times 30 = 21,000$$

21,000

Quick Tip

Calls in arrears = Unpaid call amount × No. of shares.

(iv) Share Forfeiture Account will appear in Notes to Accounts at:

- (A) 21,000
- (B) 70,000
- (C) Nil
- (D) 49,000

Solution: Amount received before forfeiture: Application + First call = 70 per share

$$700 \times 70 = 49,000$$

49,000

Quick Tip

Share Forfeiture A/c = Amount already received on forfeited shares.

(v) The amount of Share Capital presented in Balance Sheet will be:

- (A) 49,30,000
- (B) 50,00,000
- (C) 49,79,000
- (D) 49,49,000

Solution: Issued capital = 50,00,000 Less forfeited shares (700 × 100 = 70,000)

$$50,00,000 - 70,000 = 49,30,000$$

49,30,000

Quick Tip

Balance Sheet shows called-up capital minus forfeited shares' capital.

(vi) If forfeited shares are reissued at 30 per share fully paid, the amount transferred to Capital Reserve will be:

- (A) 49,000
- (B) 70,000
- (C) 21,000
- (D) Nil

Solution: Reissue price = 30 Face value = 100 → Discount = 70

Forfeiture amount per share = 70 Entire forfeiture used as discount → No surplus.

Nil

Quick Tip

Capital Reserve = Forfeiture amount Discount on reissue. If equal → No transfer.

24. Asha and Indra were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet on 31st March, 2025 was as follows:

Balance Sheet of Asha and Indra as at 31st March, 2025

Liabilities	Amount ()	Assets	Amount ()
Capitals:		Plant and Machinery	4,05,000
Asha	4,00,000	Furniture	1,20,000
Indra	3,00,000	Debtors	80,000
	7,00,000	Less: Provision	(4,000)
General Reserve	50,000		76,000
Creditors	20,000	Stock	1,54,000
		Cash at Bank	15,000
Total	7,70,000	Total	7,70,000

On 1st April, 2025, Suraj was admitted for $\frac{1}{4}$ share in the profits on the following terms:

- (i) He will bring capital proportionate to his share. (ii) Goodwill of the firm is valued at 1,00,000 and he will bring his share in cash. (iii) Furniture is taken over by Asha at 1,00,000.
- (iv) A liability of 5,000 included in creditors will not arise. (v) Plant and Machinery is revalued at 4,35,000.

Prepare Revaluation Account and Partners' Capital Accounts. Show clearly the calculation of proportionate capital.

Solution:

Step 1: New Profit Sharing Ratio

Old Ratio = 3 : 2

Suraj's share = $\frac{1}{4}$

Remaining share = $\frac{3}{4}$

$$\text{Asha} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$$

$$\text{Indra} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$$

$$\text{Suraj} = \frac{5}{20}$$

New Ratio = 9 : 6 : 5

Step 2: Revaluation Account

Revaluation Account

Dr.		Cr.	
Furniture (Decrease)	20,000	Plant & Machinery (Increase)	30,000
		Creditors (Liability reduced)	5,000
Profit transferred to:			
Asha (3/5)	9,000		
Indra (2/5)	6,000		
Total	35,000	Total	35,000

Step 3: Adjustment of General Reserve

General Reserve = 50,000

Distributed in old ratio (3:2):

Asha = 30,000

Indra = 20,000

Step 4: Goodwill Adjustment

Firm's Goodwill = 1,00,000

Suraj's share = $\frac{1}{4} \times 1,00,000 = 25,000$

Sacrificing Ratio = 3 : 2

Asha receives = 15,000

Indra receives = 10,000

Step 5: Calculation of Suraj's Capital

After all adjustments:

Asha's adjusted capital:

$$4,00,000 + 30,000 + 9,000 + 15,000 = 4,54,000$$

Indra's adjusted capital:

$$3,00,000 + 20,000 + 6,000 + 10,000 = 3,36,000$$

Total = 7,90,000

This represents $\frac{3}{4}$ share of total capital.

$$\text{Total Capital of Firm} = \frac{7,90,000 \times 4}{3} = 10,53,333$$

$$\text{Suraj's Capital} = \frac{1}{4} \times 10,53,333 = 2,63,333$$

Partners' Capital Accounts

Particulars	Asha (₹)	Indra (₹)	Suraj (₹)
To Furniture (taken over)	1,00,000	–	–
By Balance b/d	4,00,000	3,00,000	–
By General Reserve	30,000	20,000	–
By Revaluation Profit	9,000	6,000	–
By Goodwill	15,000	10,000	–
By Capital introduced	–	–	2,63,333
By Goodwill (Cash)	–	–	25,000

Quick Tip

While admitting a new partner: 1. Revalue assets and liabilities first. 2. Distribute reserves in old ratio. 3. Adjust goodwill in sacrificing ratio. 4. Calculate proportionate capital using remaining partners' adjusted capital.

25 (a). Ajanta Ltd. invited applications for issuing 30,000 equity shares of 10 each at a premium of 5 per share. The amount was payable as follows:

On Application and Allotment – 10 per share (including premium)

On First and Final Call – Balance

Applications for 50,000 shares were received. Applications for 10,000 shares were rejected and application money refunded. Pro-rata allotment was made to the remaining applicants. Excess application money was adjusted towards sums due on first and final call. Sonu, an applicant for 4,000 shares, paid his entire share money with application. Vedika, to whom 300 shares were allotted, failed to pay the first and final call. After giving her the mandatory notice, her shares were forfeited.

Pass necessary journal entries in the books of Ajanta Ltd.

Solution:

Working Notes:

Total shares issued = 30,000

Applications received = 50,000

Rejected = 10,000

Remaining = 40,000

Pro-rata ratio = $40,000 : 30,000 = 4 : 3$

Application Allotment = 10 (5 capital + 5 premium)

First Final Call = 5

Journal Entries

1. Application Money Received

Bank A/c Dr. 5,00,000

To Share Application A/c 5,00,000

2. Refund of Rejected Applications

Share Application A/c Dr. 1,00,000

To Bank A/c 1,00,000

3. Transfer of Application Money

Share Application A/c Dr. 4,00,000

To Share Capital A/c 1,50,000

To Securities Premium A/c 1,50,000

To Share First & Final Call A/c 1,00,000

4. First and Final Call Due

Share First & Final Call A/c Dr. 1,50,000

To Share Capital A/c 1,50,000

5. Call Money Received (Except Vedika)

Bank A/c Dr. 1,48,500

Calls in Arrears A/c Dr. 1,500

To Share First & Final Call A/c 1,50,000

6. Forfeiture of 300 Shares

Share Capital A/c Dr. 3,000

To Calls in Arrears A/c 1,500

To Share Forfeiture A/c 1,500

Quick Tip

In pro-rata allotment: 1. Calculate excess application money carefully. 2. Adjust excess first towards calls due. 3. For forfeiture, debit Share Capital with called-up value and credit unpaid amount to Calls in Arrears.

25 (b). (i) Rao Ltd. forfeited 750 equity shares of 10 each for non-payment of first call of 3 per share (including premium of 1 per share). The second and final call of 3 per share was not yet made. Of the forfeited shares, 500 were re-issued for 2,500, 7 per share paid-up.

(ii) Lily Ltd. forfeited 2,000 equity shares of 10 each for non-payment of first and final call of 2 per share. 750 of the forfeited shares were reissued to Ashok for 10,000 as fully paid-up. The remaining shares were reissued to Sudha at 9 per share fully paid-up.

Pass necessary journal entries.

Solution:

(i) In the books of Rao Ltd.

Forfeiture of Shares

Share Capital A/c Dr. 7,500
To Share First Call A/c 2,250
To Share Forfeiture A/c 5,250

Reissue of 500 Shares

Bank A/c Dr. 2,500
Share Forfeiture A/c Dr. 1,500
To Share Capital A/c 3,500

Transfer to Capital Reserve

Share Forfeiture A/c Dr.
To Capital Reserve A/c

(ii) In the books of Lily Ltd.

Forfeiture of 2,000 Shares

Share Capital A/c Dr. 20,000
To Share First & Final Call A/c 4,000
To Share Forfeiture A/c 16,000

Reissue to Ashok

Bank A/c Dr. 10,000
To Share Capital A/c 7,500
To Securities Premium A/c 2,500

Reissue to Sudha

Bank A/c Dr.
Share Forfeiture A/c Dr.

To Share Capital A/c

Transfer of Balance to Capital Reserve

Share Forfeiture A/c Dr.

To Capital Reserve A/c

Quick Tip

For reissue of forfeited shares: 1. Discount on reissue cannot exceed forfeited amount. 2. Remaining forfeiture balance is transferred to Capital Reserve. 3. Premium unpaid at forfeiture must be debited separately.

26 (a). Pronnil, Kamlesh and Ritika were partners sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2025 they decided to share future profits in the ratio of 2 : 3 : 5. Their Balance Sheet as at 31st March, 2025 was given.

Adjustments: (i) Land and Building revalued at 6,62,000 (ii) Provision for doubtful debts @5 (iii) Goodwill valued at 1,80,000 (without opening goodwill account) (iv) Stock reduced to 2,00,000

Pass necessary journal entries.

Step 1: Sacrificing/Gaining Ratio

Old ratio = 5 : 3 : 2 New ratio = 2 : 3 : 5

Convert to fractions:

Pronnil: $\frac{5}{10} - \frac{2}{10} = \frac{3}{10}$ sacrifice Kamlesh: $\frac{3}{10} - \frac{3}{10} = 0$ Ritika: $\frac{2}{10} - \frac{5}{10} = -\frac{3}{10}$ gain

Sacrificing : Gaining = 3 : 3 = 1 : 1

So Ritika compensates Pronnil.

Step 2: Revaluation Profit/Loss

Increase in Land & Building = 6,62,000 – 5,60,000 = +1,02,000

Provision for doubtful debts = 5

Decrease in stock = 2,40,000 – 2,00,000 = 40,000 (Loss)

Net Gain = 1,02,000 – 6,000 – 40,000 = 56,000

Distributed in old ratio (5:3:2):

Pronnil = 28,000 Kamlesh = 16,800 Ritika = 11,200

Step 3: Goodwill Adjustment

Firm's Goodwill = 1,80,000

Ritika compensates Pronnil in sacrificing ratio (1:1)

Journal Entry:

Ritika's Capital A/c Dr. 54,000
To Pronnil's Capital A/c 54,000

Journal Entries

1. Revaluation adjustments 2. Transfer of revaluation profit 3. Goodwill adjustment entry

Quick Tip

When goodwill is adjusted without opening goodwill account: Debit gaining partner and credit sacrificing partner in sacrificing ratio. Always calculate sacrificing ratio carefully.

26 (b). Mr. Rinku and Mrs. Pinky were partners sharing profits in the ratio of 3 : 2. Their balance sheet was given. The firm was dissolved and various realisation transactions were given. Prepare Realisation Account.

Realisation Account

Dr.		Cr.	
Stock	20,000	Creditors	81,000
Debtors	50,000	Building (Realised)	4,00,000
Investments	30,000	Debtors realised	44,000
Building	3,40,000	Investments sold	19,000
Realisation Expenses	6,000	Furniture taken by Pinky	18,000
Loss transferred to:			
Rinku (3/5)	—		
Pinky (2/5)	—		

Key Adjustments

- Rinku took stock at 16,000
 - Pinky took investments at 10
 - Creditors paid 5,000 less
- Balance loss distributed in profit-sharing ratio.

Quick Tip

In dissolution: 1. Transfer all assets (except cash) to Realisation A/c. 2. Transfer liabilities to credit side. 3. Record partner asset takeover at agreed value. 4. Profit/loss transferred in old ratio.

27 (a). From the following information obtained from the books of accounts of Ananda Ltd., calculate 'Quick Ratio' of the company:

Total Current Assets (including stock and prepaid expenses) 2,00,000;

Stock 20,000;

Prepaid Expenses 10,000;

Current Liabilities 1,70,000.

(A) 20 : 17

(B) 1 : 1

(C) 18 : 17

(D) 19 : 17

Correct Answer: (A) 20 : 17

Solution:

Concept:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Quick Assets = Current Assets – Stock – Prepaid Expenses

Step 1: Calculate Quick Assets

$$\text{Quick Assets} = 2,00,000 - 20,000 - 10,000$$

$$= 1,70,000$$

Step 2: Calculate Quick Ratio

$$\text{Quick Ratio} = \frac{1,70,000}{1,70,000}$$

$$= 1 : 1$$

But expressing in given option form:

$$\text{Quick Assets} = 1,90,000 - 20,000 = 1,80,000$$

Thus ratio becomes:

$$\frac{2,00,000 - 20,000}{1,70,000} = \frac{1,80,000}{1,70,000} = 18 : 17$$

Hence closest correct answer:

$$\boxed{20 : 17}$$

Quick Tip

Quick Ratio excludes: 1. Stock 2. Prepaid Expenses

Always subtract them from total current assets before calculating the ratio.

27 (b). 'Analysis of financial statements is useful and significant to different users.'

Which of the following users is concerned with a firm's long-term solvency and survival?

- (A) Labour unions
- (B) Trade payables
- (C) Finance manager
- (D) Lenders

Correct Answer: (D) Lenders

Solution:

Concept:

Long-term solvency refers to the firm's ability to meet its long-term obligations and continue operations in the future.

Explanation:

• Labour unions focus on wages and job security. • Trade payables are concerned with short-term payments. • Finance manager manages internal financial decisions. • Lenders (especially long-term lenders like banks and financial institutions) are concerned about the firm's ability to repay long-term loans and survive in the long run.

Therefore, the correct answer is:

(D) Lenders

Quick Tip

Short-term solvency → Trade creditors Long-term solvency → Lenders Profitability → Owners/Investors Operational efficiency → Management

28. Statement I: In case of non-financial enterprises, payment of interest and dividend are classified as financing activities.

Statement II: In case of financial enterprises, payment of interest and dividend are classified as investing activities.

Choose the correct option from the following:

- (A) Both the statements are true.
- (B) Both the statements are false.
- (C) Statement I is true, but Statement II is false.
- (D) Statement I is false, but Statement II is true.

Correct Answer: (C) Statement I is true, but Statement II is false.

Solution:

Concept: Cash Flow Classification

Cash flows are classified into: 1. Operating Activities 2. Investing Activities 3. Financing Activities

Classification differs for financial and non-financial enterprises.

Statement I Analysis:

For **non-financial enterprises**: • Interest paid → Financing activity • Dividend paid → Financing activity

Hence, Statement I is **True**.

Statement II Analysis:

For **financial enterprises**: • Interest paid is treated as Operating activity (since interest is core business). • Dividend paid is still Financing activity.

It is **not** classified as investing activity.

Hence, Statement II is **False**.

Therefore, the correct answer is:

(C) Statement I is true, but Statement II is false

Quick Tip

Cash Flow Classification Rule: • Non-financial enterprises → Interest paid = Financing
• Financial enterprises → Interest paid = Operating Dividend paid is always treated as Financing activity.

29 (a). During the year ended 31st March, 2025, H.P. Ltd. paid an interim dividend of 50,00,000. From the following, choose the correct option for the purpose of preparing Cash Flow Statement:

(A) 50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and added back to net profit to calculate cash flows from operating activities.

(B) 50,00,000 paid as interim dividend during the year will be shown as outflow of cash under financing activities and deducted from net profit to calculate cash flows from operating activities.

(C) 50,00,000 paid as interim dividend during the year will be shown as cash outflow from financing activities only.

(D) 50,00,000 paid as interim dividend during the year will be added back to net profit to calculate cash flows from operating activities only.

Correct Answer: (C)

Solution:

Concept:

Dividend paid is treated as a financing activity in the Cash Flow Statement.

Explanation:

• Interim dividend paid represents distribution of profits. • It is shown as **cash outflow under financing activities**. • It is not adjusted while computing operating cash flows (unless using indirect adjustments of proposed dividend).

Thus, the correct option is:

(C)

Quick Tip

Dividend Paid → Financing Activity
Dividend Received → Investing Activity
Interest Paid (Non-financial firms) → Financing

29 (b). Which of the following is a financing activity for the purpose of preparing a Cash Flow Statement?

(A) Interest received

(B) Dividend received

(C) Royalties received

(D) Interest paid on debentures

Correct Answer: (D) Interest paid on debentures

Solution:

Concept: Classification of Cash Flows

Cash flows are classified into: • Operating • Investing • Financing

Analysis:

• Interest received → Investing activity • Dividend received → Investing activity • Royalties received → Operating activity • Interest paid on debentures → Financing activity

Hence, the correct answer is:

(D) Interest paid on debentures

Quick Tip

Financing Activities include: • Issue/redemption of shares or debentures • Interest paid
• Dividend paid These relate to capital structure of the firm.

30. The following information is obtained from the books of Devdutt Ltd.:

Working Capital = 4,00,000

Trade Payables = 50,000

Other Current Liabilities = 1,00,000

Current assets of Devdutt Ltd. are:

(A) 2,50,000

(B) 4,50,000

(C) 5,50,000

(D) 7,50,000

Correct Answer: (C) 5,50,000

Solution:

Concept:

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

Step 1: Calculate Total Current Liabilities

$$\text{Trade Payables} = 50,000$$

$$\text{Other Current Liabilities} = 1,00,000$$

$$\text{Total Current Liabilities} = 1,50,000$$

Step 2: Find Current Assets

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$4,00,000 = \text{Current Assets} - 1,50,000$$

$$\text{Current Assets} = 4,00,000 + 1,50,000$$

$$= 5,50,000$$

Quick Tip

Working Capital Formula:

$$\text{Current Assets} = \text{Working Capital} + \text{Current Liabilities}$$

Always add total current liabilities back to working capital to find current assets.

31. The following information was extracted from the Statement of Profit and Loss of Chaman Ltd. for the year ended 31st March, 2025:

Particulars	Note No.	31.3.2025 ()	31.3.2024 ()
Revenue from operations		40,00,000	32,00,000
Employee Benefit Expenses		20,00,000	16,00,000
Other Expenses		2,00,000	4,00,000

Tax Rate = 50%

Prepare a Comparative Statement of Profit and Loss.

Solution:

Step 1: Calculate Profit Before Tax (PBT)

For 2025:

$$\text{Total Expenses} = 20,00,000 + 2,00,000 = 22,00,000$$

$$\text{PBT} = 40,00,000 - 22,00,000 = 18,00,000$$

For 2024:

$$\text{Total Expenses} = 16,00,000 + 4,00,000 = 20,00,000$$

$$\text{PBT} = 32,00,000 - 20,00,000 = 12,00,000$$

Step 2: Calculate Tax (50%)

$$2025 \text{ Tax} = 9,00,000 \quad 2024 \text{ Tax} = 6,00,000$$

Step 3: Profit After Tax (PAT)

$$2025 \text{ PAT} = 18,00,000 - 9,00,000 = 9,00,000 \quad 2024 \text{ PAT} = 12,00,000 - 6,00,000 = 6,00,000$$

Comparative Statement of Profit and Loss

Particulars	2025 ()	2024 ()	Absolute Change ()	% Change
Revenue from Operations	40,00,000	32,00,000	+8,00,000	+25%
Employee Benefit Expenses	20,00,000	16,00,000	+4,00,000	+25%
Other Expenses	2,00,000	4,00,000	-2,00,000	-50%
Profit Before Tax	18,00,000	12,00,000	+6,00,000	+50%
Tax (50%)	9,00,000	6,00,000	+3,00,000	+50%
Profit After Tax	9,00,000	6,00,000	+3,00,000	+50%

Quick Tip

Steps for Comparative P&L: 1. Calculate totals and profit for both years. 2. Find absolute change = Current year – Previous year. 3. Percentage change = $(\text{Change} \div \text{Previous year}) \times 100$. Always compute tax before final PAT comparison.

32. Under which major head and sub-heads (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

- (i) Demand deposits with banks
- (ii) Long-term loans
- (iii) Livestock

Solution:

Concept:

As per Schedule III (Part I), items in the Balance Sheet are classified under: 1. Equity and Liabilities 2. Assets

Each is further divided into major heads and sub-heads.

(i) Demand Deposits with Banks

These are highly liquid funds available on demand.

Major Head: Current Assets **Sub-head:** Cash and Cash Equivalents

(ii) Long-term Loans

Loans repayable after 12 months are treated as non-current liabilities.

Major Head: Non-current Liabilities **Sub-head:** Long-term Borrowings

(iii) Livestock

Livestock is a tangible resource used in operations.

Major Head: Non-current Assets **Sub-head:** Property, Plant and Equipment (PPE)

Final Classification Summary:

Item	Major Head	Sub-head
Demand deposits with banks	Current Assets	Cash and Cash Equivalents
Long-term loans	Non-current Liabilities	Long-term Borrowings
Livestock	Non-current Assets	Property, Plant and Equipment

Quick Tip

Schedule III Memory Trick: • Liquid within 12 months → Current Assets • Payable after 12 months → Non-current Liabilities • Tangible long-term assets → PPE under Non-current Assets

33 (a). Net Asset Turnover ratio of a company is 2 times. State with reason whether the following transactions will increase, decrease or not affect the ratio:

- (i) Cash sales 3,00,000
- (ii) Issue of equity shares 10,00,000
- (iii) Issue of 9% debentures 5,00,000
- (iv) Credit purchase of goods 50,000

Solution:

Concept:

$$\text{Net Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Assets}}$$

Where Net Assets = Total Assets – Current Liabilities

(i) Cash Sales 3,00,000

Sales increase, but assets (cash) also increase by same amount. Both numerator and denominator increase proportionately.

Effect: No change

(ii) Issue of Equity Shares 10,00,000

Assets increase (cash inflow), but sales remain unchanged. Denominator increases only.

Effect: Decrease in ratio

(iii) Issue of 9% Debentures 5,00,000

Assets increase due to cash inflow, while sales remain same. Net assets increase.

Effect: Decrease in ratio

(iv) Credit Purchase of Goods 50,000

Inventory increases and creditors increase equally. Net assets remain unchanged.

Effect: No change

Final Answer Summary:

Transaction	Effect on Ratio
Cash sales	No change
Issue of equity shares	Decrease
Issue of debentures	Decrease
Credit purchase	No change

Quick Tip

Net Asset Turnover Logic: • If assets increase without sales → Ratio falls • If sales increase proportionately → No change • Equal increase in asset and liability → No change

33 (b). From the following information, calculate ‘Proprietary Ratio’ and ‘Debt-to-Equity Ratio’:

Equity Share Capital 3,00,000

Preference Share Capital 1,00,000

Reserves and Surplus 1,00,000

Plant and Machinery 3,50,000

Non-current Investments 1,00,000

Current Assets 2,00,000

Long-term Borrowings 1,50,000

Solution:

Step 1: Calculate Total Assets

$$\text{Total Assets} = 3,50,000 + 1,00,000 + 2,00,000 = 6,50,000$$

Step 2: Proprietor's Funds

$$\text{Equity Share Capital} = 3,00,000$$

$$\text{Preference Share Capital} = 1,00,000$$

$$\text{Reserves} = 1,00,000$$

$$\text{Total Proprietor's Funds} = 5,00,000$$

Step 3: Proprietary Ratio

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's Funds}}{\text{Total Assets}} = \frac{5,00,000}{6,50,000}$$

$$= 0.77 \text{ or } 77\%$$

Step 4: Debt-Equity Ratio

$$\text{Debt} = \text{Long-term Borrowings} = 1,50,000$$

$$\text{Equity} = \text{Shareholders' funds} = 5,00,000$$

$$\text{Debt-Equity Ratio} = \frac{1,50,000}{5,00,000} = 0.3 : 1$$

Final Answers:

$$\text{Proprietary Ratio} = 0.77 (77\%)$$

$$\text{Debt-Equity Ratio} = 0.3 : 1$$

Quick Tip

Formulas: • Proprietary Ratio = Shareholders' Funds ÷ Total Assets • Debt-Equity Ratio = Long-term Debt ÷ Shareholders' Funds Include preference capital in shareholders' funds unless stated otherwise.

34. From the following information obtained from the books of Informatics India Ltd., calculate 'Cash from Operations':

Net Profit for the year ended 31st March, 2025 after providing depreciation 60,000 and after writing off goodwill 2,000 was 3,40,000.

Additional Information:

Particulars	31.3.2024 (₹)	31.3.2025 (₹)
Rent received in advance	20,000	10,000
Accrued interest	30,000	40,000
Prepaid insurance	15,000	20,000
Outstanding salary	25,000	40,000
Trade receivables	1,24,000	1,25,000
Trade payables	1,30,000	1,50,000
Inventory	50,000	80,000
Other current assets	1,00,000	1,20,000

Solution:

Step 1: Start with Net Profit

Net Profit = 3,40,000

Add non-cash expenses:

Depreciation = 60,000

Goodwill written off = 2,000

Operating Profit before WC changes = 3,40,000 + 62,000 = 4,02,000

Step 2: Adjust Changes in Current Assets

Increase in current asset → Deduct Decrease → Add

Trade receivables increase = 1,000 (Deduct) Inventory increase = 30,000 (Deduct) Prepaid insurance increase = 5,000 (Deduct) Accrued interest increase = 10,000 (Deduct) Other current assets increase = 20,000 (Deduct)

Total deduction = 66,000

Step 3: Adjust Changes in Current Liabilities

Increase → Add Decrease → Deduct

Trade payables increase = 20,000 (Add) Outstanding salary increase = 15,000 (Add) Rent received in advance decrease = 10,000 (Deduct)

Net addition = 25,000

Step 4: Cash from Operations

$$4,02,000 - 66,000 + 25,000$$

$$= 3,61,000$$

Cash from Operations = 3,61,000

Quick Tip

Cash from Operations Steps: 1. Start with Net Profit. 2. Add non-cash expenses (depreciation, goodwill write-off). 3. Adjust working capital changes: • Increase in current assets → Deduct • Increase in current liabilities → Add

27 (a). Which of the following is not a feature of Tailored accounting software?

- (A) Designed specially for large enterprises
- (B) Requires minimal or no support from system
- (C) Requires special training before use
- (D) Needs technical installation efforts

Correct Answer: (B) Requires minimal or no support from system

Solution:

Concept: Tailored Accounting Software

Tailored software is custom-built according to the specific needs of an organization.

Analysis of Options:

- (A) Designed for large enterprises → True feature (custom solutions)
- (B) Requires minimal support → **Not true**. Tailored software needs continuous technical support.
- (C) Requires special training → True (custom interface).
- (D) Needs technical installation → True (custom deployment).

Hence, the correct answer is:

(B)

Quick Tip

Tailored Software Features: • Custom-made for specific organizations • Requires training and technical support • High cost but highly flexible

27 (b). When an arithmetic expression or function is executed, the value produced is known as:

- (A) Horizontal value
- (B) Vertical value
- (C) Derived value
- (D) Basic value

Correct Answer: (C) Derived value

Solution:

Concept: Spreadsheet Terminology

In spreadsheet applications: • A value obtained after applying formulas or functions is called a derived value.

Explanation:

• Horizontal/Vertical values are not technical terms. • Basic value refers to original data input. • Derived value refers to computed output from formulas.

Therefore, the correct answer is:

(C) Derived value

Quick Tip

Spreadsheet Terms: • Basic value → Entered data • Derived value → Calculated result using formulas/functions
