CBSE Class 12 Accountancy Question Paper 2017 with Solution PDF-Set 67-1-3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions

(i) This question paper contains **two parts A** and **B**.

(ii) Part A is **compulsory** for all.

(iii) Part B has **two** options : Option – **I** Analysis of Financial Statements and Option – **II** Computerized Accounting.

(iv) Attempt **only one** option of Part B.

(v) All parts of a question should be attempted at one place.

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. State any one occasion for the dissolution of the firm on court's orders. [1 mark]

Solution:

Concept:

- Dissolution of a firm ends the partnership relation among all its partners.
- A court may order dissolution on a ground such as the permanent incapacity of a partner.

Step 1: Identify a ground for court intervention A partner may become permanently incapable of performing his duties as a partner. Such incapacity prevents the partner from fulfilling the obligations of the partnership.

Step 2: State the occasion On a suit by a partner, the court may order dissolution when another partner has become permanently incapable of performing his duties.

Step 3: Conclusion One occasion is when a partner becomes permanently incapable of performing his duties as a partner.

Quick Tip to Solve: Name one definite court ground, such as permanent incapacity; a voluntary agreement is a different mode of dissolution.

2. Change in Profit Sharing Ratio amounts to dissolution of partnership or partnership firm ? Give reason in support of your answer. [1 mark]

Solution:

Concept:

- Partnership is the relationship created by an agreement between partners.
- A change in the profit-sharing agreement reconstitutes the partnership while the business of the firm can continue.

Step 1: Identify what changes The old agreement about the division of profits and losses is replaced by a new agreement. Therefore, the existing partnership relationship is dissolved and a new relationship takes its place.

Step 2: Explain continuity of the firm The firm continues its business with its assets and liabilities. There is no necessary closing of the business or realisation of all assets merely because the profit-sharing ratio changes.

Step 3: Conclusion A change in the profit-sharing ratio amounts to dissolution of partnership, because the old agreement changes; the partnership firm continues.

Quick Tip to Solve: Ask whether the business closes: a changed agreement with continuing business is dissolution of partnership.

3. In which ratio do the remaining partners acquire the share of profit of the retiring partner ?

[1 mark]

Solution:

Concept:

- The gain of a continuing partner is his new profit share less his old profit share: Gain = New share − Old share.
- The gaining ratio expresses the relative increase in the continuing partners' shares.

Step 1: Identify the acquired share When a partner retires, his share in future profits is taken over by the continuing partners. Each continuing partner acquires the portion by which his own profit share increases.

Step 2: Name the relevant ratio The ratio of these increases is called the gaining ratio. Consequently, it measures how the retiring partner's share is acquired by the remaining partners.

Step 3: Conclusion The remaining partners acquire the retiring partner's share of profit in their gaining ratio.

Quick Tip to Solve: Use new share minus old share for retirement; the ratio of the positive increases is the gaining ratio.

4. What is meant by 'Employee Stock Option Plan' ?

[1 mark]

Solution:

Concept:

- An employee stock option gives an employee a right to acquire shares under specified conditions.
- The employee may exercise the option within the stipulated period at the price fixed under the scheme.

Step 1: Explain the option Under an Employee Stock Option Plan, a company offers eligible employees the right to purchase or subscribe for a specified number of its shares at a predetermined price.

Step 2: Explain its purpose and terms The right is exercisable within a specified period, subject to the conditions of the plan. It enables employees to participate in the ownership of the company and is used as an incentive.

Step 3: Conclusion An Employee Stock Option Plan is a scheme giving eligible employees the option to acquire company shares at a predetermined price within a specified period.

Quick Tip to Solve: Include the right to buy shares, the predetermined price and the specified period when defining ESOP.

5. Why should a new partner contribute towards goodwill on his admission ? [1 mark]

Solution:

Concept:

- Goodwill represents the value of the firm's reputation and its capacity to earn profits.
- An incoming partner receives a share of future profits, which the existing partners surrender in their sacrificing ratio.

Step 1: Identify the benefit received The incoming partner is entitled to a share of the future profits of an already established business. He benefits from the goodwill created by the efforts of the existing partners.

Step 2: Explain why compensation is due The existing partners sacrifice part of their profit shares in favour of the new partner. His contribution towards goodwill compensates those sacrificing partners for this loss of future profit share.

Step 3: Conclusion A new partner contributes towards goodwill to compensate the existing partners for the share of future profits sacrificed in his favour.

Quick Tip to Solve: Connect goodwill premium with the sacrificing partners' loss of future profit share, rather than with capital introduced.

6. X, Y and Z were partners sharing profits and losses in the ratio of 3 : 2 : 2. Z retired and the amount due to him was Rs 85,000. He was paid Rs 5,000 immediately. The balance was payable in three equal annual instalments carrying interest @ 6% p.a. Pass necessary journal entry for recording the same on the date of Z's retirement. [1 mark]

Solution:

Concept:

- The amount due to a retiring partner is debited to his capital account when it is paid or transferred to a loan account.
- The amount remaining unpaid after immediate payment is transferred to the retiring partner's loan account; interest is recorded as it accrues.

Step 1: Calculate the unpaid balance Z is entitled to Rs 85,000, of which Rs 5,000 is paid immediately. The balance transferred to his loan account is

$$85,000 - 5,000 = \text{Rs } 80,000.$$

The future instalment arrangement does not change this liability on the retirement date.

Step 2: Record payment and transfer Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
Retirement	Z's Capital A/c Dr. To Bank A/c To Z's Loan A/c (Being Rs 5,000 paid to Z and the balance transferred to his loan account, payable in three equal annual instalments with interest at 6% p.a.)		85,000	 5,000 80,000

No interest has accrued on the retirement date, so no interest entry is passed on that date.

Step 3: Conclusion Debit Z's Capital A/c with Rs 85,000; credit Bank A/c with Rs 5,000 and Z's Loan A/c with Rs 80,000.

Quick Tip to Solve: Transfer only the unpaid balance to the retiring partner's loan; future interest is not charged on the retirement date.

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7. Anuj, Manoj and Disha were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 1st April, 2016, the capitals of the partners were : Rs 3,00,000; Rs 2,00,000 and Rs 1,00,000 respectively. The firm closes its books on 31st March every year. Disha died on 1st July, 2016.

(a) On Disha's death the goodwill of the firm was valued at Rs 30,000.

(b) Disha's share of profit till the date of her death was calculated at Rs 12,000.

Pass necessary journal entries in the books of the firm for the above on Disha's Death. [3 marks]

Solution:

Concept:

- The deceased partner is credited with her share of the firm's goodwill. Continuing partners bear this amount in their gaining ratio, so goodwill need not be raised in the books.
- Profit earned up to death belongs to the deceased partner. Where this share has already been calculated, debit Profit and Loss Suspense Account and credit her Capital Account with that amount.

Step 1: Calculate the goodwill adjustment Disha's old profit share is $1/5$. Her share of goodwill is therefore

$$\text{Disha's goodwill share} = \text{Rs } 30,000 \times \frac{1}{5} = \text{Rs } 6,000.$$

No new ratio is specified, so Anuj and Manoj continue in their relative old ratio, $2 : 2 = 1 : 1$. They gain equally and each bears Rs $6,000/2 =$ Rs $3,000$. Their capital balances do not determine this adjustment.

Step 2: Record goodwill and profit up to death

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
2016 July 1	Anuj's Capital A/c Dr. Manoj's Capital A/c Dr. To Disha's Capital A/c (Being Disha's share of goodwill adjusted through the gaining partners' capital accounts equally)		3,000 3,000	 6,000
2016 July 1	Profit and Loss Suspense A/c Dr. To Disha's Capital A/c (Being Disha's share of profit up to her death credited to her capital account)		12,000	 12,000

The given Rs 12,000 is Disha's own share, not the firm's total profit; it must not be multiplied by $1/5$ again. Both entries are made on the date of death, 1 July 2016.

Step 3: Conclusion Disha's Capital Account is credited with Rs 6,000 for goodwill and Rs 12,000 for accrued profit, a total credit of Rs 18,000.

Quick Tip to Solve: Apply the profit-sharing fraction to firm goodwill, but do not apply it again to an amount already stated as Disha's share.

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8. The total capital of the firm of Sakshi, Mehak and Megha is Rs 1,00,000 and the market rate of interest is 15%. The net profits for the last 3 years were Rs 30,000; Rs 36,000 and Rs 42,000. Goodwill is to be valued at 2 years purchase of the last 3 years' super profits. Calculate the goodwill of the firm. [3 marks]

Solution:

Concept:

- Normal profit is the return normally expected on the firm's capital: normal profit = capital employed multiplied by the normal rate of return.
- Super profit is average maintainable profit less normal profit. Goodwill under this method equals annual super profit multiplied by the agreed years' purchase.

Step 1: Find average annual profit The three annual net profits are Rs 30,000, Rs 36,000 and Rs 42,000. Each year receives equal weight because no special weights or adjustments are stated.

$$\text{Total profit} = 30,000 + 36,000 + 42,000 = \text{Rs } 1,08,000,$$

$$\text{Average annual profit} = \frac{1,08,000}{3} = \text{Rs } 36,000.$$

This average, rather than just the most recent year's profit, represents the earning capacity specified by the question.

Step 2: Find normal profit and super profit The market rate of interest, 15%, is the normal return

available on the total capital of Rs 1,00,000. Therefore,

$$\text{Normal annual profit} = 1,00,000 \times \frac{15}{100} = \text{Rs } 15,000,$$
$$\text{Annual super profit} = 36,000 - 15,000 = \text{Rs } 21,000.$$

Only the excess over the normal return is capitalised as goodwill under the super-profit method. The total capital is not itself the value of goodwill.

Step 3: Apply two years purchase The agreed purchase factor is two years. Thus,

$$\text{Goodwill} = 21,000 \times 2 = \text{Rs } 42,000.$$

As a check, the annual super profits of the three years are Rs 15,000, Rs 21,000 and Rs 27,000; their average is also Rs 21,000. The three-year period determines the average, while the two-year purchase factor determines goodwill.

Step 4: Conclusion The goodwill of the firm is Rs 42,000.

Quick Tip to Solve: Keep the three-year averaging period separate from the two-year purchase multiplier; subtract normal profit before multiplying.

9. Kadura Ltd. took over the assets of Rs 2,70,000 and liabilities of Rs 30,000 of Bavi Ltd. for a consideration of Rs 3,00,000. 20% was paid by a cheque and the balance by issue of fully paid equity shares of Rs 100 each at a premium of 60%. Show the necessary journal entries for these transactions in the books of Kadura Ltd. [3 marks]

Solution:

Concept:

- Purchase consideration is credited to the vendor. When consideration exceeds net assets taken over, the difference is goodwill, debited as an asset.
- Shares issued at premium settle the vendor at their issue price. Share Capital is credited only with face value; the premium is credited separately to Securities Premium Reserve.

Step 1: Compute goodwill and settlement

$$\text{Net assets} = 2,70,000 - 30,000 = \text{Rs } 2,40,000,$$
$$\text{Goodwill} = 3,00,000 - 2,40,000 = \text{Rs } 60,000,$$
$$\text{Cheque payment} = 3,00,000 \times 20\% = \text{Rs } 60,000,$$
$$\text{Balance payable in shares} = 3,00,000 - 60,000 = \text{Rs } 2,40,000.$$

The premium per share is $100 \times 60\% = \text{Rs } 60$, so issue price is $100 + 60 = \text{Rs } 160$. Number of shares issued is $2,40,000/160 = 1,500$. Their face value totals Rs 1,50,000 and their premium totals Rs 90,000.

Step 2: Pass the journal entries

Journal of Kadura Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		2,70,000	
	Goodwill A/c Dr.		60,000	
	To Sundry Liabilities A/c			30,000
	To Bavi Ltd. A/c			3,00,000
	(Being business purchased, with assets and liabilities taken over and the excess consideration treated as goodwill)			
	Bavi Ltd. A/c Dr.		3,00,000	
	To Bank A/c			60,000
	To Equity Share Capital A/c			1,50,000
	To Securities Premium Reserve A/c			90,000
	(Being consideration settled by cheque and issue of 1,500 fully paid equity shares of Rs 100 each at 60% premium)			

The vendor's credit of Rs 3,00,000 is fully cleared by the second entry. Its credit side totals Rs 3,00,000, comprising cash, face value of shares and premium.

Step 3: Conclusion Goodwill is Rs 60,000. Kadura Ltd. pays Rs 60,000 by cheque and issues 1,500 shares, crediting Equity Share Capital Rs 1,50,000 and Securities Premium Reserve Rs 90,000.

Quick Tip to Solve: Divide the share-settled consideration by Rs 160, the issue price; use Rs 100 only to compute the Share Capital credit.

10. Tycol Ltd. offered 66,000 equity shares of Rs 100 each to the public at a premium of Rs 20 per share. The amount per share was payable as Rs 30 - on application; Rs 50 (including premium) - on allotment; and the balance - on first and final call. 60,000 shares were subscribed by the public. All the money due was received, except a shareholder holding 3,000 shares who failed to pay the first and final call. His shares were forfeited. Show 'Share Capital' in the Balance Sheet of Tycol Ltd. Also, prepare 'Notes to Accounts'. [3 marks]

Solution:

Concept:

- Share capital includes the nominal amount paid on outstanding shares and the amount received towards capital on forfeited shares that have not been reissued. Securities premium is a separate reserve; it is not share capital.
- The first and final call equals the issue price less application and allotment money. Of the allotment money, only the amount excluding premium represents share capital.

Step 1: Calculate the call and capital received on forfeited shares The issue price per share is $100 + 20 = \text{Rs } 120$. Hence the first and final call is $120 - 30 - 50 = \text{Rs } 40$ per share. The capital component of allotment is $50 - 20 = \text{Rs } 30$. Thus capital received per forfeited share is $30 + 30 = \text{Rs } 60$, and the credit balance of Share Forfeiture Account is $3,000 \times 60 = \text{Rs } 1,80,000$. The premium of Rs 20 per share was received on allotment and is excluded from this calculation.

Step 2: Prepare the balance sheet extract and note After forfeiture, $60,000 - 3,000 = 57,000$ shares remain fully paid. Their paid-up nominal capital is $57,000 \times 100 =$ Rs $57,00,000$.

Balance Sheet of Tycol Ltd. (extract)

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' funds		
(a) Share capital	1	58,80,000

Notes to Accounts: Note 1 – Share Capital

Particulars	Amount (Rs)
Issued capital:	
66,000 equity shares of Rs 100 each	66,00,000
Subscribed and fully paid-up capital:	
57,000 equity shares of Rs 100 each	57,00,000
Add: Forfeited shares (amount originally paid-up on 3,000 forfeited equity shares)	1,80,000
Total share capital	58,80,000

The shares were fully called before forfeiture. Consequently, the unpaid call of Rs 1,20,000 on the forfeited shares is not shown as calls in arrears against the remaining 57,000 shares. The authorised capital is not specified in the question.

Step 3: Conclusion Share Capital appears under Shareholders' Funds at Rs 58,80,000, comprising fully paid equity share capital of Rs 57,00,000 and forfeited share capital of Rs 1,80,000.

Quick Tip to Solve: On forfeiture, retain only the capital already received on the forfeited shares; exclude securities premium even when collected with allotment.

11. Tvisha and Divya were partners in a firm carrying on a tiffin service in Hyderabad. Divya noticed that a lot of food is left at the end of the day. To avoid wastage, she suggested that the same may be distributed among the needy. Tvisha wanted it to be mixed with the food to be served the next day. Tvisha then gave a proposal that if her share in the profit is increased, she will not mind free distribution of left over food. Divya happily agreed. So, they decided to change their profit sharing ratio to 3 : 2 with immediate effect. On the date of change in the profit-sharing ratio, the goodwill of the firm was valued at Rs 50,000.

(a) Pass the necessary adjustment entry for the treatment of goodwill.

(b) State any two values highlighted in the behavior of Tvisha and Divya. [4 marks]

Solution:

Concept:

- When an existing partnership agreement specifies no profit-sharing ratio, partners share profits equally. A change in that ratio requires the gaining partner to compensate the sacrificing partner for the goodwill attached to the share transferred.
- Gain is new share minus old share; sacrifice is old share minus new share. The goodwill adjustment equals the goodwill of the firm multiplied by the share gained or sacrificed. Where goodwill is

adjusted through capital accounts, no goodwill asset is created.

Step 1: Find the gaining and sacrificing shares for part (a) No old profit-sharing ratio is stated, so Tvisha and Divya's old shares are equal, namely $1/2$ each. Their new shares are $3/5$ and $2/5$, respectively.

$$\text{Tvisha's gain} = \frac{3}{5} - \frac{1}{2} = \frac{1}{10},$$
$$\text{Divya's sacrifice} = \frac{1}{2} - \frac{2}{5} = \frac{1}{10}.$$

Tvisha obtains an additional share in the firm's future profits, while Divya gives up the same share. Therefore Tvisha must compensate Divya. The compensation is Rs $50,000 \times 1/10 =$ Rs $5,000$.

Step 2: Record the goodwill adjustment entry for part (a) Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tvisha's Capital A/c Dr.		5,000	
	To Divya's Capital A/c			5,000
	(Being compensation for Divya's sacrificed share of goodwill adjusted through partners' capital accounts)			

The debit reduces the gaining partner's capital and the credit increases the sacrificing partner's capital. The firm's goodwill is valued for this adjustment; its full value of Rs 50,000 is not credited to either partner and no cash payment is stated.

Step 3: Identify two values for part (b) (i) **Compassion and social responsibility:** Divya proposes distributing the edible surplus to needy people instead of wasting it. Her suggestion shows concern for the welfare of people outside the business.

(ii) **Cooperation and willingness to sacrifice:** Divya willingly accepts a smaller profit share so that the surplus food can be distributed. She places the social purpose above her personal financial advantage and reaches an agreement with Tvisha.

Tvisha's initial proposal to mix leftover food with the next day's food should not be presented as a positive value. Her demand for a larger profit share also reflects self-interest; the positive values above are supported by Divya's actions.

Step 4: Conclusion (a) Debit Tvisha's Capital Account and credit Divya's Capital Account by Rs 5,000. (b) Two values highlighted are compassion/social responsibility and cooperation/willingness to sacrifice.

Quick Tip to Solve: With no old ratio stated, start from equal shares; debit the partner whose share increases and credit the partner whose share decreases.

12. Prayuj Ltd. forfeited 2,000 shares of Rs 10 each, fully called up, on which they had received only Rs 14,000. 50 of the forfeited shares were reissued for Rs 9 per share fully paid up.

Pass necessary journal entries for forfeiture and re-issue of shares. Also prepare share forfeited account. [4 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with the called-up amount, credit unpaid calls with the unpaid amount and credit Share Forfeited with the capital amount already received.
- On reissue at a discount, debit that discount to Share Forfeited. Transfer to Capital Reserve only the surplus relating to the shares actually reissued; retain the amount on shares still forfeited.

Step 1: Calculate the amounts for forfeiture and reissue The shares are fully called up, so capital cancelled is $2,000 \times$ Rs $10 =$ Rs $20,000$. The company received Rs 14,000; unpaid calls are therefore Rs 6,000. Since the question does not identify the unpaid instalment, Calls in Arrears is used.

The receipt attributable to each forfeited share is $14,000/2,000 =$ Rs 7. For the 50 reissued shares, the forfeiture credit available is $50 \times 7 =$ Rs 350. Cash received on reissue is $50 \times 9 =$ Rs 450, while paid-up capital restored is $50 \times 10 =$ Rs 500. The discount is Rs 50, within the forfeiture amount available. Thus the realised capital profit is $350 - 50 =$ Rs 300.

Step 2: Record the journal entries Journal of Prayuj Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)

	Share Capital A/c Dr.
	  To Calls in Arrears A/c
	  To Share Forfeited A/c
	(Being 2,000 fully called shares forfeited for unpaid calls)
			20,000	
				6,000
				14,000

	Bank A/c Dr. Share Forfeited A/c Dr. To Share Capital A/c (Being 50 forfeited shares reissued at Rs 9 each as fully paid)		450 50	 500
	Share Forfeited A/c Dr. To Capital Reserve A/c (Being surplus on the 50 reissued shares transferred to capital reserve)		300	 300

Step 3: Prepare the Share Forfeited Account Share Forfeited Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share Capital A/c To Capital Reserve A/c To Balance c/d	50 300 13,650	By Share Capital A/c	14,000	
	Total	14,000	Total	14,000	
			By Balance b/d	13,650	

The credit balance relates to the $2,000 - 50 = 1,950$ shares not yet reissued: $1,950 \times$ Rs $7 =$ Rs $13,650$. It remains in Share Forfeited pending their reissue.

Step 4: Conclusion Capital Reserve is credited with Rs 300. The Share Forfeited Account carries a

credit balance of Rs 13,650 after reissue.

Quick Tip to Solve: First isolate the forfeiture credit for only the 50 reissued shares; do not transfer the entire account balance to Capital Reserve.

13. Diya and Rina are partners in a firm sharing profits in the ratio of 4 : 1. The following was the Balance Sheet of the firm as on 31-3-2016.

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals : Diya 2,40,000 Rina 1,20,000	3,60,000	Sundry Assets	3,60,000
	3,60,000		3,60,000

The profits Rs 90,000 for the year ended 31-3-2016 were divided between the partners without allowing interest on capital @ 12% p.a. and salary to Diya @ Rs 3,000 per month. During the year Diya withdrew Rs 24,000 and Rina Rs 12,000. Showing your working notes clearly, pass necessary rectifying entry. [6 marks]

Solution:

Concept:

- Interest on capital is calculated on opening capital. When closing capitals already include the distributed profit, opening capital equals closing capital plus drawings minus profit already credited.
- Prepare the corrected appropriation of profit, compare each partner's proper entitlement with the amount already received and adjust only the net difference through partners' capital accounts.

Step 1: Reconstruct the opening capitals The stated balance sheet is at the end of the year. The Rs 90,000 profit has already been divided in the ratio $4:1$, so Diya was credited $90,000 \times 4/5 = \text{Rs } 72,000$ and Rina $90,000 \times 1/5 = \text{Rs } 18,000$.

Adding back each partner's drawings and deducting the profit already credited gives:

$$\begin{aligned} \text{Diya's opening capital} &= 2,40,000 + 24,000 - 72,000 \\ &= \text{Rs } 1,92,000, \\ \text{Rina's opening capital} &= 1,20,000 + 12,000 - 18,000 \\ &= \text{Rs } 1,14,000. \end{aligned}$$

Drawings are added back because they reduced the closing capital. No interest on drawings is required by the question.

Step 2: Calculate the omitted appropriations and residual profit Interest on capital for the full year is:

$$\begin{aligned} \text{Diya} &= 1,92,000 \times 12/100 = \text{Rs } 23,040, \\ \text{Rina} &= 1,14,000 \times 12/100 = \text{Rs } 13,680. \end{aligned}$$

Diya's annual salary is Rs $3,000 \times 12 = \text{Rs } 36,000$. These appropriations must be allowed before

sharing the remaining profit. Thus residual profit is

$$\text{Rs } (90,000 - 23,040 - 13,680 - 36,000) = \text{Rs } 17,280.$$

Diya's share of this balance is $17,280 \times 4/5 = \text{Rs } 13,824$, and Rina's share is $17,280 \times 1/5 = \text{Rs } 3,456$. The profit is sufficient to cover all the stated appropriations.

Step 3: Compare correct and actual credits Working note: Adjustment of profit appropriation

Particulars	Diya (Rs)	Rina (Rs)
Interest on opening capital	23,040	13,680
Salary	36,000	–
Share of residual profit	13,824	3,456
Correct total credit	72,864	17,136
Less: profit already credited	72,000	18,000
Net adjustment	864 credit	864 debit

The corrected total credits still add to Rs 90,000. Diya received Rs 864 less than her entitlement, while Rina received Rs 864 more. Therefore, transfer Rs 864 from Rina's capital to Diya's capital; there is no change in total capital or total profit.

Step 4: Pass the rectifying entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Rina's Capital A/c Dr. To Diya's Capital A/c (Being net adjustment for omitted interest on capital at 12% p.a. and Diya's salary of Rs 3,000 per month)		864	864

After this entry, Diya's capital becomes Rs 2,40,864 and Rina's capital becomes Rs 1,19,136, together remaining Rs 3,60,000.

Step 5: Conclusion Debit Rina's Capital Account and credit Diya's Capital Account by Rs 864 each.

Quick Tip to Solve: Use opening capitals for interest: add drawings to closing capitals and subtract the Rs 72,000 and Rs 18,000 profit credits already posted.

14. (a) Journalise the following transaction on issue of 12% debentures :

Pincel Ltd. issued Rs 2,70,000, 12% debentures of Rs 100 each at a discount of 5% redeemable at 110%.

(b) Journalise the following transactions on redemption of debentures :

(i) Ritel Ltd. redeemed Rs 7,50,000, 14% debentures of Rs 100 each which were issued at par by converting them into equity shares of Rs 10 each issued at a premium of 25%.

(ii) Namex Ltd. purchased its own 5,000, 12% Debentures of Rs 100 each at Rs 98 per debenture for immediate cancellation.

Ignore entries for Debenture Redemption Reserve, Debenture Redemption Investments and Interest.

[6 marks]

Solution:

Concept:

- Debentures are credited at face value. Loss on issue equals the discount allowed on issue plus the premium payable on redemption.
- On conversion, divide the amount payable to debentureholders by the issue price of each share; split the proceeds between share capital and securities premium.
- On cancellation of own debentures, the excess of their nominal value over their purchase cost is a capital profit transferred to Capital Reserve.

Step 1: (a) Pincel Ltd.: calculate the loss on issue The face value issued is Rs 2,70,000. The discount is $2,70,000 \times 5/100 =$ Rs $13,500$, so cash received is Rs 2,56,500. Redemption at 110% means a premium of Rs 27,000. Hence the total loss on issue is $13,500 + 27,000 =$ Rs $40,500$. The premium is recognised as a liability when the debentures are issued.

Journal of Pincel Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,56,500	
	Loss on Issue of Debentures A/c Dr.		40,500	
	To 12% Debentures A/c			2,70,000
	To Premium on Redemption of Debentures A/c			27,000
	(Being debentures issued at 5% discount, redeemable at a premium of 10%)			

Step 2: (b)(i) Ritel Ltd.: conversion into equity shares Each share has an issue price of $10 + 25\% \times 10 =$ Rs 12.50. Thus the number of shares issued is $7,50,000/12.50 = 60,000$. Share capital is $60,000 \times 10 =$ Rs $6,00,000$, and securities premium is $60,000 \times 2.50 =$ Rs $1,50,000$. Since the debentures were issued at par and no redemption premium is stated, only their face value is converted.

Journal of Ritel Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	14% Debentures A/c Dr.		7,50,000	
	To Debentureholders A/c			7,50,000
	(Being amount due on redemption transferred to debentureholders)			
	Debentureholders A/c Dr.		7,50,000	
	To Equity Share Capital A/c			6,00,000
	To Securities Premium Reserve A/c			1,50,000
	(Being 60,000 equity shares of Rs 10 each issued at a premium of 25% to debentureholders)			

Step 3: (b)(ii) Namex Ltd.: purchase and immediate cancellation The nominal value cancelled is $5,000 \times 100 =$ Rs $5,00,000$. The purchase cost is $5,000 \times 98 =$ Rs $4,90,000$. The difference, Rs 10,000, is profit on cancellation. The own-debentures account records the purchase at cost and is closed immediately on cancellation.

Journal of Namex Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Own Debentures A/c Dr.		4,90,000	
	To Bank A/c			4,90,000
	(Being 5,000 own debentures purchased at Rs 98 each for cancellation)			
	12% Debentures A/c Dr.		5,00,000	
	To Own Debentures A/c			4,90,000
	To Profit on Cancellation of Debentures A/c			10,000
	(Being own debentures cancelled and capital profit recognised)			
	Profit on Cancellation of Debentures A/c Dr.		10,000	
	To Capital Reserve A/c			10,000
	(Being capital profit transferred to Capital Reserve)			

Step 4: Conclusion Pincel Ltd. records a loss on issue of Rs 40,500; Ritel Ltd. issues 60,000 equity shares; and Namex Ltd. transfers the cancellation profit of Rs 10,000 to Capital Reserve.

Quick Tip to Solve: For conversion, divide by the share issue price including premium, whereas share capital is credited only with the face value.

15. Give the necessary journal entries for the following transactions on dissolution of the firm of Aman and Rajat on 31st March, 2016, after the transfer of various assets (other than cash) and the third party liabilities to Realisation Account. They shared profits and losses in the ratio of 2 : 1.

(a) There was a bill of exchange of Rs 10,000 under discount. The bill was received from Derek who became insolvent.

(b) Bills payable of Rs 30,000 falling due on 30th April, 2016 were discharged at Rs 29,550.

(c) Creditors of Rs 30,000 took over stock of Rs 10,000 at 10% discount and the balance was paid to them in cash.

(d) There was an old typewriter which had been written off completely. It was estimated to realize Rs 600. It was taken away by Rajat at 25% less than the estimated price.

(e) Aman agreed to take over the responsibility of completing dissolution at an agreed remuneration of Rs 1,000 and to bear all realization expenses. Actual realisation expenses Rs 800 were paid by the firm.

(f) Loss on realization was Rs 54,000. [6 marks]

Solution:

Concept:

- After assets and outside liabilities are transferred to Realisation Account, actual cash settlements are entered through that account; a creditor taking an already transferred asset requires no separate entry.
- An unrecorded asset taken by a partner is debited to that partnerś capital and credited to Realisation

Account at the agreed value.

- Expenses paid by the firm on behalf of a partner who agreed to bear them are debited to that partnerś capital. Realisation loss is transferred to partners in their profit-sharing ratio.

Step 1: (a) Discounted bill becomes payable A discounted bill creates a contingent liability. Dereḱs insolvency makes the firm liable to reimburse the bank for Rs 10,000. As no recovery from Derek is stated, the payment is treated as a realisation loss.

Journal of Aman and Rajat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Realisation A/c Dr.		10,000	
	To Bank A/c			10,000
	(Being discounted bill dishonoured on Derek becoming insolvent and bank paid)			

Step 2: (b) Discharge the bills payable The bills payable have already been transferred to Realisation Account. Record only the cash paid, Rs 29,550. The difference of $30,000 - 29,550 = \text{Rs } 450$ is automatically a gain within Realisation Account; no separate discount entry is needed.

Journal of Aman and Rajat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Realisation A/c Dr.		29,550	
	To Bank A/c			29,550
	(Being bills payable settled before maturity)			

Step 3: (c) Settle creditors partly through stock The creditors accept stock at $10,000 \times 90/100 = \text{Rs } 9,000$. Therefore the cash balance payable is $30,000 - 9,000 = \text{Rs } 21,000$. Both stock and creditors have already been transferred to Realisation Account, so no separate entry is passed for stock taken over by creditors. Only the cash settlement is recorded.

Journal of Aman and Rajat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Realisation A/c Dr.		21,000	
	To Bank A/c			21,000
	(Being balance paid to creditors after stock taken over at Rs 9,000)			

Step 4: (d) Rajat takes the unrecorded typewriter The typewriter has no book value because it was completely written off. Its agreed takeover value is $600 \times 75/100 = \text{Rs } 450$. Debit Rajatś Capital Account because he receives the asset, and credit Realisation Account with this recovery of an unrecorded asset.

Journal of Aman and Rajat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Rajat's Capital A/c Dr.		450	
	To Realisation A/c			450
	(Being unrecorded typewriter taken over by Rajat at the agreed value)			

Step 5: (e) Remuneration and expenses borne by Aman The agreed remuneration of Rs 1,000 is a realisation expense payable to Aman. Actual expenses are his responsibility. Since the firm paid Rs 800 on his behalf, debit his capital account instead of charging Realisation Account again. The two

entries leave a net credit of Rs 200 in Amanś Capital Account for this arrangement.
Journal of Aman and Rajat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Realisation A/c Dr.		1,000	
	To Aman's Capital A/c			1,000
	(Being agreed remuneration credited to Aman for completing dissolution)			
31-3-2016	Aman's Capital A/c Dr.		800	
	To Bank A/c			800
	(Being expenses borne by Aman paid by the firm on his behalf)			

Step 6: (f) Transfer the realisation loss The given loss of Rs 54,000 is shared in the profit-sharing ratio of $2:1$. Aman bears $54,000 \times 2/3 =$ Rs $36,000$, and Rajat bears $54,000 \times 1/3 =$ Rs $18,000$. Their capital accounts are debited to absorb the loss and Realisation Account is credited to close it.
Journal of Aman and Rajat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2016	Aman's Capital A/c Dr.		36,000	
	Rajat's Capital A/c Dr.		18,000	
	To Realisation A/c			54,000
	(Being loss on realisation transferred to partners in the ratio of 2:1)			

Step 7: Conclusion The required entries record the settlements and recoveries; the final realisation loss is charged Rs 36,000 to Aman and Rs 18,000 to Rajat.

Quick Tip to Solve: Once assets and liabilities are in Realisation Account, avoid recording their transfer again; enter only cash paid or partner takeovers.

16. Nitro Paints Ltd. invited application for issuing 1,60,000 equity shares of Rs 10 each at a premium of Rs 3 per share. The amount was payable as follows :

On application - Rs 6 per share (including premium Rs 1)

On allotment - Rs 3 per share (including premium Rs 1) and

the balance - on first and final call.

Application for 1,80,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payment received on application was adjusted towards sums due on allotment. All calls were made and were duly received except allotment and final call from Aditya who was allotted 3,200 shares. His shares were forfeited. Half of the forfeited shares were re-issued for Rs 43,000 as fully paid up.

Pass necessary journal entries for the above transactions in the books of Nitro Paints Ltd. [8 marks]

Solution:

Concept:

- The issue price is Rs 13: capital Rs 10 and premium Rs 3. Application contains capital Rs 5 and premium Rs 1; allotment contains capital Rs 2 and premium Rs 1; the call contains capital Rs 3 and premium Rs 1.
- Excess application money is adjusted against allotment. At forfeiture, debit called-up capital and reverse premium due but not received; credit the unpaid instalments and the capital already received to Share Forfeiture.
- On reissue above face value, credit the excess to Securities Premium. Transfer only the forfeiture amount attributable to the shares actually reissued to Capital Reserve.

Step 1: Calculate the pro-rata adjustment After rejecting 10,000 applications, 1,70,000 applications receive 1,60,000 shares, a ratio of $17:16$. Application receipts are $1,80,000 \times 6 =$ Rs $10,80,000$; refunds are Rs 60,000. Application on allotted shares is Rs 9,60,000, comprising capital Rs 8,00,000 and premium Rs 1,60,000. The remaining Rs 60,000 is adjusted against allotment. Allotment due is Rs 4,80,000 and the first and final call is Rs 6,40,000.

Step 2: Find Aditya's default and forfeiture Aditya applied for $3,200 \times 17/16 = 3,400$ shares, paying Rs 20,400. Of this, Rs 19,200 relates to application on his allotment and Rs 1,200 adjusts allotment. His unpaid allotment is $3,200 \times 3 - 1,200 =$ Rs $8,400$; unpaid call is $3,200 \times 4 =$ Rs $12,800$. Unreceived premium is Rs 3,200 on allotment plus Rs 3,200 on call, totalling Rs 6,400. Capital received is $20,400 - 3,200 =$ Rs $17,200$, which is credited to Share Forfeiture. Thus allotment bank receipts are $4,80,000 - 60,000 - 8,400 =$ Rs $4,11,600$, and call receipts are Rs 6,27,200.

Step 3: Record application and allotment Journal of Nitro Paints Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		10,80,000	
	To Share Application A/c			10,80,000
	(Being application money received on 1,80,000 shares)			
	Share Application A/c Dr.		10,80,000	
	To Share Capital A/c			8,00,000
	To Securities Premium A/c			1,60,000
	To Share Allotment A/c			60,000
	To Bank A/c			60,000
	(Being application money transferred, excess adjusted and rejected applications refunded)			
	Share Allotment A/c Dr.		4,80,000	
	To Share Capital A/c			3,20,000
	To Securities Premium A/c			1,60,000
	(Being allotment due on 1,60,000 shares)			
	Bank A/c Dr.		4,11,600	
	To Share Allotment A/c			4,11,600
	(Being allotment received after adjustment except Aditya's Rs 8,400)			

Step 4: Record the call, forfeiture and reissue Journal of Nitro Paints Ltd. (call and forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		6,40,000	
	To Share Capital A/c			4,80,000
	To Securities Premium A/c			1,60,000
	(Being first and final call made)			
	Bank A/c Dr.		6,27,200	
	To Share First and Final Call A/c			6,27,200
	(Being call received except Rs 12,800 from Aditya)			
	Share Capital A/c Dr.		32,000	
	Securities Premium A/c Dr.		6,400	
	To Share Allotment A/c			8,400
	To Share First and Final Call A/c			12,800
	To Share Forfeiture A/c			17,200
	(Being 3,200 shares forfeited and unpaid premium reversed)			
	Bank A/c Dr.		43,000	
	To Share Capital A/c			16,000
	To Securities Premium A/c			27,000
	(Being 1,600 forfeited shares reissued fully paid)			
	Share Forfeiture A/c Dr.		8,600	
	To Capital Reserve A/c			8,600
	(Being forfeiture profit on half the shares transferred to capital reserve)			

Step 5: Conclusion On reissue of 1,600 shares, Securities Premium is credited with Rs 27,000 and Capital Reserve with Rs 8,600. The remaining Rs 8,600 stays in Share Forfeiture for the 1,600 shares not yet reissued.

Quick Tip to Solve: Split every instalment into capital and premium before forfeiture; here even the final call contains Rs 1 premium per share.

OR

16. Midee Ltd. invited applications for issuing 27,000 shares of Rs 100 each payable as follows :

Rs 50 - per share on application

Rs 10 - per share on allotment

Balance - on first and final call.

Applications were received for 40,000 shares. Full allotment was made to the applicants of 7,000 shares. The remaining applicants were allotted 20,000 shares on pro-rata basis. Excess money received on application was adjusted towards allotment and call.

Asha, holding 600 shares was belonged to the category of applicants to whom full allotment was made, paid the call money at the time of allotment. Ankur, who belonged to the category of applicants to whom shares were allotted on pro-rata basis did not pay anything after application on his 200 shares. Ankur's shares were forfeited after the first and final call. These shares were later reissued at Rs 105 per share as fully paid up.

Pass necessary journal entries in the books of Midee Ltd. for the above transactions, by opening calls in arrears and calls in advance accounts wherever necessary. [8 marks]

Solution:

Concept:

- Full allotment involves no excess application. For pro-rata applicants, excess application first satisfies allotment; the balance is a liability in Calls in Advance until the call becomes due.
- Calls in Arrears records unpaid amounts already due. Calls in Advance is debited when the related call becomes due, avoiding a second cash receipt.
- Forfeiture transfers capital received to Share Forfeiture. On reissue at a premium, credit the premium separately and transfer the full forfeiture balance when all forfeited shares are reissued.

Step 1: Allocate application money between categories Applications for 7,000 shares receive full allotment; applications for the remaining 33,000 shares receive 20,000 shares, giving $33 : 20$. Bank receives $40,000 \times 50 =$ Rs $20,00,000$. Application capital is $27,000 \times 50 =$ Rs $13,50,000$, leaving Rs 6,50,000 excess. For the pro-rata category, allotment of $20,000 \times 10 =$ Rs $2,00,000$ is adjusted first, and Rs 4,50,000 becomes Calls in Advance. The full-allotment category pays allotment of Rs 70,000.

Step 2: Calculate Asha's advance and Ankur's arrears Asha pays $600 \times 40 =$ Rs $24,000$ call money with allotment, making total Calls in Advance Rs 4,74,000 and bank receipts at allotment Rs 94,000. Ankur applied for $200 \times 33/20 = 330$ shares and paid Rs 16,500. Application capital on his 200 shares is Rs 10,000; excess Rs 6,500 meets allotment Rs 2,000 and provides Rs 4,500 advance towards the call. His call due is Rs 8,000, so arrears are only Rs 3,500. Total call due is $27,000 \times 40 =$ Rs $10,80,000$; bank receipts are $10,80,000 - 4,74,000 - 3,500 =$ Rs $6,02,500$.

Step 3: Record application and allotment Journal of Midee Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		20,00,000	
	To Share Application A/c			20,00,000
	(Being application received for 40,000 shares)			
	Share Application A/c Dr.		20,00,000	
	To Share Capital A/c			13,50,000
	To Share Allotment A/c			2,00,000
	To Calls in Advance A/c			4,50,000
	(Being application capital transferred and excess adjusted to allotment and future call)			
	Share Allotment A/c Dr.		2,70,000	
	To Share Capital A/c			2,70,000
	(Being allotment due on 27,000 shares)			
	Bank A/c Dr.		94,000	
	To Share Allotment A/c			70,000
	To Calls in Advance A/c			24,000
	(Being allotment cash received together with Asha's call in advance)			

Step 4: Record call and defaults Journal of Midee Ltd. (first and final call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		10,80,000	
	To Share Capital A/c			10,80,000
	(Being first and final call made at Rs 40 per share)			
	Calls in Advance A/c Dr.		4,74,000	
	To Share First and Final Call A/c			4,74,000
	(Being advance application surplus and Asha's advance adjusted against call)			
	Bank A/c Dr.		6,02,500	
	Calls in Arrears A/c Dr.		3,500	
	To Share First and Final Call A/c			6,06,000
	(Being remaining call received except Ankur's unpaid Rs 3,500)			

Step 5: Record forfeiture and reissue Journal of Midee Ltd. (forfeiture and reissue)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		20,000	
	To Calls in Arrears A/c			3,500
	To Share Forfeiture A/c			16,500
	(Being Ankur's 200 fully called shares forfeited)			
	Bank A/c Dr.		21,000	
	To Share Capital A/c			20,000
	To Securities Premium A/c			1,000
	(Being 200 shares reissued at Rs 105 each fully paid)			
	Share Forfeiture A/c Dr.		16,500	
	To Capital Reserve A/c			16,500
	(Being entire forfeiture profit transferred after reissue of all 200 shares)			

Step 6: Conclusion Ankurś calls in arrears are Rs 3,500; forfeiture credits Rs 16,500 to Share Forfeiture. Reissue creates Rs 1,000 securities premium and transfers Rs 16,500 to Capital Reserve. Calls in Advance is fully adjusted against the call.

Quick Tip to Solve: Ankurś excess application covers both allotment and part of the call; subtract his Rs 4,500 advance before calculating arrears.

17. The Balance Sheet of Madhu and Vidhi who are sharing profits in the ratio of 2 : 3 as at 31st March, 2016 is given below :

Liabilities	Amount	Assets	Amount
Madhu's Capital	5,20,000	Land & Building	3,00,000
Vidhi's Capital	3,00,000	Machinery	2,80,000
General Reserve	30,000	Stock	80,000
Bills payable	1,50,000	Debtors 3,00,000 Less : Provision 10,000	2,90,000
		Bank	50,000
	10,00,000		10,00,000

Madhu and Vidhi decided to admit Gayatri as a new partner from 1st April, 2016 and their new profit sharing ratio will be 2 : 3 : 5. Gayatri brought Rs 4,00,000 as her capital and her share of goodwill premium in cash.

(a) Goodwill of the firm was valued at Rs 3,00,000.

(b) Land and Building was found undervalued by Rs 26,000.

(c) Provision for doubtful debts was to be made equal to 5% of the debtors.

(d) There was a claim of Rs 6,000 on account of workmen compensation.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. [8 marks]

Solution:

Concept:

- At admission, accumulated reserves and revaluation profit belong to the old partners in their old ratio, here $2:3$.
- Goodwill premium compensates sacrificing partners. Sacrifice equals old share minus new share; an unrecorded liability is debited to Revaluation Account.

Step 1: Determine sacrifice and goodwill The new shares are $2/10, 3/10, 5/10$. Madhu sacrifices $2/5 - 2/10 = 1/5$, and Vidhi sacrifices $3/5 - 3/10 = 3/10$; hence the sacrificing ratio is $2:3$. Gayatri brings goodwill premium $3,00,000 \times 5/10 =$ Rs $1,50,000$, credited to Madhu and Vidhi as Rs 60,000 and Rs 90,000 respectively. Her capital of Rs 4,00,000 is separately credited to her own Capital Account. The premium is retained in the business; no withdrawal is stated.

Step 2: Prepare Revaluation Account Required provision is $3,00,000 \times 5\% =$ Rs $15,000$. Existing provision is Rs 10,000, so only the increase of Rs 5,000 is a revaluation expense. Recognise the workmen compensation claim of Rs 6,000 as a liability. Thus profit is $26,000 - 5,000 - 6,000 =$ Rs $15,000$, shared Rs 6,000 and Rs 9,000.

Revaluation Account

Dr.	Particulars	Rs	Particulars	Rs	Cr.
	To Provision for doubtful debts	5,000	By Land and Building	26,000	
	To Workmen compensation claim	6,000			
	To Madhu capital (profit)	6,000			
	To Vidhi capital (profit)	9,000			
	Total	26,000	Total	26,000	

Step 3: Prepare Partners Capital Accounts General Reserve of Rs 30,000 is distributed as Rs 12,000 to Madhu and Rs 18,000 to Vidhi. Each closing capital includes opening capital, reserve, goodwill premium and revaluation profit. Gayatri receives no share of the old reserve or pre-admission revaluation profit. All amounts below are in Rs.
Partners Capital Accounts

Dr.	Madhu	Vidhi	Gayatri	Cr.	Madhu	Vidhi	Gayatri
To Balance c/d	5,98,000	4,17,000	4,00,000	By Balance b/d	5,20,000	3,00,000	–
				By General reserve	12,000	18,000	–
				By Premium goodwill	60,000	90,000	–
				By Revaluation	6,000	9,000	–
				By Bank (capital)	–	–	4,00,000
Total	5,98,000	4,17,000	4,00,000	Total	5,98,000	4,17,000	4,00,000

Step 4: Prepare the reconstituted Balance Sheet Bank becomes $50,000 + 4,00,000 + 1,50,000 =$ Rs $6,00,000$. Land and Building is increased to Rs 3,26,000; debtors are shown net of the revised provision. Machinery and stock retain their book values. The compensation claim is outstanding, so bank is not reduced for it.
Balance Sheet of Madhu, Vidhi and Gayatri as at 1st April, 2016

Liabilities	Rs	Assets	Rs
Bills payable	1,50,000	Land and Building	3,26,000
Workmen compensation claim	6,000	Machinery	2,80,000
Partners capitals:		Stock	80,000
Madhu	5,98,000	Debtors: 3,00,000	
Vidhi	4,17,000	Less provision: 15,000	2,85,000
Gayatri	4,00,000	Bank	6,00,000
Total	15,71,000	Total	15,71,000

Step 5: Conclusion Revaluation profit is Rs 15,000. Closing capitals are Madhu Rs 5,98,000, Vidhi Rs 4,17,000 and Gayatri Rs 4,00,000; the Balance Sheet totals Rs 15,71,000.

Quick Tip to Solve: Charge only the increase in debt provision; keep Gayatriś goodwill premium separate from her capital contribution.

OR

17. Ativ, Meha and Nupur were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31-3-2016, their Balance Sheet was as under :

Liabilities	Amount	Assets	Amount
Trade creditors	26,500	Bank	25,000
Employees' Provident Fund	23,500	Debtors	30,000
Ativ's capital	1,00,000	Stock	55,000
Meha's capital	50,000	Fixed assets	1,20,000
Nupur's capital	40,000	Advertisement expenditure	10,000
	2,40,000		2,40,000

Ativ retired on 1-4-2016. For this purpose, the following adjustments were agreed upon :

(a) Goodwill of the firm was to be valued at 2 years' purchase of the average profits of 3 completed years preceding the date of retirement. The profits for previous years were : 2013-14 Rs 55,000; 2014-15 Rs 65,000; 2015-16 Rs 60,000.

(b) Fixed assets were to be increased by Rs 25,000.

(c) Stock was overvalued by Rs 5,000.

(d) Rs 20,000 were immediately paid to Ativ and the balance was transferred to his loan account.

Prepare Revaluation account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm. [8 marks]

Solution:

Concept:

- On retirement, revaluation profit and accumulated losses are divided among all old partners in the old ratio $5:3:2$. Advertisement expenditure is a deferred expense and must be written off.
- The retiring partner receives his share of goodwill from gaining partners. With no new ratio specified, continuing partners retain their relative ratio, here $3:2$.

Step 1: Calculate goodwill and gaining ratio Average profit is $(55,000 + 65,000 + 60,000)/3 =$ Rs $60,000$. Goodwill at two years purchase is Rs 1,20,000. Ativ share is $1,20,000 \times 5/10 =$ Rs $60,000$. Meha and Nupur continue in $3:2$. Their gains are $3/5 - 3/10 = 3/10$ and $2/5 - 2/10 = 2/10$, respectively. Accordingly, debit their capital accounts by Rs 36,000 and Rs 24,000 and credit Ativ by Rs 60,000. Goodwill is adjusted through capitals without creating a goodwill asset.

Step 2: Prepare Revaluation Account Increase fixed assets by Rs 25,000 and reduce stock by Rs 5,000. Revaluation profit is $25,000 - 5,000 =$ Rs $20,000$. In the old ratio $5:3:2$, Ativ, Meha and Nupur receive Rs 10,000, Rs 6,000 and Rs 4,000 respectively. Neither the payment to Ativ nor the goodwill adjustment is a revaluation expense.

Revaluation Account

Dr.	Particulars	Rs	Particulars	Rs	Cr.
	To Stock	5,000	By Fixed assets	25,000	
	To Ativ capital (profit)	10,000			
	To Meha capital (profit)	6,000			
	To Nupur capital (profit)	4,000			
	Total	25,000	Total	25,000	

Step 3: Prepare Partners Capital Accounts Write off advertisement expenditure of Rs 10,000 in the old ratio: Ativ Rs 5,000, Meha Rs 3,000 and Nupur Rs 2,000. Ativ final entitlement is $1,00,000 - 5,000 + 10,000 + 60,000 =$ Rs $1,65,000$. After the immediate payment of Rs 20,000, the balance Rs 1,45,000 is transferred to Ativ Loan Account. Meha closes at $50,000 - 3,000 + 6,000 - 36,000 =$ Rs $17,000$; Nupur closes at $40,000 - 2,000 + 4,000 - 24,000 =$ Rs $18,000$. All amounts below are in Rs.
Partners Capital Accounts

Dr.	Ativ	Meha	Nupur	Cr.	Ativ	Meha	Nupur
To Advertisement	5,000	3,000	2,000	By Balance b/d	1,00,000	50,000	40,000
To Ativ (goodwill)	–	36,000	24,000	By Revaluation	10,000	6,000	4,000
To Bank	20,000	–	–	By Meha (goodwill)	36,000	–	–
To Ativ loan	1,45,000	–	–	By Nupur (goodwill)	24,000	–	–
To Balance c/d	–	17,000	18,000				
Total	1,70,000	56,000	44,000	Total	1,70,000	56,000	44,000

Step 4: Prepare the reconstituted Balance Sheet Bank after settlement is $25,000 - 20,000 =$ Rs $5,000$. Stock is Rs 50,000 and fixed assets Rs 1,45,000. Advertisement expenditure is eliminated. Employees Provident Fund is a liability to employees and remains payable; it is not distributed to partners. Ativ loan is presented separately from the continuing partners capitals.
Balance Sheet of Meha and Nupur as at 1st April, 2016

Liabilities	Rs	Assets	Rs
Trade creditors	26,500	Bank	5,000
Employees Provident Fund	23,500	Debtors	30,000
Ativ loan	1,45,000	Stock	50,000
Meha capital	17,000	Fixed assets	1,45,000
Nupur capital	18,000		
Total	2,30,000	Total	2,30,000

Step 5: Conclusion Ativ receives Rs 20,000 in cash and Rs 1,45,000 is transferred to his loan. Meha and Nupur capitals are Rs 17,000 and Rs 18,000; the Balance Sheet totals Rs 2,30,000.

Quick Tip to Solve: Write off advertisement expenditure before settling Ativ; debit goodwill only to the gaining partners in their gaining ratio.

Part B (20 marks)

Option – I (Analysis of Financial Statements)

18. Cash Flow Statement shows inflows and outflows of 'Cash' and 'Cash Equivalents' from various activities of an enterprise during a particular period. Give the meaning of 'cash' for the purpose of preparing Cash Flow Statement. [1 mark]

Solution:

Concept:

- For a cash flow statement, cash denotes funds immediately available to the enterprise, rather than all items classified as current assets.
- Cash and cash equivalents are separately defined categories; the meaning of cash itself includes cash on hand and demand deposits with banks.

Step 1: Identify cash on hand Cash on hand comprises currency notes and coins held by the enterprise, including petty cash available for immediate payments.

Step 2: Identify bank balances included in cash Demand deposits with banks are balances withdrawable on demand. Thus, cash includes cash on hand and demand deposits with banks; short-term investments are considered separately under cash equivalents.

Step 3: Conclusion $\boxed{\text{Cash} = \text{Cash on hand} + \text{Demand deposits with banks}}$.

Quick Tip to Solve: Remember the two elements of cash: money in hand and bank deposits withdrawable on demand.

19. Give an example of an activity, which is a financing activity for every type of enterprise. [1 mark]

Solution:

Concept:

- Financing activities change the size or composition of the owners' capital and borrowings of an enterprise.
- The classification depends on the nature of the transaction; raising borrowed capital finances every type of enterprise.

Step 1: Choose an activity that raises finance An enterprise may receive cash by obtaining a long-term bank loan. This increases both its cash balance and its outstanding borrowings.

Step 2: Classify the cash flow Since receipt of the loan changes the amount of borrowed capital, it is a financing cash inflow for every type of enterprise. It does not arise from selling goods or services, or from disposing of an investment.

Step 3: Conclusion An example is $\boxed{\text{Cash received by raising a long-term bank loan}}$.

Quick Tip to Solve: Use receipt or repayment of borrowed principal as a clear example of a financing activity.

20. From the following statement of Profit and Loss of Star Ltd., for the years ended 31st March, 2015 and 2016, prepare a common size statement.

Particulars	Note No.	2015-16 (Rs)	2014-15 (Rs)
Revenue from operations		25,00,000	20,00,000
Employee benefit expenses		10,00,000	7,00,000
Other expenses		2,00,000	3,00,000
Tax rate 40%			

[4 marks]

Solution:

Concept:

- A common size statement expresses each item as a percentage of revenue from operations for that same year: Item percentage $= \frac{\text{Item amount}}{\text{Revenue from operations}} \times 100$.
- Profit before tax equals revenue less expenses. Tax is 40% of profit before tax, and profit after tax equals profit before tax less tax.

Step 1: Calculate profit and tax for each year For 2015-16:

$$\text{Total expenses} = 10,00,000 + 2,00,000 = \text{Rs } 12,00,000,$$
$$\text{Profit before tax} = 25,00,000 - 12,00,000 = \text{Rs } 13,00,000,$$
$$\text{Tax} = 13,00,000 \times 40\% = \text{Rs } 5,20,000,$$
$$\text{Profit after tax} = 13,00,000 - 5,20,000 = \text{Rs } 7,80,000.$$

For 2014-15, total expenses are $7,00,000 + 3,00,000 = \text{Rs } 10,00,000$. Hence profit before tax is $20,00,000 - 10,00,000 = \text{Rs } 10,00,000$, tax is $10,00,000 \times 40\% = \text{Rs } 4,00,000$, and profit after tax is Rs $6,00,000$.

Step 2: Prepare the common size statement Revenue from operations is the base of 100% in each year. For example, employee benefit expenses in 2015-16 are $\frac{10,00,000}{25,00,000} \times 100 = 40\%$, whereas in 2014-15 they are $\frac{7,00,000}{20,00,000} \times 100 = 35\%$.

Star Ltd.: Common Size Statement of Profit and Loss
For the years ended 31st March, 2016 and 2015

Particulars	2015-16 (Rs)	2014-15 (Rs)	2015-16 (%)	2014-15 (%)
Revenue from operations	25,00,000	20,00,000	100.0	100.0
Expenses:				
Employee benefit expenses	10,00,000	7,00,000	40.0	35.0
Other expenses	2,00,000	3,00,000	8.0	15.0
Total expenses	12,00,000	10,00,000	48.0	50.0
Profit before tax	13,00,000	10,00,000	52.0	50.0
Tax expense (40% of profit)	5,20,000	4,00,000	20.8	20.0
Profit after tax	7,80,000	6,00,000	31.2	30.0

Step 3: Conclusion The common size statement shows profit after tax of 31.2% of revenue in 2015-16 and 30% in 2014-15.

Quick Tip to Solve: Calculate tax on profit before tax, then divide the tax amount by revenue to obtain its common size percentage.

21. (a) Classify the following items under Major Head and Sub-Head (if any) in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013.

(i) Capital Work in progress; and

(ii) Provision for warranties.

(b) State any two objectives of 'Analysis of Financial Statements'. [4 marks]

Solution:

Concept:

- Schedule III groups assets and liabilities under major heads and then under the appropriate sub-heads. Capital expenditure on an asset still under construction is distinguished from an asset already ready for use.
- A provision recognises an obligation whose amount or timing is uncertain. Analysis of financial statements interprets the reported figures to assess the financial performance and position of a business.

Step 1: (a) Classify the two items The classifications in the company's Balance Sheet are as follows:

Item	Major head	Sub-head
Capital work in progress	Non-current assets	Fixed assets: Capital work in progress
Provision for warranties	Non-current liabilities	Long-term provisions

Capital work in progress represents expenditure on constructing or acquiring fixed assets which are not yet ready for their intended use; it is therefore shown separately from completed tangible assets. A warranty provision represents the estimated cost of meeting warranty obligations. Under the usual classification of the item in this question it is a long-term provision. Any portion expected to be settled within the current operating cycle or twelve months would instead be a short-term provision under current liabilities.

Step 2: (b) State two objectives of analysis of financial statements **1. Assess profitability and operating efficiency.** Analysis helps determine the firm's earning capacity and how efficiently it uses its resources. Comparing profits with revenue or capital employed, and studying changes over time, helps judge whether the operating performance is satisfactory.

2. Assess financial position and ability to pay obligations. Analysis helps evaluate short-term liquidity and long-term solvency. The relationship between current assets and current liabilities indicates the ability to meet near-term payments, while the relationship between debt, owners' funds and earnings helps assess long-term financial stability.

Step 3: Conclusion Capital work in progress is shown under Non-current assets–Fixed assets, and provision for warranties under Non-current liabilities–Long-term provisions. Two objectives of financial statement analysis are to assess profitability and operating efficiency, and to assess liquidity and solvency.

Quick Tip to Solve: Separate an asset still under construction from completed fixed assets; distinguish a provision's nature from the time at which it is expected to be settled.

22. (a) Net profit after interest and tax Rs 1,00,000; Current assets Rs 4,00,000; Current liabilities Rs 2,00,000; Tax rate 20%; Fixed assets Rs 6,00,000; 10% Long term debt Rs 4,00,000.

Calculate Return on Investment.

(b) Rate of Gross profit on cost of a company is 25%. Its Gross profit is Rs 5,00,000. Its shareholders' Funds are Rs 12,00,000; Current liabilities are Rs 3,00,000 and Current Assets are Rs 10,00,000.

Calculate its Working Capital Turnover ratio. [4 marks]

Solution:

Concept:

- Return on investment measures profit before interest and tax (PBIT) as a percentage of capital employed: $\text{ROI} = \dfrac{\text{PBIT}}{\text{Capital employed}} \times 100$. Capital employed equals fixed assets plus current assets less current liabilities.
- Working capital turnover ratio equals revenue from operations divided by working capital, where working capital is current assets less current liabilities. Gross profit on cost must first be used to find cost of revenue from operations, and then revenue.

Step 1: (a) Find profit before interest and tax Net profit after tax is the profit remaining after deducting tax from profit before tax. Since the tax rate is 20%, the given Rs 1,00,000 is 80% of profit before tax:

$$\text{Profit before tax} = \frac{1,00,000}{0.80} = \text{Rs } 1,25,000,$$

$$\text{Interest on long-term debt} = 4,00,000 \times \frac{10}{100} = \text{Rs } 40,000,$$

$$\text{PBIT} = 1,25,000 + 40,000 = \text{Rs } 1,65,000.$$

Interest is added back because the return is measured on all capital employed, including the funds provided by long-term lenders.

Step 2: (a) Calculate capital employed and ROI Current liabilities are deducted from total assets to obtain the long-term capital employed in the business:

$$\begin{aligned}\text{Capital employed} &= 6,00,000 + 4,00,000 - 2,00,000\\ &= \text{Rs } 8,00,000,\\ \text{ROI} &= \frac{1,65,000}{8,00,000} \times 100 = 20.625\%.\end{aligned}$$

The long-term debt is already included in capital employed as derived from assets less current liabilities; adding it again would double count it.

Step 3: (b) Derive revenue from the gross profit on cost The gross profit rate is based on cost, so gross profit is one-quarter of cost, rather than one-quarter of sales:

$$\begin{aligned}\text{Cost of revenue from operations} &= 5,00,000 \times \frac{100}{25}\\ &= \text{Rs } 20,00,000,\\ \text{Revenue from operations} &= 20,00,000 + 5,00,000\\ &= \text{Rs } 25,00,000.\end{aligned}$$

Step 4: (b) Calculate working capital turnover ratio

$$\text{Working capital} = 10,00,000 - 3,00,000 = \text{Rs } 7,00,000,$$
$$\text{Working capital turnover ratio} = \frac{25,00,000}{7,00,000} = \frac{25}{7} \approx 3.57 \text{ times}.$$

Shareholders' funds are not needed here because working capital can be obtained directly from current assets and current liabilities. The ratio compares revenue with the net funds tied up in current assets.

Step 5: Conclusion (a) Return on investment is $\boxed{20.625\%}$, or approximately 20.63%. (b) Working capital turnover ratio is $\boxed{3.57 \text{ times}}$.

Quick Tip to Solve: Gross profit of 25 percent on cost means sales are 125 percent of cost; recover profit before tax by dividing after-tax profit by 0.80.

23. Calculate Cash Flows from Investing Activities from the following information :

Particulars	31st March, 2015 (Rs)	31st March, 2014 (Rs)
Investments in Land	13,00,000	3,00,000
10% Long term Investments	1,50,000	2,00,000
Plant and Machinery	1,40,000	1,20,000
Goodwill	4,00,000	2,15,000

Additional Information :

A machine costing Rs 35,000 (depreciation provided thereon Rs 15,000) was sold for Rs 35,000. Depreciation charged during the year was Rs 45,000. [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire long-term assets and investments, and cash received on their disposal. Interest received on investments is an investing inflow for a non-financial enterprise.
- The carrying amount of machinery sold equals original cost less accumulated depreciation. Cash purchase of machinery is found by reconciling opening and closing carrying amounts, depreciation and disposals.

Step 1: Calculate purchases of land and goodwill There is no disposal or non-cash adjustment stated for land or goodwill. Their increases therefore represent cash purchases:

$$\text{Land purchased} = 13,00,000 - 3,00,000 = \text{Rs } 10,00,000,$$
$$\text{Goodwill purchased} = 4,00,000 - 2,15,000 = \text{Rs } 1,85,000.$$

Both amounts are investing cash outflows.

Step 2: Reconcile plant and machinery The carrying amount of the machine sold is $35,000 - 15,000 =$ Rs $20,000$. Its sale proceeds are Rs 35,000. The resulting profit of Rs 15,000 does not replace the cash proceeds in investing activities.

$$\begin{aligned} \text{Closing machinery} &= \text{Opening machinery} + \text{Purchases} \\ &\quad - \text{Carrying amount sold} - \text{Depreciation}, \\ 1,40,000 &= 1,20,000 + \text{Purchases} - 20,000 - 45,000, \\ \text{Purchases} &= \text{Rs } 85,000. \end{aligned}$$

Thus, machinery purchase is an outflow of Rs 85,000 and machinery sale is an inflow of Rs 35,000. Depreciation is a non-cash charge used only in this reconciliation.

Step 3: Calculate investment receipts The decrease in long-term investments gives sale proceeds of $2,00,000 - 1,50,000 =$ Rs $50,000$, since no gain, loss or additional purchase is specified. Interest on the opening 10% long-term investments is

$$\text{Interest received} = 2,00,000 \times \frac{10}{100} = \text{Rs } 20,000.$$

Both the sale proceeds and the interest received are investing inflows. No disposal date or accrued-interest adjustment is supplied; the annual interest is therefore calculated on the opening investment balance.

Step 4: Prepare cash flows from investing activities Cash Flows from Investing Activities for the year ended 31st March, 2015

Particulars	Amount (Rs)
Sale of long-term investments	50,000
Interest received on investments	20,000
Sale of machinery	35,000
Total investing cash inflows	1,05,000
Purchase of land	(10,00,000)
Purchase of plant and machinery	(85,000)
Purchase of goodwill	(1,85,000)
Total investing cash outflows	(12,70,000)
Net cash used in investing activities	(11,65,000)

Parentheses indicate cash outflows. The statement includes the full machinery sale receipt, while the profit on that sale and depreciation are not separate investing cash flows.

Step 5: Conclusion Net cash flow from investing activities is $-$Rs $11,65,000$, i.e. net cash used in investing activities is Rs 11,65,000.

Quick Tip to Solve: Use the carrying amount of the machine sold to find purchases, but show its actual sale proceeds in the cash flow statement.

Option – II (Computerized Accounting)

18. What is meant by 'Database' ? [1 mark]

Solution:

Concept:

- A database is an organised collection of logically related data, stored so that it can be accessed, managed and updated efficiently.
- The data describe a common activity or organisation and can be retrieved to meet different information requirements.

Step 1: Identify the essential feature A database stores related data in an organised structure. For example, an accounting database may hold customer details, invoices and receipts linked through customer codes.

Step 2: Explain its purpose This organisation allows users to retrieve, update and use the same data efficiently. It is the organised collection of data itself; the software used to manage it is called a database management system.

Step 3: Conclusion A database is an organised collection of logically related data that can be efficiently accessed, managed and updated.

Quick Tip to Solve: Include both related data and organised storage when defining a database; name the managing software separately.

19. Name any two software tools for organizing, processing and querying data in flexible manner. [1 mark]

Solution:

Concept:

- Database management software provides tools to organise stored data, process it and retrieve selected information through queries.
- A query selects information according to specified conditions, making the use of stored data flexible.

Step 1: Name the first tool Microsoft Access is a database management tool. It organises data into related tables and supports queries, forms and reports for processing and presenting information.

Step 2: Name the second tool Microsoft SQL Server is another database management tool. It stores and manages related data and uses SQL queries to retrieve, combine and process the information required by users.

Step 3: Conclusion Two such software tools are Microsoft Access and Microsoft SQL Server.

Quick Tip to Solve: Give names of database management software; a query language alone is not the name of a software package.

20. Name and explain the type of software which meets the requirements of large business organizations with multi-users and scattered locations.

[4 marks]

Solution:

Concept:

- Accounting software is selected according to the size of the organisation, the complexity of its operations and its reporting requirements.
- Tailor-made accounting software is developed specifically for an organisation, according to its own accounting and information requirements.

Step 1: Identify the software The required type is tailor-made accounting software. A large business with many users working at geographically scattered locations requires a system designed for its particular organisational structure, transactions and controls. A software developer prepares this software to the specifications of the business, rather than supplying only a standard package with fixed features.

Step 2: Explain how it serves the organisation Its database and processing facilities can be designed to accommodate the large volume of transactions and the number of users required by the business. Staff at different branches or locations can record and access authorised accounting information through the organisation's network. Access rights and controls can be designed according to the duties of different users, while the head office can obtain combined accounting information and reports for the organisation.

Step 3: Explain its special features and cost The software can incorporate the organisation's own account codes, procedures, report formats and links between departments or branches. Thus it closely matches complex and specialised requirements. However, its development, testing and maintenance involve considerable cost and time, and its use requires suitable training. These costs are justified where the scale and special needs of a large organisation cannot be adequately served by standard software.

Step 4: Conclusion Tailor-made accounting software meets the needs of large business organisations with multiple users and scattered locations because it is developed specifically for their operations and information requirements.

Quick Tip to Solve: Link a large organisation's unique multi-user and multi-location requirements to software developed specifically for that organisation: tailor-made software.

21. Explain any four advantages of computerized accounting software. [4 marks]

Solution:

Concept:

- Computerised accounting software processes accounting data through programmed procedures to produce ledgers, balances and financial reports.
- Its advantages arise from the rapid and consistent processing of correctly entered data and the

ready availability of accounting information.

Step 1: Speed Accounting software processes a large number of transactions much faster than manual accounting. Once a transaction is entered, the related posting, calculations and updating of balances can be performed automatically. Consequently, trial balances and financial statements can be prepared promptly, saving time and helping management obtain timely information.

Step 2: Accuracy The software carries out arithmetic calculations and posting according to programmed rules, reducing errors associated with manual addition, calculation and transfer of amounts. Validation checks can also detect certain invalid entries. This advantage depends on correct input and correct programming: software does not make an incorrectly entered transaction correct merely by processing it.

Step 3: Reliability For the same valid data and instructions, the software produces consistent results. It does not suffer from fatigue or loss of concentration while performing repetitive accounting work. Properly maintained software therefore provides dependable processing even when the volume of accounting work is large, subject to suitable controls over data and system access.

Step 4: Up-to-date information When transactions are entered regularly, the related accounts and balances are updated automatically. Users can obtain current information about matters such as cash, debtors and creditors without waiting for the entire manual accounting cycle to be completed. This helps managers monitor operations and make decisions using timely accounting reports.

Step 5: Conclusion Four advantages of computerised accounting software are speed, accuracy, reliability and the availability of up-to-date accounting information.

Quick Tip to Solve: State four distinct advantages, then explain the effect of each on accounting work; qualify accuracy by remembering that the input must be correct.

22. What is meant by a "Form" ? How 'Split Form' is different from 'Simple Form' ? [4 marks]

Solution:

Concept:

- A form is a database object that provides a convenient, user-friendly interface for entering, viewing and editing records stored in an underlying table or query.
- The layout of a form controls how records are displayed. A Simple Form presents one record at a time, whereas a Split Form provides both Form view and Datasheet view together.

Step 1: Meaning and purpose of a form A **form** is a database object used to enter, display and modify data in a table or query through an organised screen. It contains controls such as labels, text boxes and buttons. Labels identify fields and text boxes display or accept their values. For example, an employee form may show employee code, employee name and salary in separately labelled boxes. The user can work with the record through these controls instead of locating each field directly in the table. A form provides the interface; the records remain stored in the underlying table.

Step 2: Explain a Simple Form A **Simple Form** displays the fields of one record at a time in Form view. For example, it may display the full details of employee E101. Navigation controls are used

to move to another employee's record. This arrangement is convenient for entering a new record or examining and editing the details of a particular record. It does not simultaneously present a datasheet containing many records within the same form window.

Step 3: Explain a Split Form and distinguish its two views A **Split Form** displays the same source data in two parts at the same time: a Form view and a Datasheet view. The Form view shows the fields of the selected record, while the Datasheet view shows several records in rows and fields in columns. The two parts are synchronised: selecting a record in the datasheet selects that record in the form, and an edit made through either editable view is reflected in the other. For example, selecting employee E105 in the datasheet displays E105's details in the form part. Thus a Split Form combines quick browsing and record selection with convenient detailed entry or editing. In contrast, a Simple Form provides only the single-record Form view.

Step 4: Conclusion A form is an interface for entering, viewing and editing database records. A Simple Form shows one record at a time; a Split Form simultaneously shows a synchronised Form view and Datasheet view of the same data.

Quick Tip to Solve: Remember the distinction by the number of simultaneous views: Simple Form has the record form; Split Form adds a synchronised datasheet.

23. Name the table which is an interactive way to quickly summarize large amounts of data. Also state its any five advantages. [6 marks]

Solution:

Concept:

- A Pivot Table is an interactive summary table that groups and aggregates a large dataset according to selected row fields, column fields and value fields.
- Changing the arrangement of fields changes the analytical view of the data without requiring the source records to be rewritten.

Step 1: Identify the interactive summary table The table is a **Pivot Table**. It summarises a large number of detailed records in a compact report. For example, a list containing date, region, product and sales amount can be summarised to show total sales for each product in each region. Product and region provide the categories, while sales amount is the value being aggregated. Its interactive nature allows the user to change the arrangement and examine a different aspect of the same data.

Step 2: Advantage 1: quick summarisation of large datasets A Pivot Table converts many individual records into meaningful category-wise summaries quickly. Instead of reading every sales transaction separately, the user can obtain totals for each product, department or region. This makes a large body of data easier to understand and reduces the manual work needed to prepare a summary report.

Step 3: Advantage 2: automatic calculations and totals It can calculate sums, counts, averages and other summary measures for the selected groups. It can also display subtotals and grand totals. For instance, the same source records can be used to report total sales or the number of transactions by region, without constructing separate manual calculations for every region.

Step 4: Advantage 3: flexible rearrangement of the report The user can move fields between row and

column areas to reorganise the presentation. A product-wise report can therefore be changed into a region-wise report, or the row and column categories can be interchanged. This pivoting allows the same dataset to be studied from different viewpoints without rewriting the original records.

Step 5: Advantage 4: convenient filtering and sorting Data can be filtered to include only relevant categories, and the resulting groups or values can be sorted. For example, the report may be restricted to a particular period or region, and products may be arranged by their total sales. This focuses attention on the information needed for a particular decision.

Step 6: Advantage 5: comparison and identification of patterns By placing related summaries together, a Pivot Table makes comparison between categories or periods easier. Monthly sales totals can reveal a rise or fall, and regional totals can show which region contributes most. Such comparisons help users identify trends and unusual results that may be difficult to see in a long list of transactions.

Step 7: Conclusion The required table is a **Pivot Table**. Its five advantages are quick summarisation, automatic calculations and totals, flexible rearrangement, convenient filtering and sorting, and easy comparison to identify patterns.

Quick Tip to Solve: State the name first, then give five distinct benefits; use a sales dataset to explain how each benefit helps the user analyse records.