CBSE Class 12 Accountancy Question Paper 2020 with Solution PDF-Set 67-1-3

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 comprises **two Parts – A and B**. There are **32** questions in the question paper. **All** questions are compulsory.

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

(iii) **Part B** has two options i.e. (1) Analysis of Financial Statements and (2) Computerized Accounting. You have to attempt only **one** of the given options.

(iv) **Heading of the option** opted must be written on the Answer-Book before attempting the questions of that particular **OPTION**.

(v) Question nos. **1 to 13** and **23 to 29** are very short answer type questions carrying **1** mark each.

(vi) Question nos. **14** and **30** are short answer type–I questions carrying **3** marks each.

(vii) Question nos. **15 to 18** and **31** are short answer type–II questions carrying **4** marks each.

(viii) Question nos. **19, 20** and **32** are long answer type–I questions carrying **6** marks each.

(ix) Question nos. **21** and **22** are long answer type–II questions carrying **8** marks each.

(x) Answers should be brief and to the point. The answer of each part should be written at one place.

(xi) There is no overall choice. However, an internal choice has been provided in **2** questions of three marks, **2** questions of four marks, **1** question of six marks and **2** questions of eight marks. You have to attempt only one of the choices in such questions.

(xii) However, separate instructions are given with each part and question, wherever necessary.

Part A (60 marks)

(Accounting for Not-for-Profit Organizations, Partnership Firms and Companies)

1. Give the meaning of 'Liability of Partnership' as a feature of partnership. [1 mark]

Solution:

Concept:

- The partners have unlimited liability for the debts and obligations of their firm.
- Liability is joint as well as several: a creditor may recover the firm's debt from all partners together or from any one partner.

Step 1: Explain the extent of liability A partner's liability is not restricted to the capital contributed to the firm. If the business assets are insufficient to pay its outside liabilities, the partners' personal assets can be used to meet the unpaid amount.

Step 2: Explain joint and several liability All partners are collectively responsible for the firm's obligations, and each partner is also individually responsible for the whole unpaid debt. Their internal profit-sharing agreement does not limit the rights of outside creditors.

Step 3: Conclusion Liability of partnership means that partners are jointly and severally liable, without limit, for the debts of the firm.

Quick Tip to Solve: Remember both features: liability extends to personal assets and is joint as well as several.

2. Red, Blue and White were partners in a firm sharing profits in the ratio of 1 : 2 : 2. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2019. Their Balance Sheet as on that date showed a balance of ₹ 22,500 in Deferred Revenue Expenditure Account. The amount to be debited respectively to the capital accounts of Red, Blue and White for writing off Deferred Revenue Expenditure will be : [1 mark]

(A) ₹ 7,500, ₹ 7,500, and ₹ 7,500

(B) ₹ 4,500, ₹ 9,000, and ₹ 9,000

(C) ₹ 10,500, ₹ 7,500, and ₹ 4,500

(D) ₹ 11,250, Nil, and ₹ 11,250

Correct Answer: (B) ₹ 4,500, ₹ 9,000, and ₹ 9,000

Solution:

Concept:

- Deferred revenue expenditure is an accumulated loss belonging to the old partners.
- An accumulated loss is written off by debiting partners' capital accounts in the old profit-sharing ratio.

Step 1: Select the applicable ratio The expenditure arose before the change on 1st April, 2019. Therefore, use the old ratio $1:2:2$, whose total is 5, rather than the new ratio $7:5:3$.

Step 2: Calculate the individual debits Red: $22,500 \times 1/5 = \text{Rs } 4,500$; Blue: $22,500 \times 2/5 = \text{Rs } 9,000$;

White: $22,500 \times 2/5 = \text{Rs } 9,000$. These total Rs 22,500. Option (A) wrongly uses equal shares; (C) uses the new ratio; (D) does not allocate the loss to all old partners in their old shares.

Step 3: Conclusion The respective debits are Rs 4,500, Rs 9,000 and Rs 9,000. Hence, the correct option is (B).

Quick Tip to Solve: Write off accumulated losses in the old ratio before applying the changed profit-sharing ratio.

---

3. Sun and Star were partners in a firm sharing profits in the ratio of 2 : 1. Moon was admitted as a new partner in the firm. New profit sharing ratio was 3 : 3 : 2. Moon brought the following assets towards his share of goodwill and his capital :

Particulars	₹
Machinery	2,00,000
Furniture	1,20,000
Stock	80,000
Cash	50,000

If his capital is considered as ₹ 3,80,000, the goodwill of the firm will be : [1 mark]

(A) ₹ 70,000

(B) ₹ 2,80,000

(C) ₹ 4,50,000

(D) ₹ 1,40,000

Correct Answer: (B) ₹ 2,80,000

Solution:

Concept:

- An incoming partner's total contribution may include both capital and premium for goodwill.
- Total goodwill equals the incoming partner's premium divided by the incoming partner's share of profit.

Step 1: Find the premium for goodwill Total assets brought by Moon $= 2,00,000 + 1,20,000 + 80,000 + 50,000 = \text{Rs } 4,50,000$. His agreed capital is Rs 3,80,000, so the balance $4,50,000 - 3,80,000 = \text{Rs } 70,000$ is his premium for goodwill.

Step 2: Calculate goodwill of the whole firm Moon's new profit share is $2/(3+3+2) = 1/4$. Thus firm's goodwill $= 70,000 \div (1/4) = \text{Rs } 2,80,000$. Option (A) gives only Moon's premium; (C) gives all assets contributed; (D) incorrectly doubles the premium instead of dividing by his one-fourth share.

Step 3: Conclusion Goodwill of the firm is Rs 2,80,000. Hence, the correct option is (B).

Quick Tip to Solve: First separate goodwill premium from capital; then scale the premium up using the new partner's share.

---

4. Diya, Riya and Tiya were partners sharing profits and losses in the ratio of 2 : 3 : 5. Tiya died on 28th November, 2019. Her share of profit was taken equally by Diya and Riya. Diya's share of profit in the new firm will be _____ . [1 mark]

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share gained from the deceased partner.
- An equal division of Tiya's share means each survivor gains one-half of her old share.

Step 1: Find Diya's gain Tiya's old share is $5/(2+3+5) = 5/10$. Since Diya and Riya take this share equally, Diya gains $(5/10) \times (1/2) = 1/4 = 5/20$.

Step 2: Add the gain to Diya's old share Diya's old share is $2/10 = 4/20$. Her new share is therefore $4/20 + 5/20 = 9/20$. As a check, Riya's new share is $3/10 + 1/4 = 11/20$; together these shares total one.

Step 3: Conclusion Diya's share of profit in the new firm is $\boxed{9/20}$.

Quick Tip to Solve: Divide only the deceased partner's share equally; the survivors' existing unequal shares remain their own.

5. A and B were partners in a firm sharing profits in the ratio of 3 : 2. C was admitted for 1/5th share in the profits, which he took 60% from A and remaining from B. Calculate the sacrificing ratio of A and B. [1 mark]

Solution:

Concept:

- Sacrificing ratio is the ratio in which the old partners surrender profit shares to the new partner.
- When the source of the new partner's share is stated, calculate each sacrifice directly from that share.

Step 1: Calculate the shares surrendered C receives $1/5$ of total profit. A supplies 60% of this, so A's sacrifice is $(1/5) \times (60/100) = 3/25$. The remaining 40% comes from B, whose sacrifice is $(1/5) \times (40/100) = 2/25$.

Step 2: Form and check the ratio The sacrifices are in the ratio $(3/25) : (2/25) = 3 : 2$. They add to $5/25 = 1/5$, exactly C's share. The given percentages apply to C's share, not to each old partner's original share.

Step 3: Conclusion The sacrificing ratio of A and B is $\boxed{3 : 2}$.

Quick Tip to Solve: When a new share is taken 60% and 40% from two partners, their sacrificing ratio is directly 60:40.

6. Rahul, Sahil and Jatin were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Rahul died on 15th October, 2017. At that time, the capitals of Sahil and Jatin after all the adjustments were ₹ 3,56,000 and ₹ 2,44,000 respectively. Sahil and Jatin decided to adjust their capital according to their new profit sharing ratio by opening current accounts. Calculate the new capitals of Sahil and Jatin. [1 mark]

Solution:

Concept:

- In the absence of a different agreement, continuing partners share future profits in their old relative ratio.
- Total adjusted capital is redistributed in the new profit-sharing ratio; current accounts absorb the differences.

Step 1: Determine the total and the new ratio After Rahul's death, Sahil and Jatin continue in their relative old ratio $3:2$. Their total adjusted capital is $3,56,000 + 2,44,000 =$ Rs $6,00,000$. Opening current accounts permits this total to remain unchanged.

Step 2: Calculate the revised capitals Sahil's capital $= 6,00,000 \times 3/5 =$ Rs $3,60,000$. Jatin's capital $= 6,00,000 \times 2/5 =$ Rs $2,40,000$. Sahil's current account is debited Rs 4,000 and Jatin's current account is credited Rs 4,000 to absorb the corresponding capital adjustments.

Step 3: Conclusion The new capitals are Sahil: Rs 3,60,000 and Jatin: Rs 2,40,000.

Quick Tip to Solve: Use the survivors' total capital and their relative profit shares; put adjustment differences in current accounts.

---

7. Piyush, Karan and Aarush were partners sharing profits in the ratio of 5 : 3 : 2. Piyush retired on 31st March, 2019. Balance in this Capital Account after all adjustments except goodwill was ₹ 7,10,000, but he was paid ₹ 8,00,000 including his share of goodwill. The amount credited to his Capital Account on account of goodwill was : [1 mark]

(A) ₹ 45,000

(B) ₹ 27,000

(C) ₹ 90,000

(D) ₹ 18,000

Correct Answer: (C) ₹ 90,000

Solution:

Concept:

- The amount settled with a retiring partner includes the adjusted capital balance and any additional goodwill credit.
- Goodwill credited equals total payment less the capital balance before goodwill adjustment.

Step 1: Compare the settlement and the capital balance Piyush's capital after all adjustments except goodwill is Rs 7,10,000. His final settlement is Rs 8,00,000, which includes goodwill. Hence the difference is attributable entirely to his share of goodwill.

Step 2: Compute and distinguish the alternatives Goodwill credit $= 8,00,000 - 7,10,000 =$ Rs $90,000$. No further multiplication by Piyush's $5/10$ share is needed: the difference already represents his own entitlement. Options (A), (B) and (D) apply unnecessary proportions to this difference.

Step 3: Conclusion Rs 90,000 is credited to Piyush's Capital Account for goodwill. Hence, the correct option is (C).

Quick Tip to Solve: When settlement includes goodwill, subtract the adjusted capital first; the difference is already the retiring partner's share.

---

8. Mona and Tina were partners in a firm sharing profits in the ratio of 3 : 2. Naina was admitted with 1/6th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be : [1 mark]

(A) Credited to Revaluation Account.

(B) Debited to Revaluation Account.

(C) Credited to old partner's Capital Account.

(D) Debited to old partner's Capital Account.

Correct Answer: (B) Debited to Revaluation Account.

Solution:

Concept:

- A specific reserve is first used against the related liability.
- The excess of the determined liability over its reserve is a revaluation loss.

Step 1: Calculate the uncovered claim The workmen's compensation liability is Rs 40,000, while the existing reserve is Rs 32,000. The uncovered amount is $40,000 - 32,000 =$ Rs $8,000$. The whole reserve is required, leaving no surplus for distribution.

Step 2: Identify the account and side The additional liability is a loss arising on revaluation and is debited to Revaluation Account. Option (A) would record a gain. Option (C) would distribute a reserve surplus, which does not exist. Option (D) bypasses Revaluation Account; the old partners bear the eventual net revaluation loss through the transfer of that account's balance.

Step 3: Conclusion The excess claim of Rs 8,000 is debited to Revaluation Account. Hence, the correct option is (B).

Quick Tip to Solve: Compare the claim with the specific reserve: only an excess claim becomes a debit in Revaluation Account.

---

9. Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of the partnership firm, Rohan's loan to the firm will be : [1 mark]

(A) Credited to Rohan's Capital Account.

(B) Debited to Realisation Account.

(C) Credited to Realisation Account.

(D) Credited to Bank Account.

Correct Answer: (D) Credited to Bank Account.

Solution:

Concept:

- A loan advanced by a partner to the firm is a separate liability, distinct from the partner's capital.
- Repayment of a partner's loan reduces the loan liability and reduces the firm's bank balance.

Step 1: Identify the treatment on dissolution Rohan's loan is settled separately after outside liabilities and before partners' capitals. It is not transferred to Realisation Account. Thus neither a debit nor a credit to Realisation Account records the settlement correctly.

Step 2: Apply the debit and credit rules On repayment, Rohan's Loan Account is debited because the liability decreases, and Bank Account is credited because money goes out. Option (A) incorrectly transfers the loan to capital; options (B) and (C) incorrectly use Realisation Account. The credit is therefore to Bank Account.

Step 3: Conclusion Rohan's loan is repaid by crediting Bank Account. Hence, the correct option is (D).

Quick Tip to Solve: Keep a partner's loan separate from capital and realisation; repayment debits the loan and credits bank.

10. Which of the following statements does not relate to 'Reserve Capital' : [1 mark]

(A) It is part of uncalled capital of a company.

(B) It cannot be used during the lifetime of a company.

(C) It can be used for writing off capital losses.

(D) It is part of subscribed capital.

Correct Answer: (C) It can be used for writing off capital losses.

Solution:

Concept:

- Reserve capital is the part of subscribed but uncalled share capital which a company resolves to call only on winding up.
- Capital reserve is a reserve arising from capital profits; it is distinct from reserve capital.

Step 1: Identify the nature of reserve capital Reserve capital remains uncalled during the company's lifetime. Therefore statements (A) and (B) correctly describe it. Since the shares have already been subscribed, the uncalled reserve portion is also included in subscribed capital; statement (D) is correct.

Step 2: Test the use stated in option (C) Writing off capital losses requires an available capital reserve, where its use is permitted. Reserve capital is not an accumulated profit or reserve available for this purpose: it is a restricted portion of uncalled share capital. Hence statement (C) does not describe reserve capital.

Step 3: Conclusion The correct option is (C): It can be used for writing off capital losses.

Quick Tip to Solve: Check the order of the words: reserve capital is uncalled share capital, while capital reserve arises from capital profits.

11. Name an item which is transferred to credit side of Realisation Account at the time of dissolution of partnership firm, but does not involve cash payment. [1 mark]

Solution:

Concept:

- On dissolution, the provision for doubtful debts is transferred to the credit of Realisation Account.
- A provision is an adjustment against an asset; transferring its balance does not require payment of cash.

Step 1: Identify the relevant balance Provision for doubtful debts is a credit balance related to debtors. When debtors are transferred at their gross amount to the debit of Realisation Account, the associated provision is transferred separately to its credit.

Step 2: Explain why no payment arises The transfer closes the provision account by debiting it and crediting Realisation Account. It is a book adjustment between accounts; neither Cash Account nor Bank Account is involved. Thus it satisfies both conditions stated in the question.

Step 3: Conclusion Provision for doubtful debts is such an item.

Quick Tip to Solve: For a non-cash credit to Realisation, think of a provision deducted from an asset in the old balance sheet.

12. Excess of issue price of a debenture over its face value is called _____ . [1 mark]

Solution:

Concept:

- A debenture issued above its face value is issued at a premium.
- The premium equals the issue price less the face value of the debenture.

Step 1: Compare the two amounts The face value is the nominal amount of the debenture. When the company receives an issue price exceeding that amount, the difference is a premium:

$$\text{Premium} = \text{Issue price} - \text{Face value}.$$

Step 2: Name the excess correctly The excess is called premium on issue of debentures and is credited

to Securities Premium Reserve. It is not interest, which is the periodic borrowing cost, or discount, which arises when the issue price is below face value.

Step 3: Conclusion The blank is premium on issue of debentures (securities premium).

Quick Tip to Solve: Above face value means premium; below face value means discount. Compare issue price with face value first.

13. Name an item that is never shown on the payment side of Receipts and Payments Account, but is shown on the debit side of the Income and Expenditure Account. [1 mark]

Solution:

Concept:

- Receipts and Payments Account records actual cash and bank receipts and payments only.
- Income and Expenditure Account follows accrual accounting and includes non-cash expenses for the year.

Step 1: Identify a non-cash expense Depreciation on fixed assets allocates the cost of using those assets over their useful lives. It is an expense of the accounting period and is therefore shown on the debit side of Income and Expenditure Account.

Step 2: Explain its absence from cash payments Charging depreciation does not itself involve a cash or bank payment, so depreciation never appears on the payment side of Receipts and Payments Account. Cash paid to purchase a fixed asset may appear there, but that payment is different from the annual depreciation charge.

Step 3: Conclusion Depreciation on fixed assets is such an item.

Quick Tip to Solve: Look for an expense without a cash outflow: depreciation belongs in Income and Expenditure, not Receipts and Payments.

14. How would the following items be treated while preparing the financial statements of a sports club ?

Particulars	Amount ₹
Prize Fund	44,000
Interest on Prize Fund Investments	6,000
Prizes Awarded	46,000
Match Expenses	64,000
Prize Fund Investments	44,000

[3 marks]

Solution:

Concept:

- Income relating to a specific fund is added to that fund, and expenditure for its specified purpose is deducted from it.
- A remaining specific fund is shown on the liabilities side of the Balance Sheet. Its investments are shown separately as an asset.
- Ordinary revenue expenses not covered by a specific fund are debited to Income and Expenditure Account.

Step 1: Adjust the Prize Fund Interest on Prize Fund Investments belongs to the Prize Fund. Add it to the opening fund, then deduct prizes awarded:

$$\text{Fund available} = 44,000 + 6,000 = 50,000,$$
$$\text{Closing Prize Fund} = 50,000 - 46,000 = 4,000.$$

Since the fund covers all prizes, no prize expenditure or related investment interest enters the general Income and Expenditure Account.

Step 2: Show the Balance Sheet treatment The remaining fund is a specific liability, while the investments continue as an asset at the given value. Interest earned is income and does not by itself increase the investment balance.

Balance Sheet extracts of the Sports Club

Liabilities	Rs	Assets	Rs
Prize Fund	44,000	Prize Fund Investments	44,000
Add: Interest	6,000		
Sub-total	50,000		
Less: Prizes awarded	46,000		
Closing Prize Fund	4,000		

Step 3: Treat Match Expenses No match fund or match income is specified. Match Expenses of Rs 64,000 are therefore a revenue expense of the club, debited in full to Income and Expenditure Account.

Income and Expenditure Account extract

Expenditure	Amount (Rs)
Match Expenses	64,000

Step 4: Conclusion Show Prize Fund Rs 4,000 as a liability and Prize Fund Investments Rs 44,000 as an asset. Debit Match Expenses Rs 64,000 to Income and Expenditure Account.

Quick Tip to Solve: First match each fund with its own income and expense; only an uncovered excess or an unrelated expense reaches general income and expenditure.

OR

14. From the following information of a charitable dispensary, calculate the amount of medicines consumed during the year that would appear in the Income and Expenditure Account for the year ending 31st March, 2019 :

Particulars	Amount ₹
Stock of medicines on 1.4.2018	60,000
Creditors for medicines 1.4.2018	40,000
Stock of medicines 31.3.2019	10,000
Creditors for medicines 31.3.2019	25,000
Advances for medicines 31.3.2019	22,000
Credit purchases of medicines during the year	2,76,000
Cash purchases of medicines during the year	46,500

[3 marks]

Solution:

Concept:

- Medicines consumed equals opening stock plus purchases during the year less closing stock.
- When credit purchases are already supplied, add them directly to cash purchases; creditors are needed only when deriving purchases from payments.
- An advance for medicines is an asset until medicines are received, so it is not added to the cost of medicines consumed.

Step 1: Calculate total purchases The question directly provides both credit purchases and cash purchases for the year. Therefore,

$$\begin{aligned}\text{Total purchases} &= \text{Credit purchases} + \text{Cash purchases} \\ &= 2,76,000 + 46,500 \\ &= 3,22,500.\end{aligned}$$

These are purchases of medicines, not merely payments to suppliers.

Step 2: Adjust for stocks Add opening stock because it is available for use this year, and deduct closing stock because it remains unused on 31st March, 2019.

Calculation of medicines consumed

Particulars	Amount (Rs)
Opening stock of medicines	60,000
Add: Credit purchases	2,76,000
Add: Cash purchases	46,500
Medicines available for consumption	3,82,500
Less: Closing stock of medicines	10,000
Medicines consumed	3,72,500

Step 3: Explain the remaining information Opening creditors of Rs 40,000 and closing creditors of Rs 25,000 relate to the settlement of suppliers. Adjusting the already stated credit purchases for these balances would incorrectly convert purchases toward payments. The advance of Rs 22,000 is for medicines not yet received and remains an asset. None of these three balances changes the above consumption calculation. The cost consumed is a revenue expense and is debited to Income and Expenditure Account for the year ended 31st March, 2019.

Step 4: Conclusion Medicines consumed, debited to Income and Expenditure Account, are Rs 3,72,500.

Quick Tip to Solve: When purchases are explicitly given, use them directly. Adjust creditors only if the question gives payments and purchases must be reconstructed.

15. Ram, Mohan and Sohan were partners sharing profits in the ratio of 2 : 1 : 1. Ram withdrew ₹ 3,000 every month and Mohan withdrew ₹ 4,000 every month. Interest on drawings @ 6% p.a. was charged, whereas the partnership deed was silent about interest on drawings.

Showing your working clearly, pass the necessary adjustment entry to rectify the error. [4 marks]

Solution:

Concept:

- When the partnership deed is silent, interest on drawings cannot be charged. Reverse both the wrongful charge and the extra profit distributed because of it.
- For equal monthly drawings with no dates specified, use an average period of six months. Distribute the reversal of extra profit in the ratio $2 : 1 : 1$.

Step 1: Calculate the interest wrongly charged Working Notes: Ram's annual drawings are $3,000 \times 12 = \text{Rs } 36,000$, and Mohan's are $4,000 \times 12 = \text{Rs } 48,000$. As the withdrawal dates are unspecified, the usual average period is six months.

$$I_R = 36,000 \times \frac{6}{100} \times \frac{6}{12} = \text{Rs } 1,080,$$
$$I_M = 48,000 \times \frac{6}{100} \times \frac{6}{12} = \text{Rs } 1,440.$$

Thus Rs 2,520 was wrongly credited to the Profit and Loss Appropriation Account. Ram must receive

back Rs 1,080 and Mohan Rs 1,440.

Step 2: Determine the net adjustment The wrongly charged interest increased divisible profit by Rs 2,520. Reverse its distribution by debiting Ram, Mohan and Sohan in their profit-sharing ratio:

$$\text{Ram} : 2,520 \times \frac{2}{4} = \text{Rs } 1,260,$$
$$\text{Mohan} : 2,520 \times \frac{1}{4} = \text{Rs } 630,$$
$$\text{Sohan} : 2,520 \times \frac{1}{4} = \text{Rs } 630.$$

Ram's net debit is $1,260 - 1,080 = \text{Rs } 180$. Mohan's net credit is $1,440 - 630 = \text{Rs } 810$. Sohan has only a debit of Rs 630. Net debits total Rs 810 and equal the net credit.

Step 3: Pass the rectifying journal entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Ram's Capital A/c Dr.		180	
	Sohan's Capital A/c Dr.		630	
	To Mohan's Capital A/c			810
	(Being interest on drawings wrongly charged and the related profit distribution rectified)			

Capital accounts are used because fixed capitals are not specified. The combined entry removes the entire effect of the error without reopening the appropriation account.

Step 4: Conclusion Debit Ram's Capital Account by Rs 180 and Sohan's Capital Account by Rs 630; credit Mohan's Capital Account by Rs 810.

Quick Tip to Solve: First refund the wrongful interest, then reverse its profit-sharing effect. Net these two adjustments partner by partner before writing the entry.

OR

15. Yadu, Vidu and Radhu were partners in a firm sharing profits in the ratio of 4 : 3 : 3. Their fixed capitals on 1st April, 2018 were ₹ 9,00,000, ₹ 5,00,000 and ₹ 4,00,000 respectively. On 1st November, 2018, Yadu gave a loan of ₹ 80,000 to the firm. As per the partnership agreement :

(i) The partners were entitled to an interest on capital @ 6% p.a.

(ii) Interest on partners' drawings was to be charged @ 8% p.a.

The firm earned profits of ₹ 2,53,000 (after interest on Yadu's loan) during the year 2018 – 19. Partners' drawings for the year amounted to Yadu : ₹ 80,000, Vidu : ₹ 70,000 and Radhu : ₹ 50,000.

Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2019. [4 marks]

Solution:

Concept:

- Interest on capital and the residual profit are appropriations of profit. Interest on drawings increases the amount available for appropriation.
- Interest on a partner's loan is a charge against profit. Since the given profit is after loan interest,

do not deduct it again. With fixed capitals, appropriations are transferred to current accounts.

Step 1: Calculate interest on capital and drawings Working Notes: All three fixed capitals remain unchanged throughout the year, so interest on capital is calculated for twelve months.

$$\text{Yadu} : 9,00,000 \times 6\% = \text{Rs } 54,000,$$
$$\text{Vidu} : 5,00,000 \times 6\% = \text{Rs } 30,000,$$
$$\text{Radhu} : 4,00,000 \times 6\% = \text{Rs } 24,000.$$

Total interest on capital is Rs 1,08,000. Dates of drawings are not given, so use the standard average period of six months for the annual drawings:

$$\text{Yadu} : 80,000 \times 8\% \times \frac{6}{12} = \text{Rs } 3,200,$$
$$\text{Vidu} : 70,000 \times 8\% \times \frac{6}{12} = \text{Rs } 2,800,$$
$$\text{Radhu} : 50,000 \times 8\% \times \frac{6}{12} = \text{Rs } 2,000.$$

Total interest on drawings is Rs 8,000.

Step 2: Compute the residual profit The profit of Rs 2,53,000 already includes the deduction of interest on Yadu's loan. The loan is separate from capital, so it does not earn interest on capital and its interest is not charged again in this account.

$$\text{Residual profit} = 2,53,000 + 8,000 - 1,08,000 = \text{Rs } 1,53,000.$$

Distribute this amount in the agreed ratio $4:3:3$: Yadu receives $1,53,000 \times 4/10 = \text{Rs } 61,200$; Vidu and Radhu each receive $1,53,000 \times 3/10 = \text{Rs } 45,900$.

Step 3: Prepare the appropriation account

Profit and Loss Appropriation Account for the year ended 31st March, 2019

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Interest on Capital:		By Profit and Loss A/c	2,53,000
Yadu	54,000	By Interest on Drawings:	
Vidu	30,000	Yadu	3,200
Radhu	24,000	Vidu	2,800
To Profit transferred to:		Radhu	2,000
Yadu's Current A/c	61,200		
Vidu's Current A/c	45,900		
Radhu's Current A/c	45,900		
Total	2,61,000	Total	2,61,000

The account closes by distributing all the residual profit; therefore no balance is carried down. Current accounts receive the appropriations because the capitals are fixed.

Step 4: Conclusion The appropriation account totals Rs 2,61,000 on each side. Residual profit shares are Yadu Rs 61,200, Vidu Rs 45,900 and Radhu Rs 45,900.

Quick Tip to Solve: Add drawings interest to profit, deduct capital interest, then apply 4:3:3. Do not deduct Yadu's loan interest again from the profit already given after that charge.

16. Aif, Tee and Bee were partners in a firm sharing profits in the ratio of 3 : 2 : 1. The firm closes its books on 31st March every year. Tee died on 31st May, 2019. It was agreed that the deceased partner's executors will be entitled to :

(i) His capital, which was ₹ 8,00,000.

(ii) His share of profit till the date of death to be calculated on the basis of average profits of last 3 years. The average profits for last three years were ₹ 72,000.

(iii) His share of goodwill. Goodwill of the firm was valued at ₹ 1,08,000.

(iv) ₹ 40,000 was paid to his executor immediately and the balance was paid in two equal half-yearly instalments along with interest @ 6% p.a. from the date of death.

Prepare Tee's Capital Account to be presented to his executors on the date of death. [4 marks]

Solution:

Concept:

- A deceased partner is credited with the capital standing to his credit, his share of profit up to death and his share of the firm's goodwill.
- Tee's profit share is $2/(3+2+1) = 1/3$. Profit up to death is estimated for the period after the last financial year-end; interest on the executor's unpaid balance starts only after death.

Step 1: Calculate profit up to the date of death The books were last closed on 31st March, 2019. Tee died on 31st May, 2019, so the period is two months, April and May. The given Rs 72,000 is already the average annual profit and must not be divided by three again. Thus the estimated profit of the firm is $72,000 \times 2/12 = \text{Rs } 12,000$, and Tee's share is

$$12,000 \times \frac{2}{6} = \text{Rs } 4,000.$$

This amount is credited through Profit and Loss Suspense Account, since the current year's actual profit is not yet determined.

Step 2: Calculate goodwill and the amount due Tee's share of goodwill is $1,08,000 \times 2/6 = \text{Rs } 36,000$. Aif and Bee continue in their relative old ratio of $3:1$, which is also their gaining ratio. Their capital accounts are therefore debited by Rs 27,000 and Rs 9,000 respectively, while Tee's capital is credited by Rs 36,000. Tee's total entitlement is

$$8,00,000 + 4,000 + 36,000 = \text{Rs } 8,40,000.$$

After the immediate payment of Rs 40,000, Rs 8,00,000 is transferred to his executor's loan account.

Step 3: Prepare Tee's Capital Account as at 31st May, 2019 Tee's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Bank A/c	40,000	By Balance b/d	8,00,000
To Tee's Executor's Loan A/c	8,00,000	By Profit and Loss Suspense A/c	4,000
		By Aif's Capital A/c	27,000
		By Bee's Capital A/c	9,000
Total	8,40,000	Total	8,40,000

The entire capital balance is settled by payment and transfer to the executor's loan; consequently

no balance c/d remains in Tee's capital account. The later half-yearly instalments and their interest belong in the executor's loan account. No interest has accrued on the date of death itself, so none is entered in this capital account.

Step 4: Conclusion Tee's total capital entitlement is Rs 8,40,000. After paying Rs 40,000 immediately, Rs 8,00,000 is transferred to Tee's Executor's Loan Account.

Quick Tip to Solve: Count only April and May for profit up to death; keep interest on later instalments out of the capital account prepared on the death date.

---

17. Raunit Styles Ltd. was registered with a capital of ₹ 85,00,000 divided into equity shares of ₹ 100 each. The company invited applications for issuing 45,000 shares.

The amount was payable as ₹ 25 on application, ₹ 35 on allotment, ₹ 25 on first call and balance on final call.

Applications were received for 42,000 shares and allotment was made to all the applicants. Kavi, to whom 3,300 shares were alloted, failed to pay both the calls. His shares were forfeited.

Present the Share Capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013. [4 marks]

Solution:

Concept:

- Authorised capital is the registered ceiling; issued capital is the nominal value offered for subscription. Subscribed and fully paid-up capital includes only the shares remaining after forfeiture.
- The amount received on forfeited shares is disclosed separately under Share Capital. Once shares are forfeited, their unpaid calls are not deducted again as calls in arrears.

Step 1: Determine the share counts and called-up amount Authorised shares are $85,00,000/100 = 85,000$. The company issued 45,000 equity shares of Rs 100 each, giving issued capital of Rs 45,00,000. Applications and allotment cover only 42,000 shares; the remaining 3,000 offered shares are unsubscribed. The final call is $100 - 25 - 35 - 25 =$ Rs 15 per share. Both calls have been made, so all Rs 100 per allotted share has been called up.

Step 2: Calculate capital after forfeiture Kavi paid only application and allotment money, or $25 + 35 =$ Rs 60 per share. On 3,300 shares, the amount received and retained in Share Forfeiture Account is

$$3,300 \times 60 = \text{Rs } 1,98,000.$$

His unpaid calls total $3,300 \times (25 + 15) =$ Rs $1,32,000$. Forfeiture removes his entire called-up nominal capital of Rs 3,30,000. Consequently, shares remaining subscribed and fully paid are $42,000 - 3,300 = 38,700$, representing Rs 38,70,000. The retained Rs 1,98,000 is added separately to this figure; it is not the nominal value of the forfeited shares.

Step 3: Present the Balance Sheet extract and note Raunit Styles Ltd.

Balance Sheet (extract)

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share capital	1	40,68,000

Note 1: Share Capital

Particulars	Amount (Rs)
Authorised capital:	
85,000 equity shares of Rs 100 each	85,00,000
Issued capital:	
45,000 equity shares of Rs 100 each	45,00,000
Subscribed and fully paid-up capital:	
38,700 equity shares of Rs 100 each	38,70,000
Add: Forfeited shares (amount originally paid up)	1,98,000
Total Share Capital	40,68,000

There is no subscribed but not fully paid-up capital remaining after the forfeiture. No reissue is stated, so the forfeited amount remains disclosed under share capital. As a cross-check, the original nominal subscription of Rs 42,00,000 less unpaid calls of Rs 1,32,000 gives the same total of Rs 40,68,000.

Step 4: Conclusion Share Capital is shown at Rs 40,68,000, comprising Rs 38,70,000 subscribed and fully paid-up capital plus Rs 1,98,000 received on forfeited shares.

Quick Tip to Solve: After forfeiture, remove the defaulting shares from subscribed capital, then add only the cash already received on those forfeited shares.

18. Mona and Sona were partners in a firm sharing profits in the ratio of 2 : 3. On 31st March, 2019, their Balance Sheet was as under :

Balance Sheet of Mona and Sona as at 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capitals : Mona 4,00,000 Sona 6,00,000	10,00,000	Land and Building	6,00,000
		Stock	2,00,000
Employees' Provident Fund	2,00,000	Debtors 3,10,000 Less : Provision for bad debts 10,000	3,00,000
Creditors	2,10,000	Bank	3,10,000
	14,10,000		14,10,000

The firm was dissolved on 1st April, 2019 and the assets and liabilities were settled as follows :

(i) Half of the creditors accepted 50% of the stock. Remaining creditors were paid in full.

(ii) The remaining stock was realised at 90% and debtors realised 80% of their book value.

(iii) Sona took over the responsibility to realise the assets and discharge the liabilities at a remuneration of ₹ 20,000 and was to bear all expenses of realisation. She paid realisation expenses of ₹ 18,000 out of her personal account.

(iv) Land and Building realised ₹ 7,00,000.

Prepare Realisation Account. [4 marks]

Solution:

Concept:

- Transfer non-cash assets at gross book values to the debit of Realisation Account. Transfer outside liabilities and provision for doubtful debts to its credit; bank is excluded.
- Cash realisations are credited and cash settlement of liabilities is debited. Direct settlement of a creditor by a transferred asset needs no further entry.
- A partner bearing expenses personally receives only the agreed remuneration from the firm. Realisation profit is shared by Mona and Sona in their ratio $2:3$.

Step 1: Calculate cash realisations and payments Half the creditors, Rs 1,05,000, accept half the stock, whose book value is Rs 1,00,000. Both items have already been transferred, so their direct settlement requires no additional entry in Realisation Account. The other half of creditors is paid Rs 1,05,000. The employees' provident fund, an outside liability, is paid in full at Rs 2,00,000.

$$\begin{aligned}\text{Remaining stock realised} &= 1,00,000 \times 90\% = 90,000,\\ \text{Debtors realised} &= 3,10,000 \times 80\% = 2,48,000,\\ \text{Total bank receipts} &= 7,00,000 + 90,000 + 2,48,000\\ &= \text{Rs } 10,38,000.\end{aligned}$$

Debtors are transferred at the gross amount, Rs 3,10,000, and the Rs 10,000 provision is separately credited. Sona receives remuneration of Rs 20,000; the Rs 18,000 expenses paid personally are not charged again because she agreed to bear them.

Step 2: Prepare the Realisation Account **Realisation Account as at 1st April, 2019**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Land and Building	6,00,000	By Provision for bad debts	10,000
To Stock	2,00,000	By Employees' Provident Fund	2,00,000
To Debtors	3,10,000	By Creditors	2,10,000
To Bank (creditors)	1,05,000	By Bank (assets realised)	10,38,000
To Bank (provident fund)	2,00,000		
To Sona's Capital (remuneration)	20,000		
To Mona's Capital (profit)	9,200		
To Sona's Capital (profit)	13,800		
Total	14,58,000	Total	14,58,000

The balancing credit excess is Rs 23,000, transferred to partners' capital accounts: Mona receives $23,000 \times 2/5 = 9,200$ and Sona receives $23,000 \times 3/5 = 13,800$. Realisation Account closes after these transfers; no balance is carried forward.

Step 3: Conclusion Realisation profit is $\boxed{\text{Rs } 23,000}$, credited to Mona and Sona at Rs 9,200 and Rs 13,800 respectively.

Quick Tip to Solve: Use gross debtors for the transfer and collection calculation; credit the provision separately, and do not charge expenses borne personally by Sona.

19. (i) Vayee Ltd. purchased the following assets of E.X. Ltd. :

Land and Building of ₹ 60,00,000 at ₹ 84,00,000; Plant and Machinery of ₹ 40,00,000 at ₹ 36,00,000.

The purchase consideration was ₹ 1,10,00,000. Payment was made by accepting a Bill of Exchange in favour of E.X. Ltd. of ₹ 20,00,000 and remaining by issue of 8% debentures of ₹ 100 each at a premium of 20%.

Record the necessary journal entries for the above transactions in the books of Vayee Ltd.

(ii) Zed Ltd. issued 2,00,000, 8% debentures of ₹ 100 each at a discount of 6% redeemable at a premium of 10% after 5 years. The amount was payable as follows :

On application – ₹ 50 per debenture and

On allotment – balance

Record the necessary journal entries for the issue of debentures in the books of Zed Ltd. [6 marks]

Solution:

Concept:

- Assets purchased are recorded at agreed values. Excess net assets over purchase consideration is Capital Reserve; purchase consideration is the amount owed to the vendor.
- Debentures issued at a premium settle the liability at issue price, while Debentures Account records face value and Securities Premium Reserve records the excess.
- Loss on Issue of Debentures includes the issue discount and redemption premium. Application and allotment receipts together equal the discounted issue price.

Step 1: Part (i): Determine consideration and number of debentures Agreed asset values total $84,00,000 + 36,00,000 =$ Rs $1,20,00,000$. The stated historical book values in E.X. Ltd.'s books do not determine Vayee Ltd.'s purchase entry. Capital reserve is $1,20,00,000 - 1,10,00,000 =$ Rs $10,00,000$. After the bill of Rs 20,00,000, the balance owed is Rs 90,00,000. Each debenture settles Rs $100 + 20 = 120$, so the number issued is $90,00,000/120 = 75,000$. Face value is Rs 75,00,000 and securities premium is Rs 15,00,000.

Step 2: Part (i): Record Vayee Ltd. journal entries **Journal of Vayee Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Land and Building A/c Dr. Plant and Machinery A/c Dr. To E.X. Ltd. To Capital Reserve A/c (Being assets purchased at agreed values and capital reserve recognised)		84,00,000 36,00,000	 1,10,00,000 10,00,000
	E.X. Ltd. Dr. To Bills Payable A/c To 8% Debentures A/c To Securities Premium Reserve A/c (Being vendor settled by bill and 75,000 debentures issued at 20% premium)		1,10,00,000	 20,00,000 75,00,000 15,00,000

Step 3: Part (ii): Calculate application, allotment and loss For 2,00,000 debentures, face value is Rs 2,00,00,000. The issue price is Rs 94 each, giving total proceeds Rs 1,88,00,000. Application money is $2,00,000 \times 50 =$ Rs $1,00,00,000$; the allotment instalment is Rs 44 each, or Rs 88,00,000. Discount

is Rs 12,00,000 and redemption premium is Rs 20,00,000. Thus Loss on Issue of Debentures is Rs 32,00,000. Recognise the redemption premium liability on issue even though redemption is due after five years.

Step 4: Part (ii): Record Zed Ltd. journal entries **Journal of Zed Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being application money received on 2,00,000 debentures)		1,00,00,000	1,00,00,000
	Debenture Application A/c Dr. To 8% Debentures A/c (Being application money transferred to Debentures Account)		1,00,00,000	1,00,00,000
	Debenture Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Being allotment due with 6% discount and 10% redemption premium recognised)		88,00,000 32,00,000	 1,00,00,000 20,00,000
	Bank A/c Dr. To Debenture Allotment A/c (Being allotment money received)		88,00,000	88,00,000

The two credits to 8% Debentures Account total Rs 2,00,00,000, equal to face value. Bank receipts total Rs 1,88,00,000, equal to 94% of that face value.

Step 5: Conclusion Vayee Ltd. issues 75,000 debentures and records capital reserve of Rs 10,00,000. Zed Ltd. receives Rs 1,88,00,000 and recognises loss on issue of Rs 32,00,000, including redemption premium of Rs 20,00,000.

Quick Tip to Solve: Divide the vendor balance by Rs 120, and for Zed subtract application Rs 50 from issue price Rs 94 to get allotment Rs 44.

OR

19. Mahesh Ltd. had issued 20,000, 10% debentures of ₹ 100 each. 8,000, 10% debentures were due for redemption on 31st March, 2019. The company had a balance of ₹ 4,40,000 in the Debenture Redemption Reserve Account on 31st March, 2018. The company invested the required amount in the Debenture Redemption Investment on 1st April, 2018.

Pass the necessary journal entries for redemption of debentures. Ignore the entries for interest on debentures. [6 marks]

Solution:

Concept:

- Debenture Redemption Reserve (DRR) is created out of divisible profits. Under the rule applicable to this question, the required DRR is 25% of the total nominal debenture capital before redemption.
- Debenture Redemption Investment (DRI) is 15% of the nominal value of debentures maturing during the year. Investment and redemption are separate transactions.
- When a part of the debentures is redeemed, the corresponding proportion of DRR is transferred to General Reserve.

Step 1: Calculate the reserve and investment requirements Total debenture capital is $20,000 \times$ Rs $100 =$ Rs $20,00,000$.

$$\begin{aligned} \text{Required DRR} &= 20,00,000 \times 25\% = \text{Rs } 5,00,000, \\ \text{Additional transfer} &= 5,00,000 - 4,40,000 = \text{Rs } 60,000, \\ \text{Redemption amount} &= 8,000 \times 100 = \text{Rs } 8,00,000, \\ \text{DRI} &= 8,00,000 \times 15\% = \text{Rs } 1,20,000. \end{aligned}$$

Only the deficiency in DRR is charged to profits, since the opening reserve is already available. The investment is made on 1st April, 2018, as stated in the question.

Step 2: Record the investment and additional reserve Journal of Mahesh Ltd. (amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
01.04.2018	Debenture Redemption Investment A/c Dr. To Bank A/c (Being required investment made for debentures due for redemption)		1,20,000	 1,20,000
31.03.2019	Surplus in Statement of Profit and Loss A/c Dr. To Debenture Redemption Reserve A/c (Being deficiency in DRR transferred from profits)		60,000	 60,000

Step 3: Record redemption and release of the corresponding reserve The investment is realised at its book value, since no different realisation amount is given. Redemption is at par because no redemption premium is specified.

Journal of Mahesh Ltd. (continued; amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.03.2019	Bank A/c Dr. To Debenture Redemption Investment A/c (Being investment realised at book value)		1,20,000	1,20,000
31.03.2019	10% Debentures A/c Dr. To Debentureholders A/c (Being 8,000 debentures due for redemption at par)		8,00,000	8,00,000
31.03.2019	Debentureholders A/c Dr. To Bank A/c (Being amount due paid to debentureholders)		8,00,000	8,00,000
31.03.2019	Debenture Redemption Reserve A/c Dr. To General Reserve A/c (Being proportionate DRR transferred after redemption)		2,00,000	2,00,000

The reserve released is $5,00,000 \times 8,000/20,000 =$ Rs $2,00,000$. Thus Rs 3,00,000 remains in DRR for the 12,000 debentures still outstanding. No debenture-interest entry is required.

Step 4: Conclusion DRI is Rs 1,20,000; additional DRR is Rs 60,000; Rs 8,00,000 is paid on redemption and Rs 2,00,000 is transferred from DRR to General Reserve.

Quick Tip to Solve: Use total debenture capital for DRR, but only the debentures maturing in the year for the 15% investment.

20. From the following Receipts and Payments Account of Samara Club, prepare an Income and Expenditure Account for the year ended 31st March, 2019.

Receipts and Payments Account of Samara Club for the year ended 31st March, 2019

Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d	9,000	By Rent	29,000
To Subscriptions : 2017 – 18 10,000 2018 – 19 52,000 2019 – 20 4,000	66,000	By Investments	20,000
		By Honorarium	4,000
		By Machinery (Purchased on 01.12.2018)	40,000
		By Balance c/d	14,600
To Sale of old furniture (Book value of ₹ 3,000)	3,600		
To Government Grants	25,000		
To Interest on Investments	4,000		
	1,07,600		1,07,600

Additional Information :

(i) The club had 60 members, each paying an annual subscription of ₹ 1,000. Subscriptions of ₹ 5,000 were still in arrears for the year 2017 – 18.

(ii) On 31st March, 2019 prepaid rent was ₹ 4,000.

(iii) Interest was accrued on investments amounting to ₹ 1,000.

(iv) The club had machinery amounting to ₹ 80,000 on 1st April, 2018. Depreciate machinery @ 10%

p.a. [6 marks]

Solution:

Concept:

- The Income and Expenditure Account follows accrual accounting: revenue income and revenue expenses belong to the year in which they accrue, irrespective of receipt or payment.
- Capital purchases, opening cash and closing cash are excluded. On sale of a fixed asset, only the profit or loss enters the Income and Expenditure Account.
- Depreciation on an addition is charged for the period the asset is held during the accounting year.

Step 1: Calculate subscription and other current-year income Subscription income for 2018–19 is $60 \times \text{Rs } 1,000 = \text{Rs } 60,000$. Of this, Rs 52,000 has been received and Rs 8,000 is outstanding. The Rs 10,000 collected for 2017–18 and Rs 4,000 received for 2019–20 do not form current-year income. The further Rs 5,000 still outstanding for 2017–18 is an old receivable, not income of 2018–19.

$$\text{Interest income} = 4,000 + 1,000 = \text{Rs } 5,000,$$
$$\text{Profit on furniture sale} = 3,600 - 3,000 = \text{Rs } 600.$$

The government grant of Rs 25,000 is revenue income because no specific capital purpose or restriction is stated. Include only Rs 600 profit from the furniture transaction; its Rs 3,000 book value represents recovery of capital.

Step 2: Calculate expenses and machinery depreciation The prepaid part of rent relates to a future period, so current rent expense is $29,000 - 4,000 = \text{Rs } 25,000$. Honorarium of Rs 4,000 is a revenue expense.

$$\text{Depreciation on opening machinery} = 80,000 \times 10\% = \text{Rs } 8,000,$$
$$\text{Depreciation on addition} = 40,000 \times 10\% \times \frac{4}{12}$$
$$= \text{Rs } 1,333.33,$$
$$\text{Total depreciation} = \text{Rs } 9,333.33.$$

Machinery purchased on 1st December is held for four months, December to March. The Rs 40,000 machinery purchase and Rs 20,000 investment purchase are capital payments and are excluded from expenses. The opening and closing cash balances are also excluded.

Step 3: Prepare the Income and Expenditure Account Income and Expenditure Account of Samara Club
for the year ended 31st March, 2019

Expenditure	Amount (Rs)	Income	Amount (Rs)
To Rent	25,000.00	By Subscriptions	60,000.00
To Honorarium	4,000.00	By Government grants	25,000.00
To Depreciation on machinery	9,333.33	By Interest on investments	5,000.00
To Surplus (excess of income over expenditure)	52,266.67	By Profit on sale of furniture	600.00
Total	90,600.00	Total	90,600.00

Total revenue expenditure is Rs 38,333.33. The balancing surplus is $90,600 - 38,333.33 = \text{Rs } 52,266.67$, to be added to the club's capital fund. Amounts involving recurring fractions are

rounded to two decimal places.

Step 4: Conclusion The club has a surplus of Rs 52,266.67 for the year ended 31st March, 2019.

Quick Tip to Solve: Calculate subscription from members times annual fee, and charge four months of depreciation on the December purchase.

21. Badal and Bijli were partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2019 was as follows :

Balance Sheet of Badal and Bijli as at 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capitals : Badal 1,50,000 Bijli 90,000	2,40,000	Building	1,50,000
		Investments	73,000
		Stock	43,000
Badal's Current A/c	12,000	Debtors	20,000
Investment Fluctuation Reserve	24,000	Cash	22,000
Bills Payable	8,000	Bijli's Current A/c	2,000
Creditors	26,000		
	3,10,000		3,10,000

Raina was admitted on the above date as a new partner for 1/6th share in the profits of the firm. The terms of agreement were as follows :

(i) Raina will bring ₹ 40,000 as her capital and capitals of Badal and Bijli will be adjusted on the basis of Raina's capital by opening current accounts.

(ii) Raina will bring her share of goodwill premium for ₹ 12,000 in cash.

(iii) The building was overvalued by ₹ 15,000 and stock by ₹ 3,000.

(iv) A provision of 10% was to be created on debtors for bad debts.

Prepare the Revaluation Account and Current and Capital Accounts of Badal, Bijli and Raina. [8 marks]

Solution:

Concept:

- Old partners share reserves and revaluation loss in the old ratio $3:2$. With no change specified between the old partners, Raina acquires her share from them in that ratio.
- Fixed capitals are adjusted through current accounts. Total capital equals the incoming partner's capital divided by her profit share; goodwill premium compensates the sacrificing partners.

Step 1: Determine the new ratio and capital requirements Raina receives $1/6$, leaving $5/6$ for Badal and Bijli. Their new shares are $(3/5)(5/6) = 1/2$ and $(2/5)(5/6) = 1/3$, respectively. Thus the new ratio is $3:2:1$, and the sacrificing ratio is $3:2$. Total capital is $40,000 \div (1/6) = \text{Rs } 2,40,000$. Hence the required capitals are Rs 1,20,000, Rs 80,000 and Rs 40,000. Transfer Badal's excess Rs 30,000 and Bijli's excess Rs 10,000 to their current accounts; these are transfers, not cash withdrawals.

Step 2: Record revaluation Building and stock must be reduced because they were overvalued. The provision is $20,000 \times 10\% =$ Rs $2,000$. Total revaluation loss is $15,000 + 3,000 + 2,000 =$ Rs $20,000$, borne by Badal and Bijli as Rs 12,000 and Rs 8,000. Since capitals are fixed, charge their current accounts.

Revaluation Account

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To Building	15,000	By Badal's Current A/c	12,000
To Stock	3,000	By Bijli's Current A/c	8,000
To Provision for doubtful debts	2,000		
Total	20,000	Total	20,000

Step 3: Distribute reserve and goodwill premium No fall in investments is specified, so distribute the entire investment fluctuation reserve of Rs 24,000 in the old ratio: Badal Rs 14,400 and Bijli Rs 9,600. Raina's goodwill premium Rs 12,000 is credited to the sacrificing partners: Badal Rs 7,200 and Bijli Rs 4,800. Her total cash contribution is $40,000 + 12,000 =$ Rs $52,000$. Credit only Rs 40,000 to her capital; goodwill belongs to the old partners.

Step 4: Prepare the capital accounts **Partners' Capital Accounts**

Dr.						Cr.	
Particulars	Badal	Bijli	Raina	Particulars	Badal	Bijli	Raina
To Current A/c	30,000	10,000	–	By Balance b/d	1,50,000	90,000	–
To Balance c/d	1,20,000	80,000	40,000	By Cash	–	–	40,000
Total	1,50,000	90,000	40,000	Total	1,50,000	90,000	40,000

Step 5: Prepare the current accounts Bijli's opening current balance is on the asset side and is therefore a debit balance. Badal's opening current balance is a credit. Raina has no current-account adjustment. All amounts in the following accounts are in Rs.

Partners' Current Accounts

Dr.						Cr.	
Particulars	Badal	Bijli	Raina	Particulars	Badal	Bijli	Raina
To Balance b/d	–	2,000	–	By Balance b/d	12,000	–	–
To Revaluation A/c	12,000	8,000	–	By Investment fluctuation reserve	14,400	9,600	–
To Balance c/d	51,600	14,400	–	By Goodwill premium	7,200	4,800	–
				By Capital A/c	30,000	10,000	–
Total	63,600	24,400	–	Total	63,600	24,400	–

Step 6: Conclusion Closing fixed capitals: Badal Rs 1,20,000, Bijli Rs 80,000 and Raina Rs 40,000. Closing current balances: Badal Rs 51,600 credit and Bijli Rs 14,400 credit; Raina nil. Revaluation loss is Rs 20,000.

Quick Tip to Solve: First calculate total capital from the incoming partner's share; transfer old partners' excess fixed capitals to their current accounts.

OR

21. Prem, Kumar and Aarti were partners sharing profits in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2019 was as under :

Balance Sheet of Prem, Kumar and Aarti as at 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capitals : Prem 30,000 Kumar 20,000 Aarti 20,000	70,000	Building	25,000
		Plant and Machinery	15,000
		Investment	10,000
		Debtors	10,000
General Reserve	8,000	Stock	5,000
Investment Fluctuation Reserve	2,000	Cash	25,000
Sundry Creditors	10,000		
	90,000		90,000

On the above date, Kumar retired. The terms of retirement were :

(i) Kumar sold his share of goodwill to Prem for ₹ 8,000 and to Aarti for ₹ 4,000.

(ii) Stock was found to be undervalued by ₹ 1,000 and building by ₹ 7,000.

(iii) Investments were sold for ₹ 11,000.

(iv) There was an unrecorded creditor of ₹ 7,000.

(v) An amount of ₹ 30,000 was paid to Kumar in cash which was contributed by Prem and Aarti in the ratio of 2 : 1. The balance amount of Kumar was settled by accepting a Bill of Exchange in favour of Kumar.

Prepare the Revaluation Account, Capital Accounts of partners and the Balance Sheet of the reconstituted firm.

[8 marks]

Solution:

Concept:

- Revaluation profit and existing reserves belong to all old partners in their old profit ratio $5:3:2$. Recognise an unrecorded liability as a revaluation loss.
- Goodwill compensation directly debits the gaining partners and credits the retiring partner. Settle his final balance first by cash and then by bills payable.

Step 1: Calculate the new shares and goodwill adjustment Kumar transfers his $3/10$ share to Prem and Aarti in the goodwill-payment ratio $8,000 : 4,000 = 2:1$. Prem gains $2/10$ and Aarti gains $1/10$, giving new shares $7/10$ and $3/10$. Debit Prem's capital Rs 8,000 and Aarti's capital Rs 4,000 and credit Kumar's capital Rs 12,000. No goodwill asset is raised.

Step 2: Prepare the revaluation account Stock increases by Rs 1,000 and building increases by Rs 7,000. The sale of investments at Rs 11,000 against book value Rs 10,000 earns Rs 1,000. Recognising the unrecorded creditor causes a loss of Rs 7,000. Net profit is $1,000+7,000+1,000-7,000 =$ Rs $2,000$.

Divide it as Rs 1,000, Rs 600 and Rs 400.

Revaluation Account

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To Unrecorded creditor	7,000	By Stock	1,000
To Prem's Capital A/c	1,000	By Building	7,000
To Kumar's Capital A/c	600	By Cash (investment profit)	1,000
To Aarti's Capital A/c	400		
Total	9,000	Total	9,000

Step 3: Distribute the reserves and settle Kumar The general reserve Rs 8,000 is divided into Rs 4,000, Rs 2,400 and Rs 1,600. Investments have been sold at a profit, so the full investment fluctuation reserve Rs 2,000 is available: distribute Rs 1,000, Rs 600 and Rs 400. Kumar's amount due is $20,000 + 2,400 + 600 + 600 + 12,000 =$ Rs $35,600$. After paying Rs 30,000 in cash, accept a bill for Rs 5,600. Prem contributes Rs 20,000 and Aarti Rs 10,000 in cash, credited to their respective capitals.

Step 4: Prepare the capital accounts All amounts below are in Rs. The goodwill debits represent the purchased share and are distinct from the cash introduced to finance the retirement payment.

Partners' Capital Accounts

Dr.							Cr.
Particulars	Prem	Kumar	Aarti	Particulars	Prem	Kumar	Aarti
To Goodwill adjustment	8,000	–	4,000	By Balance b/d	30,000	20,000	20,000
To Cash	–	30,000	–	By General reserve	4,000	2,400	1,600
To Bills payable	–	5,600	–	By Investment fluctuation reserve	1,000	600	400
To Balance c/d	48,000	–	28,400	By Revaluation A/c	1,000	600	400
				By Goodwill adjustment	–	12,000	–
				By Cash	20,000	–	10,000
Total	56,000	35,600	32,400	Total	56,000	35,600	32,400

Step 5: Prepare the reconstituted balance sheet Cash remaining is $25,000 + 11,000 + 20,000 + 10,000 - 30,000 =$ Rs $36,000$. Investments no longer appear because they have been sold. Creditors become $10,000 + 7,000 =$ Rs $17,000$; the bill accepted in settlement is a separate liability.

Balance Sheet of Prem and Aarti as at 31st March, 2019

Liabilities	Rs	Assets	Rs
Capitals:		Building	32,000
Prem	48,000	Plant and machinery	15,000
Aarti	28,400	Debtors	10,000
Bills payable	5,600	Stock	6,000
Sundry creditors	17,000	Cash	36,000
Total	99,000	Total	99,000

Step 6: Conclusion Revaluation profit is Rs 2,000. Kumar receives Rs 30,000 cash and a bill for Rs 5,600. Prem and Aarti's closing capitals are Rs 48,000 and Rs 28,400; the balance sheet totals Rs 99,000.

Quick Tip to Solve: Include the investment-sale proceeds in cash, but transfer only the Rs 1,000 gain to revaluation; distribute the unused reserve separately.

22. (i) R.P. Ltd. forfeited 1500 shares of Rahim of ₹ 10 each issued at a premium of ₹ 3 per share for non-payment of allotment and first call money. Rahim had applied for 3,000 shares. On these shares, amount was payable as follows :

On application – ₹ 3 per share

On allotment (including premium) – ₹ 5 per share

On first call – ₹ 3 per share

On final call – Balance

Final call has not been called up. 1,000 of the forfeited shares were reissued for ₹ 8,500 as fully paid-up.

Record the necessary journal entries for the above transactions in the books of R.P. Ltd.

(ii) Max Ltd. forfeited 500 shares of ₹ 100 each for non-payment of first call of ₹ 20 per share and final call of ₹ 25 per share. 250 of these shares were re-issued at ₹ 50 per share fully paid-up.

Pass the necessary journal entries in the books of Max Ltd. for forfeiture and re-issue of shares. Also prepare the Share Forfeiture Account. [8 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with called-up nominal capital; reverse only the unpaid securities premium. Credit unpaid instalments and the capital actually received to Share Forfeiture.
- Reissue discount is debited to Share Forfeiture. Transfer to Capital Reserve only the forfeiture profit relating to shares actually reissued.

Step 1: (i) Calculate Rahim's allotment arrears Rahim paid application money of $3,000 \times 3 = \text{Rs } 9,000$. Application required on 1,500 shares is Rs 4,500, leaving Rs 4,500 adjusted towards allotment. Allotment due is $1,500 \times 5 = \text{Rs } 7,500$, so its unpaid balance is Rs 3,000. The allotment capital portion is Rs 3,000; the excess application money covers this and Rs 1,500 premium. Thus unpaid premium is Rs 3,000. Called-up capital per share is $3 + 2 + 3 = \text{Rs } 8$, since the final call is uncalled. Capital received is $9,000 - 1,500 = \text{Rs } 7,500$, after excluding premium received.

Step 2: (i) Record forfeiture and reissue Journal of R.P. Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		12,000	
	Securities Premium Reserve A/c Dr.		3,000	
	To Share Allotment A/c			3,000
	To Share First Call A/c			4,500
	To Share Forfeiture A/c			7,500
	(Being 1,500 shares forfeited for unpaid allotment and first call)			
	Bank A/c Dr.		8,500	
	Share Forfeiture A/c Dr.		1,500	
	To Share Capital A/c			10,000
	(Being 1,000 forfeited shares reissued fully paid)			
	Share Forfeiture A/c Dr.		3,500	
	To Capital Reserve A/c			3,500
	(Being profit on reissued shares transferred)			

Forfeiture attributable to the 1,000 reissued shares is $7,500 \times 1,000/1,500 =$ Rs $5,000$. Reissue discount is $10,000 - 8,500 =$ Rs $1,500$; capital reserve is Rs 3,500. Rs 2,500 remains for the 500 unreissued shares.

Step 3: (ii) Calculate amounts and record entries Max Ltd. received $100 - 20 - 25 =$ Rs 55 capital per share. Forfeiture is $500 \times 55 =$ Rs $27,500$. Reissue discount is $250 \times (100 - 50) =$ Rs $12,500$, within the forfeiture available on those shares, Rs 13,750. The remaining profit is Rs 1,250.

Journal of Max Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		50,000	
	To Share First Call A/c			10,000
	To Share Final Call A/c			12,500
	To Share Forfeiture A/c			27,500
	(Being 500 shares forfeited for unpaid calls)			
	Bank A/c Dr.		12,500	
	Share Forfeiture A/c Dr.		12,500	
	To Share Capital A/c			25,000
	(Being 250 shares reissued fully paid at Rs 50 each)			
	Share Forfeiture A/c Dr.		1,250	
	To Capital Reserve A/c			1,250
	(Being profit on reissued shares transferred)			

Step 4: (ii) Prepare Share Forfeiture Account Share Forfeiture Account (Max Ltd.)

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share Capital	12,500	By Share Capital	27,500	
	To Capital Reserve	1,250			
	To Balance c/d	13,750			
	Total	27,500	Total	27,500	

The closing credit balance of Rs 13,750 belongs to the 250 unreissued shares and is carried forward; it is not transferred to Capital Reserve until those shares are reissued.

Step 5: Conclusion R.P. Ltd. transfers Rs 3,500 and Max Ltd. transfers Rs 1,250 to Capital Reserve. Max Ltd. carries forward Share Forfeiture of Rs 13,750.

Quick Tip to Solve: Adjust excess application money before finding unpaid allotment; exclude premium received from forfeited capital.

OR

22. Karur Ltd. invited applications for issuing 2,40,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as under :

On application – ₹ 4 per share (including premium ₹ 2)

On allotment – ₹ 4 per share

On first and final call – ₹ 6 per share (including premium ₹ 2)

Applications for 3,00,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money received on application was adjusted towards sums due on allotment. All calls were made and were duly received except from Rohini, who failed to pay allotment and first and final call on 7,500 shares applied by her. These shares were forfeited. Afterwards, 40% of the forfeited shares were re-issued at ₹ 11 per share as fully paid-up.

Pass the necessary journal entries in the books of Karur Ltd. Open call-in-arrears and call-in-advance accounts wherever necessary. [8 marks]

Solution:

Concept:

- Pro-rata allotment distributes the available shares in the ratio of shares issued to shares applied. Excess application money is adjusted against allotment.
- Calls-in-Arrears records unpaid amounts. On forfeiture, reverse unpaid premium and transfer received nominal capital to Share Forfeiture.

Step 1: Find pro-rata allotment and excess application The allotment ratio is $2,40,000 : 3,00,000 = 4 : 5$. Application receipts total $3,00,000 \times 4 =$ Rs $12,00,000$. Of this, capital and premium on allotted shares are each $2,40,000 \times 2 =$ Rs $4,80,000$. Excess application is Rs 2,40,000, adjusted towards allotment. Net allotment collectible is $9,60,000 - 2,40,000 =$ Rs $7,20,000$.

Step 2: Determine Rohini's arrears and forfeiture Rohini is allotted $7,500 \times 4/5 = 6,000$ shares. Her application payment is Rs 30,000; application required is Rs 24,000, so excess Rs 6,000 meets part of allotment. Allotment arrears are $6,000 \times 4 - 6,000 =$ Rs $18,000$. Call arrears are $6,000 \times 6 =$ Rs $36,000$, giving total arrears Rs 54,000. Application premium of Rs 12,000 has been received; call premium of Rs 12,000 remains unpaid. Capital actually received is $30,000 - 12,000 =$ Rs $18,000$.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		12,00,000	
	To Share Application A/c			12,00,000
	(Being application money received on 3,00,000 shares)			
	Share Application A/c Dr.		12,00,000	
	To Share Capital A/c			4,80,000
	To Securities Premium Reserve A/c			4,80,000
	To Share Allotment A/c			2,40,000
	(Being application adjusted and excess transferred to allotment)			
	Share Allotment A/c Dr.		9,60,000	
	To Share Capital A/c			9,60,000
	(Being allotment due on 2,40,000 shares)			
	Bank A/c Dr.		7,02,000	
	Calls-in-Arrears A/c Dr.		18,000	
	To Share Allotment A/c			7,20,000
	(Being allotment received except Rohini arrears)			

Step 4: Record call and forfeiture Journal of Karur Ltd. (call and forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		14,40,000	
	To Share Capital A/c			9,60,000
	To Securities Premium Reserve A/c			4,80,000
	(Being first and final call due)			
	Bank A/c Dr.		14,04,000	
	Calls-in-Arrears A/c Dr.		36,000	
	To Share First and Final Call A/c			14,40,000
	(Being call received except Rohini arrears)			
	Share Capital A/c Dr.		60,000	
	Securities Premium Reserve A/c Dr.		12,000	
	To Calls-in-Arrears A/c			54,000
	To Share Forfeiture A/c			18,000
	(Being Rohini shares forfeited)			

Step 5: Record reissue and capital reserve Reissued shares are $6,000 \times 40\% = 2,400$. Reissue receipts are $2,400 \times 11 =$ Rs $26,400$, including premium Rs 2,400. There is no reissue discount. Forfeiture transferred is $18,000 \times 40\% =$ Rs $7,200$.

Journal of Karur Ltd. (reissue)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		26,400	
	To Share Capital A/c			24,000
	To Securities Premium Reserve A/c			2,400
	(Being 2,400 shares reissued fully paid at Rs 11)			
	Share Forfeiture A/c Dr.		7,200	
	To Capital Reserve A/c			7,200
	(Being profit on reissued shares transferred)			

Calls-in-Arrears is cleared by the forfeiture entry: debits Rs 18,000 and Rs 36,000 equal the credit Rs 54,000. No Calls-in-Advance account is necessary because excess application was fully adjusted to allotment; no call instalment was received before being due.

Step 6: Open Calls-in-Arrears Account Calls-in-Arrears Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share Allotment	18,000	By Share Capital	54,000	
	To Share First and Final Call	36,000	(on forfeiture)		
	Total	54,000	Total	54,000	

The account is closed on forfeiture, leaving no balance c/d. No Calls-in-Advance Account is required, as there are no advance call receipts.

Step 7: Conclusion Capital Reserve is credited with Rs 7,200; Share Forfeiture retains Rs 10,800 for 3,600 unreissued shares. Calls-in-Arrears closes with nil balance.

Quick Tip to Solve: For Rohini, apply the 4:5 ratio to shares applied before calculating arrears, forfeiture or the 40 percent reissue.

Part B (20 marks)

OPTION 1

(Analysis of Financial Statements)

23. What is meant by 'Analysis of Financial Statements' ? [1 mark]

Solution:

Concept:

- Financial statements contain accounting data about profitability and financial position. Analysis makes this data meaningful for users.
- Analysis uses relationships, comparisons and trends among items rather than merely reproducing the reported figures.

Step 1: Identify the process Analysis of Financial Statements is the systematic examination and interpretation of the information contained in financial statements. It involves arranging and comparing relevant items and establishing meaningful relationships among them.

Step 2: State its purpose These relationships help assess the profitability, operating efficiency and

financial soundness of a business. For example, comparing current assets with current liabilities helps evaluate short-term payment capacity. Thus analysis converts financial data into useful information for judging performance and making decisions.

Step 3: Conclusion Analysis of Financial Statements means systematically examining financial data and establishing relationships among its items to assess the profitability, efficiency and financial position of a business.

Quick Tip to Solve: Define both the process (examining relationships) and the purpose (assessing performance and financial position).

24. State the impact of issuing bonus shares on debt-equity ratio of 1 : 2. Give reason in support of your answer. [1 mark]

Solution:

Concept:

- Debt-equity ratio equals long-term debt divided by shareholders' funds.
- Bonus shares capitalise reserves: share capital increases while reserves decrease by the same amount.

Step 1: Identify the change within equity Issuing bonus shares transfers an amount from eligible reserves to equity share capital. It does not bring new funds into the company and does not repay or create long-term debt.

Step 2: Compare the ratio components Shareholders' funds comprise share capital and reserves and surplus. Their total remains unchanged because the two changes offset each other. Long-term debt also remains unchanged; therefore both numerator and denominator retain their original values.

Step 3: Conclusion The debt-equity ratio remains unchanged at $1 : 2$, because neither long-term debt nor total shareholders' funds changes.

Quick Tip to Solve: For bonus shares, add share capital and reserves before judging the effect on total equity.

25. State whether the following statement is true or false :

'Prepaid expenses and closing debtors are not considered while calculating the quick assets.' [1 mark]

Solution:

Concept:

- Quick assets are current assets excluding inventories and prepaid expenses.
- Trade debtors are receivables expected to be converted into cash and therefore form part of quick assets.

Step 1: Examine prepaid expenses Prepaid expenses represent amounts already paid for future services. They cannot normally be converted into cash to meet immediate liabilities, so they are excluded from quick assets.

Step 2: Examine closing debtors Closing debtors represent amounts collectible from customers. They are included in quick assets, subject to the normal adjustment for any provision for doubtful debts. The statement incorrectly excludes debtors along with prepaid expenses.

Step 3: Conclusion The statement is false. Prepaid expenses are excluded, but closing debtors are included while calculating quick assets.

Quick Tip to Solve: Separate assets recoverable in cash from amounts representing future services; debtors belong to the former group.

---

26. On 1.10.2018, Micro Ltd. issued 20,000, 8% debentures of ₹ 100 each and paid interest of ₹ 80,000 on these debentures on 31st March, 2019. Calculate the cash flow from financing activities for the period ending 31st March, 2019. [1 mark]

Solution:

Concept:

- For a non-financial company, proceeds from issuing debentures are financing cash inflows.
- Interest actually paid on debentures is a financing cash outflow; use the cash paid for the reporting period.

Step 1: Calculate debenture proceeds The debentures were issued during the period. With no premium or discount specified, cash received is

$$20,000 \times \text{Rs } 100 = \text{Rs } 20,00,000.$$

Step 2: Deduct interest paid The company paid Rs 80,000 on 31st March, 2019. This also agrees with six months of interest: $20,00,000 \times 8\% \times 6/12 = \text{Rs } 80,000$. It is a cash outflow from financing activities.

Cash flow from financing activities

Particulars	Amount (Rs)
Proceeds from issue of debentures	20,00,000
Less: Interest paid	(80,000)
Net cash from financing activities	19,20,000

Step 3: Conclusion Net cash inflow from financing activities is Rs 19,20,000.

Quick Tip to Solve: Include the full debenture proceeds, then subtract the actual six-month interest payment only once.

---

27. The total debtors of X Ltd. were ₹ 9,00,000. It had created a provision of 10% for bad and doubtful debts. What amount of debtors will be used for calculating the 'Trade Receivables Turnover Ratio' ? [1 mark]

Solution:

Concept:

- Trade receivables turnover ratio relates net credit revenue from operations to average trade receivables.
- For this ratio, debtors are taken before deducting the provision for bad and doubtful debts.

Step 1: Identify the gross debtors The total debtors given are Rs 9,00,000. The provision of 10% is an allowance against possible non-recovery; it does not reduce the gross debtor figure used for this turnover ratio.

Step 2: Distinguish the balance-sheet figure The provision is $9,00,000 \times 10\% = \text{Rs } 90,000$. Net debtors of Rs 8,10,000 may be shown after this deduction in the balance sheet, but this net figure is not used for computing trade receivables turnover.

Step 3: Conclusion The amount of debtors to be used is Rs 9,00,000, without deducting the provision for bad and doubtful debts.

Quick Tip to Solve: For receivables turnover, use gross debtors; do not subtract the 10% doubtful-debt provision.

28. An investment normally qualifies as cash-equivalent only when from the date of acquisition it has a short maturity period of : [1 mark]

(A) One month or less

(B) Three months or less

(C) Three months or more

(D) One year or less

Correct Answer: (B) Three months or less

Solution:

Concept:

- Cash equivalents are short-term, highly liquid investments readily convertible into known amounts of cash.
- They carry an insignificant risk of changes in value and normally mature within three months from acquisition.

Step 1: Apply the acquisition-date test The relevant period runs from the date the investment is acquired to its maturity. The normal maximum is three months, so the appropriate description is three months or less.

Step 2: Compare the other choices One month or less is too restrictive: a qualifying two-month investment is also possible. Three months or more includes longer investments, while one year or less permits maturities beyond the normal cash-equivalent limit. These are not the required general

criterion.

Step 3: Conclusion The maturity period is three months or less from acquisition. Hence, the correct option is (B).

Quick Tip to Solve: Measure the three-month period from acquisition, rather than simply from the balance-sheet date.

29. Give an example of an activity which is always financing with regards to the Cash Flow Statement.

[1 mark]

Solution:

Concept:

- Financing activities change the size or composition of owners' capital and borrowings of an enterprise.
- Cash proceeds from an issue of equity shares increase owners' capital and are classified as financing cash inflows.

Step 1: Choose an owners' capital transaction Consider a company issuing equity shares for cash. It receives money from its shareholders in exchange for an ownership interest, increasing its paid-up share capital.

Step 2: Classify the cash receipt The receipt arises from raising owners' funds rather than from selling goods or acquiring an investment. Therefore cash proceeds from issuing equity shares are financing activities regardless of whether the company is financial or non-financial. Specifying a cash issue also distinguishes it from a non-cash bonus issue.

Step 3: Conclusion An example is the issue of equity shares for cash, which is always a financing activity.

Quick Tip to Solve: Choose a cash share issue for an unambiguous example; a bonus issue itself produces no cash flow.

30. In a company, rate of Gross Profit on cost is 20%. Its Gross Profit is ₹ 4,00,000. Current Liabilities are 50% of the Current Assets, and Current Assets are ₹ 12,00,000. Calculate the Working Capital Turnover Ratio.

[3 marks]

Solution:

Concept:

- Working capital turnover ratio = Revenue from operations/Working capital. It shows sales generated per rupee of working capital.
- Gross profit = Revenue from operations − Cost of revenue from operations. A profit percentage on cost must be applied to cost, not to sales.
- Working capital = Current assets − Current liabilities.

Step 1: Find the cost of revenue from operations Gross profit is 20% of cost. Thus, if cost is C, $0.20C = \text{Rs } 4,00,000$. Hence,

$$C = \frac{4,00,000 \times 100}{20} = \text{Rs } 20,00,000.$$

This uses the stated base, cost; treating gross profit as 20% of revenue would produce a different and incorrect result.

Step 2: Calculate revenue from operations Add gross profit to the cost of revenue from operations:

$$\begin{aligned}\text{Revenue from operations} &= 20,00,000 + 4,00,000 \\ &= \text{Rs } 24,00,000.\end{aligned}$$

The question gives no separate non-operating income, so this is the turnover required in the numerator.

Step 3: Calculate working capital Current liabilities equal half of current assets:

$$\text{Current liabilities} = 12,00,000 \times 50\% = \text{Rs } 6,00,000.$$

$$\text{Working capital} = 12,00,000 - 6,00,000 = \text{Rs } 6,00,000.$$

Use the excess of current assets over current liabilities, rather than current assets alone.

Step 4: Substitute in the turnover ratio

$$\text{Working capital turnover ratio} = \frac{24,00,000}{6,00,000} = 4 \text{ times}.$$

Both amounts are in rupees, so the units cancel. The result means that the company generates four rupees of revenue from operations for each rupee of working capital.

Step 5: Conclusion The Working Capital Turnover Ratio is 4 times.

Quick Tip to Solve: When gross profit is 20% of cost, sales equal 120% of cost; first recover cost from the given profit.

OR

30. Under which major headings/sub-headings will the following items be shown in a Company's Balance Sheet as per Schedule III Part I of the Companies Act, 2013 ?

(i) Trade Payables

(ii) Provision for tax

(iii) Bank Overdraft

(iv) Goodwill

(v) Unclaimed Dividend

(vi) Loose tools [3 marks]

Solution:

Concept:

- Schedule III groups liabilities by their nature and settlement period, and assets by their nature and expected use. Obligations payable during the normal operating cycle or within twelve months are generally current liabilities.
- Goodwill is an intangible non-current asset, whereas loose tools held for use in the operating cycle are inventories within current assets.

Step 1: Classify the liability items Trade payables arise from purchases of goods or services in the normal operating cycle. Provision for tax is a short-term provision for the current tax obligation. A bank overdraft is a short-term borrowing. Unclaimed dividend is an amount still payable to shareholders and is shown under other current liabilities.

Step 2: Present the Balance Sheet classifications Balance Sheet classification as per Schedule III Part I

Item	Major heading	Sub-heading / further classification
(i) Trade Payables	Current Liabilities	Trade Payables
(ii) Provision for tax	Current Liabilities	Short-term Provisions
(iii) Bank Overdraft	Current Liabilities	Short-term Borrowings
(iv) Goodwill	Non-Current Assets	Fixed Assets: Intangible Assets
(v) Unclaimed Dividend	Current Liabilities	Other Current Liabilities
(vi) Loose tools	Current Assets	Inventories

Goodwill has no physical substance and yields benefits beyond the current period. Loose tools form part of inventories. These classifications distinguish the major heading from its specific sub-heading.

Step 3: Conclusion Trade payables, provision for tax, bank overdraft and unclaimed dividend are current liabilities under their respective sub-headings above. Goodwill is an intangible fixed asset, and loose tools are inventories.

Quick Tip to Solve: Distinguish provision for tax from borrowing: tax belongs to short-term provisions, whereas a bank overdraft belongs to short-term borrowings.

31. From the following information, prepare Comparative Statement of Profit and Loss :

Particulars	31.3.2018 ₹	31.3.2019 ₹
Revenue from operations	4,00,000	3,00,000
Other Income	80,000	40,000
Expenses – 50% of Revenue from operations		
Income Tax Rate	40%	40%

[4 marks]

Solution:

Concept:

- A comparative statement presents both years, the absolute change and the percentage change. Here, change = amount in 2018–19 minus amount in 2017–18; percentage change = change divided by the 2017–18 amount, multiplied by 100.
- Expenses equal 50% of revenue from operations in each year. Profit before tax equals total income less expenses; tax is 40% of profit before tax, and profit after tax equals profit before tax less tax.

Step 1: Calculate expenses and profits for both years For the year ended 31.3.2018, expenses are $4,00,000 \times 50\% =$ Rs $2,00,000$. Total income is $4,00,000 + 80,000 =$ Rs $4,80,000$. Thus profit before tax is Rs 2,80,000, tax is $2,80,000 \times 40\% =$ Rs $1,12,000$, and profit after tax is Rs 1,68,000.

For the year ended 31.3.2019, expenses are $3,00,000 \times 50\% =$ Rs $1,50,000$. Total income is $3,00,000 + 40,000 =$ Rs $3,40,000$. Profit before tax is Rs 1,90,000, tax is $1,90,000 \times 40\% =$ Rs $76,000$, and profit after tax is Rs 1,14,000.

Step 2: Prepare the comparative statement Comparative Statement of Profit and Loss

Particulars	31.3.2018 Rs	31.3.2019 Rs	Change Rs	Change %
Revenue from operations	4,00,000	3,00,000	(1,00,000)	(25.00)
Other income	80,000	40,000	(40,000)	(50.00)
Total income	4,80,000	3,40,000	(1,40,000)	(29.17)
Less: Expenses	2,00,000	1,50,000	(50,000)	(25.00)
Profit before tax	2,80,000	1,90,000	(90,000)	(32.14)
Less: Tax	1,12,000	76,000	(36,000)	(32.14)
Profit after tax	1,68,000	1,14,000	(54,000)	(32.14)

Parentheses indicate a decrease; percentage changes are rounded to two decimal places. For example, the decrease in total income is $1,40,000/4,80,000 \times 100 = 29.17\%$, and the decrease in profit after tax is $54,000/1,68,000 \times 100 = 32.14\%$. The tax rate remains unchanged even though the amount of tax falls because taxable profit falls.

Step 3: Conclusion Profit after tax decreased from Rs 1,68,000 to Rs 1,14,000, a decrease of Rs 54,000 or 32.14%.

Quick Tip to Solve: Use the earlier year as the denominator for every percentage change; calculate expenses from operating revenue, not total income.

OR

31. Prepare a common size Balance Sheet of L.X. Ltd. from the following information :

Particulars	Note No.	31.3.2019 ₹	31.3.2018 ₹
I – Equity and Liabilities :			
1. Shareholder's Funds		20,00,000	10,00,000
2. Non-Current Liabilities		20,00,000	5,00,000
3. Current Liabilities		10,00,000	5,00,000
Total		50,00,000	20,00,000
II – Assets :			
1. Non-Current Assets		30,00,000	12,50,000
2. Current Assets		20,00,000	7,50,000
Total		50,00,000	20,00,000

[4 marks]

Solution:

Concept:

- A common size balance sheet expresses each item as a percentage of the total assets or total equity and liabilities for that same year.
- The formula is Percentage $= \dfrac{\text{Item amount}}{\text{Balance sheet total}} \times 100$. The totals for each side are therefore always 100%.

Step 1: Calculate the percentages for each year For 31st March, 2019, use Rs 50,00,000 as the base. Shareholders' funds and non-current liabilities each equal $20,00,000/50,00,000 \times 100 = 40\%$; current liabilities equal 20%. Non-current assets equal 60% and current assets equal 40%.

For 31st March, 2018, use Rs 20,00,000 as the base. Shareholders' funds equal 50%, non-current liabilities and current liabilities each equal 25%. Non-current assets equal $12,50,000/20,00,000 \times 100 = 62.50\%$, while current assets equal 37.50%.

Step 2: Present the common size balance sheet Common Size Balance Sheet of L.X. Ltd. as at 31st March, 2019 and 2018

Particulars	2019 (Rs)	2018 (Rs)	2019 (%)	2018 (%)
I. Equity and Liabilities				
Shareholders' funds	20,00,000	10,00,000	40.00	50.00
Non-current liabilities	20,00,000	5,00,000	40.00	25.00
Current liabilities	10,00,000	5,00,000	20.00	25.00
Total	50,00,000	20,00,000	100.00	100.00
II. Assets				
Non-current assets	30,00,000	12,50,000	60.00	62.50
Current assets	20,00,000	7,50,000	40.00	37.50
Total	50,00,000	20,00,000	100.00	100.00

Each side independently adds to 100% in both years, verifying that the same base has been used consistently.

Step 3: Conclusion The common size balance sheet above shows current assets at 40% in 2019 and 37.50% in 2018; shareholders' funds represent 40% and 50%, respectively.

Quick Tip to Solve: Use each year's own balance sheet total as 100%; do not divide both years by the same base.

32. (i) From the following information of Nova Ltd., calculate the cash flow from investing activities :

Particulars	31.3.2019 ₹	31.3.2018 ₹
Machinery (At cost)	5,00,000	3,00,000
Accumulated Depreciation on machinery	1,00,000	80,000
Goodwill	1,50,000	1,00,000
Land	70,000	1,00,000

Additional Information :

During the year, a machine costing ₹ 50,000 on which the accumulated depreciation was ₹ 35,000, was sold for ₹ 12,000.

(ii) The profit of Jova Ltd. for the year ended 31st March, 2019 after appropriation was ₹ 2,50,000.

Additional Information :

S.No.	Particulars	Amount ₹
1.	Depreciation of Machinery	20,000
2.	Goodwill written off	9,000
3.	Loss on sale of Furniture	2,000
4.	Transfer to General Reserve	22,500

The following was the position of its Current Assets and Current Liabilities as at 31st March, 2018 and 2019.

Particulars	31.3.2018 ₹	31.3.2019 ₹
Income Received in Advance	8,000	—
Inventory	12,000	8,000

Calculate the Cash flow from operating activities. [6 marks]

Solution:

Concept:

- Investing activities include cash purchases and sales of non-current assets. Use the cost of assets disposed of when reconstructing purchases, but use actual sale proceeds in the cash flow statement.
- Under the indirect method, restore appropriations and add non-cash expenses and non-operating losses to profit, then adjust for changes in operating current assets and liabilities.

Step 1: Part (i): determine cash purchases and asset disposals The machinery figures are at cost. Hence machinery purchased is

$$\text{Rs } (5,00,000 - 3,00,000 + 50,000) = \text{Rs } 2,50,000.$$

The sold machine has book value $50,000 - 35,000 = \text{Rs } 15,000$; its cash receipt is Rs 12,000. The difference of Rs 3,000 is a loss, not another investing cash payment.

Goodwill increased by Rs 50,000, representing purchase of goodwill. Land decreased by Rs 30,000, representing proceeds from sale of land, since no separate profit or loss information is given. Accumulated depreciation is not a cash flow and is therefore excluded from investing activities.

Step 2: Part (i): prepare the investing activities extract Nova Ltd.: Cash Flow from Investing Activities for the year ended 31st March, 2019

Particulars	Amount (Rs)
Proceeds from sale of machinery	12,000
Proceeds from sale of land	30,000
Total cash inflows	42,000
Purchase of machinery	(2,50,000)
Purchase of goodwill	(50,000)
Total cash outflows	(3,00,000)
Net cash used in investing activities	(2,58,000)

Step 3: Part (ii): restore profit and adjust for working capital Profit after appropriation must first be increased by the transfer to general reserve, which is an appropriation rather than an expense. Add back depreciation, goodwill written off and the loss on sale of furniture because they do not represent operating cash payments in the current profit calculation.

Inventory decreases by $12,000 - 8,000 = \text{Rs } 4,000$, releasing cash. Income received in advance decreases from Rs 8,000 to nil: deduct Rs 8,000 because income recognised from this opening liability does not bring a current-year cash receipt.

Step 4: Part (ii): prepare the operating activities extract Jova Ltd.: Cash Flow from Operating Activities for the year ended 31st March, 2019

Particulars	Amount (Rs)
Profit after appropriation	2,50,000
Add: Transfer to general reserve	22,500
Profit before appropriation	2,72,500
Add: Depreciation of machinery	20,000
Add: Goodwill written off	9,000
Add: Loss on sale of furniture	2,000
Operating profit before working capital changes	3,03,500
Add: Decrease in inventory	4,000
Less: Decrease in income received in advance	(8,000)
Cash generated from operations	2,99,500
Net cash from operating activities	2,99,500

No income tax payment is supplied, so no further deduction is made from cash generated from operations.

Step 5: Conclusion (i) Nova Ltd. has net cash used in investing activities of Rs 2,58,000. (ii) Jova Ltd. has net cash from operating activities of Rs 2,99,500.

Quick Tip to Solve: For machinery at cost, add the original cost sold to the closing-minus-opening balance to find purchases; use sale proceeds separately.

OPTION 2 (Computerised Accounting)

23. Name the accounting information subsystem which generates periodic reports about sales and collections made. [1 mark]

(A) Cash and Bank subsystem

(B) Inventory subsystem

(C) Budget subsystem

(D) Sales and Accounts Receivable subsystem

Correct Answer: (D) Sales and Accounts Receivable subsystem

Solution:

Concept:

- The sales and accounts receivable subsystem records sales, customer balances and collections, allowing periodic reports on both revenue transactions and recoveries from customers.
- A subsystem is identified by the information it processes and reports, rather than by the fact that a transaction may also involve cash.

Step 1: Identify the reporting function The question combines sales with collections. Customer invoices create receivables and subsequent collections reduce those balances. The subsystem that follows this entire cycle is Sales and Accounts Receivable.

Step 2: Check the other options Cash and Bank focuses on cash and bank receipts, payments and balances. Inventory focuses on stock quantities and values. Budget focuses on planned figures and comparisons with actual results. None of these specifically integrates periodic sales reports with customer collection reports.

Step 3: Conclusion Hence, the correct option is (D): Sales and Accounts Receivable subsystem.

Quick Tip to Solve: Look for the paired words sales and collections: together they identify the customer receivables cycle.

24. Match the movement of mouse with the keystrokes :

(i) One cell up (a) Down arrow key (↓) or Enter

(ii) One cell right (b) Up arrow key (↑)

(c) Left arrow key (←)

(d) Right arrow key (→) [1 mark]

(A) (i) (c) and (ii) (a)

(B) (i) (b) and (ii) (d)

(C) (i) (a) and (ii) (d)

(D) (i) (b) and (ii) (c)

Correct Answer: (B) (i) (b) and (ii) (d)

Solution:

Concept:

- Arrow keys move the active cell one position in the direction shown by the arrow.
- Vertical movement changes the row; horizontal movement changes the column.

Step 1: Match movement (i) One cell up means moving to the preceding row in the same column. The Up arrow key performs this movement, so (i) matches (b). The Down arrow or Enter moves down and cannot be used for this match.

Step 2: Match movement (ii) and check the options One cell right means moving to the next column in the same row. The Right arrow key performs this movement, so (ii) matches (d). Option (A) has both directions wrong, (C) moves down for (i), and (D) moves left for (ii).

Step 3: Conclusion The correct option is (B).

Quick Tip to Solve: Match each direction separately: up changes the row and right changes the column.

---

25. A _____ query is used to extract aggregate of data items for a group of records rather than a detailed set of records. [1 mark]

Solution:

Concept:

- A summary query returns aggregate information about a group of records.
- Aggregate functions include SUM, COUNT and AVG, which combine values from several records.

Step 1: Identify the required output The question asks for aggregate data for groups rather than a detailed list of individual records. For example, total sales for each customer combines several sales records into a single result for that customer.

Step 2: Name the query A summary query groups the relevant records and applies an aggregate function to each group. A query listing every transaction separately would return detail rather than the required group summaries.

Step 3: Conclusion A summary query is used.

Quick Tip to Solve: The words aggregate and group point to a summary query using totals or counts.

26. When the accumulated data from various sources is processed in one shot it is called : [1 mark]

(A) Real Time Processing

(B) Data Validation

(C) Processing and Revalidation

(D) Batch Processing

Correct Answer: (D) Batch Processing

Solution:

Concept:

- Batch processing collects transactions over a period and processes the accumulated group together.
- Real-time processing updates records as individual transactions occur.

Step 1: Identify the processing pattern Here data is accumulated from different sources before processing starts. Processing the collected data in one shot means that it is treated as one batch, rather than handled immediately as each transaction occurs.

Step 2: Eliminate other descriptions Real Time Processing processes transactions as they arise. Data Validation checks the acceptability of data, while Processing and Revalidation does not name the stated collection-and-processing mode. The definition therefore matches Batch Processing.

Step 3: Conclusion The correct option is (D): Batch Processing.

Quick Tip to Solve: Use the timing clue: accumulated transactions processed together indicate batch processing.

27. The existence of data in a primary key field is : [1 mark]

(A) Not necessarily required.

(B) Required but need not be unique.

(C) Required and must be unique.

(D) All of the above

Correct Answer: (C) Required and must be unique.

Solution:

Concept:

- A primary key identifies each record uniquely in a database table.
- Its value must be present (not null) and must not duplicate the key of another record.

Step 1: Check whether data is required A record must have a primary key value so that it can be identified. A missing or null primary key would defeat this identifying role. Thus the existence of data in the field is required, ruling out option (A).

Step 2: Check uniqueness and the remaining options Two records cannot share the same primary key value, because the value would then fail to identify just one record. Option (B) wrongly permits duplicates. Since (A) and (B) are false, (D) is also false; only (C) meets both conditions.

Step 3: Conclusion The correct option is (C): Required and must be unique.

Quick Tip to Solve: Test a primary key against both conditions: no missing values and no duplicate values.

28. Height of a person is a _____ attribute whereas academic qualification can be _____ attribute. [1 mark]

Solution:

Concept:

- A single-valued attribute has only one value for a particular entity at a given time.
- A multi-valued attribute can have several values for the same entity.

Step 1: Classify height For a particular person at a given time, height has one value, such as 170 cm. It is therefore a single-valued attribute. The fact that height may change over time does not make it multi-valued at one time.

Step 2: Classify academic qualification A person can hold several academic qualifications, for example a bachelor degree and a master degree. Academic qualification can therefore be a multi-valued attribute. The distinction concerns the number of values belonging to one person.

Step 3: Conclusion Height is a single-valued attribute, whereas academic qualification can be a multi-valued attribute.

Quick Tip to Solve: Ask how many values one person can have at a time: one height but several qualifications.

29. To expect a well-formatted printable data from Access database, we may use : [1 mark]

(A) Table

(B) Form

(C) Report

(D) Query

Correct Answer: (C) Report

Solution:

Concept:

- A report presents database information in an organised, formatted layout suitable for printing.
- Tables store data, queries retrieve or summarise it, and forms support convenient entry and display.

Step 1: Identify the output requirement The key requirement is well-formatted printable data. In Access, a report allows headings, grouped records, totals and page layout to be arranged for a readable printed output.

Step 2: Compare the database objects A table stores records in rows and fields. A form is mainly a user interface for entering and viewing records. A query selects or calculates data and may supply a report, but the report is the object designed to format the final printable presentation.

Step 3: Conclusion The correct option is (C): Report.

Quick Tip to Solve: For Access questions, link print layout, headings and page totals with the Report object.

30. Write and explain the formula to calculate 'Dearness Allowance' and 'Gross Salary'. [3 marks]

Solution:

Concept:

- Dearness Allowance (DA) is calculated by applying the prescribed DA percentage to Basic Pay.
- Gross Salary is total earnings before deductions: Basic Pay plus DA and other admissible allowances.

Step 1: Calculate Dearness Allowance Let Basic Pay be B and the DA rate be $r\%$. Then

$$\text{DA} = B \times \frac{r}{100}.$$

DA is an allowance intended to compensate for changes in the cost of living. The percentage is applied to Basic Pay, not to net salary. In a spreadsheet, if B2 contains Basic Pay and C2 contains the numerical rate such as 20, enter `=B2*C2/100`. If C2 is stored as a percentage such as 20%, enter `=B2*C2`.

Step 2: Calculate Gross Salary Add all earnings payable before deductions:

$$\begin{aligned}\text{Gross Salary} = {} & \text{Basic Pay} + \text{DA} \\ & + \text{HRA} + \text{Other Allowances}.\end{aligned}$$

HRA denotes House Rent Allowance. Include only allowances applicable to the employee. If a payroll includes only Basic Pay, DA and HRA, its formula is their sum. If B2, D2, E2 and F2 contain Basic Pay, DA, HRA and other allowances respectively, the spreadsheet formula is `=SUM(B2,D2,E2,F2)`. Provident fund, tax and other deductions are subtracted later to obtain net salary.

Step 3: Illustrate the formulas For Basic Pay of Rs 20,000, DA at 20%, HRA of Rs 3,000 and other allowances of Rs 1,000,

$$\begin{aligned}\text{DA} &= 20,000 \times 20/100 = \text{Rs } 4,000, \\ \text{Gross Salary} &= 20,000 + 4,000 + 3,000 + 1,000 \\ &= \text{Rs } 28,000.\end{aligned}$$

These illustrative amounts show how the percentage calculation feeds into the total earnings.

Step 4: Conclusion DA = Basic Pay $\times$ DA rate$/100$; Gross Salary = Basic Pay + DA + HRA + Other Allowances.

Quick Tip to Solve: Check whether the DA-rate cell holds 20 or 20% before deciding whether to divide by 100.

OR

30. Explain 'Contra voucher' and 'Receipt voucher'. [3 marks]

Solution:

Concept:

- An accounting voucher records and classifies a transaction in a computerised accounting system. Its type depends on the nature of the transaction.
- A contra voucher records internal cash and bank transfers. A receipt voucher records money received from an outside source.

Step 1: Contra voucher A contra voucher is used when both the debit and credit aspects affect cash or bank accounts of the same business. It records cash deposited into a bank, cash withdrawn from a bank for office use, or a transfer from one bank account to another. For example, depositing Rs 5,000 of office cash into the bank increases the bank balance and decreases cash by Rs 5,000. The form of funds changes, but the combined cash and bank balance does not change. The transfer is neither income nor an expense. The voucher identifies the source and destination cash or bank accounts, the amount and the date.

Step 2: Receipt voucher A receipt voucher records money received by the business in cash or through a bank from another party. Examples include collection from a debtor, cash sales and receipt of interest. It identifies the cash or bank account receiving the amount, the party or account from which the amount is received, the date and the amount. For example, Rs 5,000 collected from a debtor through the bank increases the bank balance and reduces the amount owed by that debtor. A receipt need not be income: collecting an existing debt also requires a receipt voucher.

Step 3: Conclusion A contra voucher records an internal transfer between cash and bank accounts, whereas a receipt voucher records an inflow from an outside source into cash or bank.

Quick Tip to Solve: Check both accounts first: a transfer solely between cash and bank accounts calls for a contra voucher; money collected from a customer calls for a receipt voucher.

31. Explain what type of information is provided by a 'Salary bill'. [4 marks]

Solution:

Concept:

- A salary bill is a payroll statement prepared for a specified period. It gives employee-wise details of salary earned, deductions and the net amount payable.
- Gross salary is the total of basic pay and admissible allowances; net salary equals gross salary less total deductions.

Step 1: Employee and period details The bill identifies the employee by name and employee code and normally states the designation or department. It specifies the month or pay period to which the salary relates. Attendance, paid days or leave information, where relevant, provides the basis for computing the salary due. These particulars link each salary calculation to the correct employee and period.

Step 2: Earnings and gross salary It shows basic pay and the separate amounts of allowances and other earnings, such as dearness allowance, house rent allowance, transport allowance and any admissible overtime or arrears. Their total gives gross salary. Listing the components separately makes it possible to check the applicable rates and calculations instead of displaying only an unexplained total.

Step 3: Deductions from salary It gives the individual deductions recoverable from the employee, such as provident fund contribution, income tax deducted at source, insurance premium and recovery of loans or advances, as applicable. The sum of these amounts is total deductions. These details also show amounts which the employer must remit to the appropriate authorities or adjust against employees' outstanding balances.

Step 4: Net salary payable and totals The salary bill shows the take-home amount for each employee, calculated as Net salary $=$ Gross salary $-$ Total deductions. It may also show the payment particulars or acknowledgement. Column totals summarise the total earnings, deductions and net salary payable for all employees, helping the organisation arrange funds and record payroll expenditure and liabilities correctly.

Step 5: Conclusion Thus, a salary bill provides employee identification and pay-period information, a breakdown of earnings and gross salary, itemised deductions, and the resulting net salary payable with payroll totals.

Quick Tip to Solve: Organise the information in payroll order: employee details, earnings, deductions and finally the net amount actually payable.

OR

31. Enumerate different elements of a chart or a graph to be taken into consideration in a pictorial presentation of data. [4 marks]

Solution:

Concept:

- A chart is a pictorial presentation of worksheet data. Its elements identify the subject, show the values and make the comparison understandable.
- The chart area contains the entire chart; the plot area is the part within which the data are actually plotted.

Step 1: Identify the subject and the plotting space The main elements of a chart or graph are as follows:

1. Chart title: A descriptive heading states what information the chart presents, for example, monthly sales.

2. Chart area: This is the complete area occupied by the chart, including its title, plot area, axes, labels and legend.

3. Plot area: This is the area bounded by the axes in which the data series are displayed as bars, lines or other graphical forms. It is distinct from the surrounding chart area.

Step 2: Identify the axes and their scales 4. Category axis (usually the horizontal or X-axis): It displays the categories being compared, such as months, products or departments.

5. Value axis (usually the vertical or Y-axis): It shows the numerical scale against which the values are measured. Its units and intervals should be appropriate to the data.

6. Axis titles: These describe the information represented on each axis, such as Month and Sales (Rs). They prevent confusion about the meaning and units of the values.

Step 3: Identify the data and the reading aids 7. Data series: A related set of values plotted on the chart constitutes a data series. Each bar, point or slice represents an individual data point.

8. Legend: A key explains the colours, patterns or symbols assigned to the different data series, so that the reader can distinguish them.

9. Gridlines: Lines drawn across the plot area from the axis divisions help the reader estimate and compare values accurately.

10. Data labels: These display a value, category name or other information beside a data point. They help identify the precise figure represented by a bar, point or slice.

Step 4: Conclusion The principal chart elements are the chart title, chart area, plot area, category and value axes, axis titles, data series, legend, gridlines and data labels.

Quick Tip to Solve: List the elements in reading order: title and areas, then axes, then data series and the aids used to read them.

32. Name the error which appears on the screen of your computer while using Excel, when the formula refers to a deleted cell. Also explain how to correct that error. [6 marks]

Solution:

Concept:

- The Excel error `#REF!` indicates an invalid cell reference. It arises when a formula can no longer refer to the cell or range required for its calculation.
- Deleting a referenced cell, row or column can invalidate a reference. Correct the reference or restore the deleted cells; merely changing the displayed format cannot repair it.

Step 1: Name and explain the error The error is `#REF!`, called the reference error or invalid cell reference error.

A formula uses cell addresses to obtain its input values. If a cell, row or column needed by the formula is deleted, Excel may no longer have a valid address for that input. It then places `#REF!` in the formula and displays the error in the result cell. This is different from simply clearing the contents of a cell: clearing a value leaves the cell address in existence, whereas deleting cells can destroy a reference.

Step 2: Illustrate the cause Suppose a formula in cell C1 is `=A1+B1`. If column B is deleted, the formula moves with the worksheet structure, but its reference to the deleted input becomes invalid. The formula can consequently contain `=A1+#REF!`, and its result displays `#REF!`.

The problem is therefore the missing reference within the formula. Re-entering a number in an unrelated blank cell will not automatically reconnect that formula to the intended input.

Step 3: Restore the deleted reference where possible If the deletion was accidental and has just occurred, use Undo (Ctrl+Z) to reverse it. This restores the deleted cell, row or column together with its contents and allows Excel to restore the original formula reference.

After Undo, check the formula bar and confirm that the formula again contains the intended cell addresses and produces the expected result. Restoring the original worksheet arrangement is appropriate when the deleted information is still required.

Step 4: Correct the formula if the deletion is intentional Select the cell displaying `#REF!` and examine its formula in the formula bar. Locate every invalid reference, determine which existing cell or range now contains the required data, and replace the invalid reference with that correct address. If the deleted input is no longer needed, rewrite the formula to use only the required existing inputs.

For example, if the required second amount is now in D1, use `=A1+D1` instead of `=A1+#REF!`. Press Enter, verify the result against the source data, and check any other formulas affected by the deletion. If a required input has been lost, restore it from the available original data before linking the formula to it.

Step 5: Conclusion The error is `#REF!`. Correct it by undoing the accidental deletion or by editing the formula so that all its references point to valid, intended cells or ranges.

Quick Tip to Solve: Click the error cell and inspect the formula bar: repair the missing address, then verify both the referenced input and the calculated result.