CBSE Class 12 Accountancy Question Paper 2020 with Solution PDF-Set 67-5-1

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. (i) Analysis of Financial Statement and (ii) 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 number **1** to **13** and **23** to **29** are very short answer type questions carrying **1** mark each.

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

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

(viii) Question number **19** to **20** and **32** are also long answer type-I questions carrying **6** marks each.

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

(x) Answer 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 section and question, wherever necessary.

Part A (60 marks)

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

1. Disha and Abha were partners in a firm. Farad was admitted as a new partner for 1/5th share in the profits of the firm. Farad brought proportionate capital. Capitals of Disha and Abha after all adjustments were ₹ 64,000 and ₹ 46,000 respectively. Capital brought by Farad was: [1 mark]

(A) ₹ 22,000

(B) ₹ 27,500

(C) ₹ 55,000

(D) ₹ 28,000

Correct Answer: (B) ₹ 27,500

Solution:

Concept:

- Proportionate capitals follow the partners' profit shares. The existing partners' adjusted capital corresponds to their combined share after admission.
- New partner's capital equals combined old partners' capital multiplied by the new partner's share divided by their combined share.

Step 1: Identify the capital for the old partners' share Disha and Abha together have adjusted capital of $64,000 + 46,000 = \text{Rs } 1,10,000$. Their combined remaining profit share is $1 - 1/5 = 4/5$.

Step 2: Calculate the proportionate contribution Farad's required capital is

$$1,10,000 \times \frac{1/5}{4/5} = 1,10,000 \times \frac{1}{4} = \text{Rs } 27,500.$$

Rs 22,000 incorrectly takes one-fifth of the old partners' capital; Rs 55,000 and Rs 28,000 also fail the required capital proportion.

Step 3: Conclusion Farad brings Rs $27,500$. Hence, the correct option is (B).

Quick Tip to Solve: Treat the old partners' combined capital as four shares before finding Farad's one share.

2. Which of the following is not a capital receipt? [1 mark]

(A) Donations for tournament

(B) Donations for building fund

(C) Life membership fee

(D) Entrance fees

Correct Answer: (D) Entrance fees

Solution:

Concept:

- A capital receipt contributes to a specific capital fund or has a lasting, non-recurring character under the usual accounting treatment.
- An entrance fee is ordinarily treated as a revenue receipt and credited to the Income and Expenditure Account unless a specific contrary treatment is given.

Step 1: Classify the restricted and long-term receipts Donations for a tournament and donations for a building fund are specific-purpose receipts credited to their respective funds. Life membership fee is treated as a capital receipt because it relates to membership over the member's life.

Step 2: Identify the receipt outside that category Entrance fees are ordinarily recognised as revenue income in this question. Thus the first three options are capital receipts under the prescribed treatment, whereas entrance fees are the receipt asked for.

Step 3: Conclusion Entrance fees are not a capital receipt. Hence, the correct option is (D).

Quick Tip to Solve: Separate specific-purpose donations from the ordinary entrance fee received on admission.

3. What is meant by 'Authorised Capital'? [1 mark]

Solution:

Concept:

- Authorised capital is the maximum share capital a company is authorised to raise by its Memorandum of Association.
- It is also called registered or nominal capital and provides the ceiling for issuing shares.

Step 1: State the meaning Authorised capital is the amount of share capital stated in the capital clause of the Memorandum of Association as the maximum capital that the company may issue.

Step 2: Distinguish the ceiling from an actual issue The company may issue only part of this amount. Consequently, authorised capital need not equal issued, subscribed or paid-up capital; those figures describe subsequent stages of raising and receiving share capital.

Step 3: Conclusion Authorised capital is the maximum share capital that a company is authorised to issue under its Memorandum of Association.

Quick Tip to Solve: Link authorised capital to the Memorandum and the maximum permitted issue, not the cash received.

4. Saurabh, Shirin and Somesh are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Somesh retires and the new profit sharing ratio between Saurabh and Shirin is 3 : 2. The gaining ratio between Saurabh and Shirin will be: [1 mark]

(A) 3 : 2

(B) 3 : 1

(C) 1 : 1

(D) 2 : 1

Correct Answer: (A) 3 : 2

Solution:

Concept:

- A continuing partner's gain equals new profit share minus old profit share.
- The gaining ratio is the ratio of the positive increases in the continuing partners' shares.

Step 1: Calculate each increase Saurabh's old share is $3/6$ and his new share is $3/5$, giving $3/5 - 3/6 = 3/30$. Shirin's gain is $2/5 - 2/6 = 2/30$.

Step 2: Compare gains and check their sum The gaining ratio is

$$\frac{3}{30} : \frac{2}{30} = 3 : 2.$$

The gains total $5/30 = 1/6$, exactly Somesh's outgoing share. The ratios $3 : 1$, $1 : 1$ and $2 : 1$ do not match these increases.

Step 3: Conclusion The gaining ratio of Saurabh and Shirin is $3 : 2$. Hence, the correct option is (A).

Quick Tip to Solve: Subtract old shares from new shares; check that the gains sum to the retiring partner's share.

5. Mohit and Rohit were partners in a firm with capitals of ₹ 80,000 and ₹ 40,000 respectively. The firm earned a profit of ₹ 30,000 during the year. Mohit's share in the profit will be: [1 mark]

(A) ₹ 20,000

(B) ₹ 10,000

(C) ₹ 15,000

(D) ₹ 18,000

Correct Answer: (C) ₹ 15,000

Solution:

Concept:

- In the absence of an agreement about profit sharing, partners share profits and losses equally.
- Different capital contributions do not, by themselves, establish a profit-sharing ratio.

Step 1: Select the applicable sharing rule No agreed profit-sharing ratio is stated. Therefore Mohit and Rohit share the profit equally, even though their capitals are Rs $80,000$ and Rs $40,000$.

Step 2: Compute Mohit's share Mohit's share is

$$\text{Rs } 30,000 \times \frac{1}{2} = \text{Rs } 15,000.$$

Rs 20,000 would incorrectly apply the capital ratio of $2 : 1$. Rs 10,000 is the other capital-based allocation, and Rs 18,000 has no basis in the stated sharing rule.

Step 3: Conclusion Mohit's share is Rs $15,000$. Hence, the correct option is (C).

Quick Tip to Solve: When no profit-sharing agreement is supplied, use equal shares even if capitals differ.

6. In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among _____ partners in _____ ratio. [1 mark]

Solution:

Concept:

- Revaluation recognises changes in assets and liabilities up to the date of retirement.
- Profit or loss earned before reconstitution belongs to all old partners in their old profit-sharing ratio.

Step 1: Identify the partners entitled to the result The revaluation result arises while the retiring partner is still associated with the firm. It must therefore be allocated to all the old partners, including the retiring partner, rather than only the continuing partners.

Step 2: Identify the allocation ratio Use the old profit-sharing ratio because the gain or loss relates to the period before the partnership is reconstituted. The new ratio governs future profits of the continuing partners, while the gaining ratio serves a different adjustment purpose.

Step 3: Conclusion The blanks are: all old partners; old profit-sharing ratio.

Quick Tip to Solve: For revaluation at retirement, include the retiring partner and use the ratio before retirement.

7. Vanya Ltd. forfeited 20,000 equity shares of ₹ 100 each for non-payment of first and final call of ₹ 40 per share. The maximum amount of discount at which these shares can be re-issued will be: [1 mark]

(A) ₹ 8,00,000

(B) ₹ 12,00,000

(C) ₹ 20,00,000

(D) ₹ 20,000

Correct Answer: (B) ₹ 12,00,000

Solution:

Concept:

- The discount on reissue of forfeited shares cannot exceed the amount forfeited on those shares.

- The amount forfeited is the capital amount already received from the original shareholder.

Step 1: Find the amount received per share Each share has face value Rs 100, and the unpaid first and final call is Rs 40. The capital already received and forfeited per share is therefore $100 - 40 = \text{Rs } 60$.

Step 2: Apply the maximum discount limit For all $20,000$ shares, maximum discount is

$$20,000 \times 60 = \text{Rs } 12,00,000.$$

Rs 8,00,000 is the unpaid call, Rs 20,00,000 is total face value, and Rs 20,000 merely repeats the number of shares rather than the permissible discount.

Step 3: Conclusion Maximum discount on reissue is Rs $12,00,000$. Hence, the correct option is (B).

Quick Tip to Solve: The reissue discount ceiling is the amount already received on the forfeited shares.

8. _____ means any offer of securities to a select group of persons by a company other than by way of public offer. [1 mark]

Solution:

Concept:

- Private placement is an offer of securities by a company to a select group of persons.
- Its distinguishing feature is that the offer is made to selected persons rather than through a public offer.

Step 1: Recognise the method described The statement identifies a company offering securities to selected persons. The defining words are "select group of persons" and "other than by way of public offer".

Step 2: Match the description to the term This method is called private placement. A public issue instead invites the public, while a rights issue concerns an offer to existing shareholders in proportion to their holdings. The description given specifically identifies private placement.

Step 3: Conclusion The blank is Private placement.

Quick Tip to Solve: Use the words "select group" to distinguish private placement from a public offer.

9. Shahi Ltd. decided to redeem its 8,000, 11% debentures of ₹ 100 each at a premium of 10%. The minimum amount transferred to debenture redemption reserve will be: [1 mark]

(A) ₹ 8,00,000

(B) ₹ 4,00,000

(C) ₹ 2,00,000

(D) ₹ 2,20,000

Correct Answer: (C) ₹ 2,00,000

Solution:

Concept:

- Under the prescribed rule applicable to this question, the minimum Debenture Redemption Reserve is 25% of the nominal value of debentures to be redeemed.
- Redemption premium is an additional payment; it does not increase the nominal-value base for calculating this reserve.

Step 1: Calculate the nominal redemption amount The nominal value of the debentures is

$$8,000 \times \text{Rs } 100 = \text{Rs } 8,00,000.$$

The 11% rate determines interest and is not the reserve percentage.

Step 2: Calculate the minimum reserve The required transfer is

$$\text{Rs } 8,00,000 \times 25\% = \text{Rs } 2,00,000.$$

Rs 8,00,000 is the full nominal amount and Rs 4,00,000 is half of it. Rs 2,20,000 incorrectly applies 25% to the premium-inclusive payment of Rs 8,80,000.

Step 3: Conclusion The minimum transfer to Debenture Redemption Reserve is Rs $2,00,000$. Hence, the correct option is (C).

Quick Tip to Solve: Calculate DRR on nominal value; keep the redemption premium and interest rate out of its base.

10. Which of the following does not result into reconstitution of a firm? [1 mark]

(A) Dissolution of partnership firm.

(B) Dissolution of partnership.

(C) Change in profit-sharing-ratio of existing partners.

(D) Death of partner.

Correct Answer: (A) Dissolution of partnership firm.

Solution:

Concept:

- Reconstitution changes the agreement between partners while the business of the firm continues.

- Dissolution of the firm closes the business and settles its accounts.

Step 1: Distinguish the two types of dissolution Dissolution of partnership means that the existing relationship changes. The remaining partners may continue the firm under a new agreement. Dissolution of a partnership firm ends the business itself, so it cannot be treated as a reconstitution.

Step 2: Test the other alternatives A change in the profit-sharing ratio alters the partnership agreement. Death of a partner also changes the relationship among the surviving partners. Thus (B), (C) and (D) involve reconstitution when the firm continues, whereas (A) ends the firm.

Step 3: Conclusion The correct option is (A): Dissolution of partnership firm.

Quick Tip to Solve: Check whether the business continues: a changed agreement is reconstitution, but closure of the firm is dissolution.

11. Jaipur Club has a prize fund of ₹ 6,00,000. It incurs expenses on prizes amounting to ₹ 5,20,000. The expenses should be: [1 mark]

(A) debited to income and expenditure account.

(B) presented on the asset side of the balance sheet.

(C) debited to income and expenditure account and presented on the asset side of the balance sheet.

(D) deducted from the prize fund on the liability side of the balance sheet.

Correct Answer: (D) deducted from the prize fund on the liability side of the balance sheet.

Solution:

Concept:

- A specific fund is used only for its designated purpose; related expenditure is adjusted against that fund.
- Only expenditure exceeding the available specific fund is charged to the Income and Expenditure Account.

Step 1: Adjust the prize expense against the fund The prize fund is Rs 6,00,000 and the prize expense is Rs 5,20,000. Since the expense is fully covered, the balance is

$$6,00,000 - 5,20,000 = \text{Rs } 80,000.$$

Step 2: Identify the balance-sheet treatment Deduct the expense from the prize fund on the liabilities side and carry forward Rs 80,000. Option (A) would charge a covered expense to general income, while (B) and (C) incorrectly treat this expenditure as an asset.

Step 3: Conclusion The correct option is (D): deduct Rs 5,20,000 from the prize fund on the liabilities side.

Quick Tip to Solve: Compare the prize expense with the specific fund first; charge general income only for any uncovered excess.

12. No debenture redemption reserve is required for debentures issued by: [1 mark]

(A) manufacturing companies

(B) infrastructure companies

(C) banking companies

(D) trading companies

Correct Answer: (C) banking companies

Solution:

Concept:

- Debenture Redemption Reserve is created out of profits where the applicable requirement calls for it.
- For this question, banking companies are exempt from creating a Debenture Redemption Reserve.

Step 1: Apply the exemption A banking company is not required to create a Debenture Redemption Reserve for its debentures. Consequently, the exemption directly matches the banking-company alternative given in the question.

Step 2: Compare the listed company categories The other alternatives identify manufacturing, infrastructure and trading companies. Those business descriptions alone do not give the banking-company exemption tested here. Therefore, none of (A), (B) or (D) is the intended exempt category among these choices.

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

Quick Tip to Solve: For this exemption question, identify the banking company category before considering the company's business activity.

13. The portion of uncalled capital to be called only in the event of winding up of the company is called _____. [1 mark]

Solution:

Concept:

- Uncalled capital is the portion of subscribed capital that the company has not yet demanded from shareholders.
- Reserve capital is the specified portion of uncalled capital callable only on winding up.

Step 1: Identify the restriction on the call The question specifies that this amount cannot be called during the normal life of the company. It is kept available to be called only in the event of winding up, which is the defining feature of reserve capital.

Step 2: Distinguish it from capital reserve Capital reserve arises from capital profits and appears among reserves. Reserve capital instead concerns an uncalled portion of share capital. The wording refers to a future call on shareholders, so the term required is reserve capital.

Step 3: Conclusion The blank is filled by: Reserve capital.

Quick Tip to Solve: Use the words "uncalled" and "winding up" together to identify reserve capital; capital reserve concerns capital profits.

14. Kabir and Farid are partners in a firm sharing profits in the ratio of 3:1 on 1-4-2019 they admitted Manik into partnership for 1/4th share in the profits of the firm. Manik brought his share of goodwill premium in cash. Goodwill of the firm was valued on the basis of 2 years purchase of last three years average profits. The profits of last three years were :

2016-17 ₹ 90,000

2017-18 ₹ 1,30,000

2018-19 ₹ 86,000

During the year 2018-19 there was a loss of ₹ 20,000 due to fire which was not accounted for while calculating the profit.

Calculate the value of goodwill and pass the necessary journal entries for the treatment of goodwill.

[3 marks]

Solution:

Concept:

- Average-profit goodwill equals average maintainable annual profit multiplied by the agreed years' purchase.
- An abnormal loss is added back only when it has reduced the stated profit. Premium brought by the incoming partner is credited to sacrificing partners.

Step 1: Calculate maintainable profit and goodwill The fire loss of Rs 20,000 was not accounted for in the stated profit of Rs 86,000. Hence this figure has not been reduced by the loss and no further addition is needed. Equivalently, profit after recording the loss is Rs 66,000, and adding back the abnormal loss restores Rs 86,000. Thus

$$\begin{aligned}\text{Average profit} &= \frac{90,000 + 1,30,000 + 86,000}{3}\\ &= \text{Rs } 1,02,000,\\ \text{Goodwill} &= 1,02,000 \times 2 = \text{Rs } 2,04,000.\end{aligned}$$

Step 2: Determine premium and its distribution Manik's premium is $2,04,000 \times \frac{1}{4} = \text{Rs } 51,000$. As no different source of his share is stated, Kabir and Farid sacrifice in their old ratio $3:1$. Their credits are $51,000 \times 3/4 = \text{Rs } 38,250$ and $51,000 \times 1/4 = \text{Rs } 12,750$, respectively.

Step 3: Record the goodwill entries Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2019	Cash A/c Dr.		51,000	
	To Premium for Goodwill A/c			51,000
	(Being Manik's goodwill premium received)			
1-4-2019	Premium for Goodwill A/c Dr.		51,000	
	To Kabir's Capital A/c			38,250
	To Farid's Capital A/c			12,750
	(Being premium distributed in sacrificing ratio 3:1)			

No goodwill asset is raised: the incoming partner has brought the premium in cash.

Step 4: Conclusion Goodwill is Rs 2,04,000. Manik brings Rs 51,000 as premium, credited to Kabir Rs 38,250 and Farid Rs 12,750.

Quick Tip to Solve: Do not add the fire loss twice: the question explicitly says it was not accounted for in the stated profit.

OR

14. Raka, Seema and Mahesh were partners sharing profits and losses in the ratio of 5 : 3 : 2. With effect from 1st April, 2019, they mutually agreed to share profits and losses in the ratio of 2 : 2 : 1. On that date, there was a workmen's compensation fund of ₹ 90,000 in the books of the firm. It was agreed that:

(i) Goodwill of the firm be valued at ₹ 70,000.

(ii) Claim for workmen's compensation amounted to ₹ 40,000.

(iii) Profit on revaluation of assets and re-assessment of liabilities amounted to ₹ 40,000.

Pass necessary journal entries for the above transactions in the books of the firm. [3 marks]

Solution:

Concept:

- Sacrifice or gain equals old share minus new share. A gaining partner compensates a sacrificing partner for goodwill.
- Surplus workmen's compensation fund and revaluation profit belong to the partners in their old ratio.

Step 1: Compute the goodwill adjustment Old shares are $5/10, 3/10, 2/10$; new shares are $4/10, 4/10, 2/10$. Raka sacrifices $1/10$, Seema gains $1/10$, and Mahesh has no change. Therefore Seema compensates Raka by $70,000 \times 1/10 = \text{Rs } 7,000$. Goodwill is adjusted through capitals without raising a goodwill asset.

Step 2: Allocate the fund surplus and revaluation profit Of the Rs 90,000 workmen's compensation fund, Rs 40,000 is retained as the claim liability. The surplus of Rs 50,000 is distributed in the old ratio $5 : 3 : 2$: Raka Rs 25,000, Seema Rs 15,000 and Mahesh Rs 10,000. Revaluation profit of Rs 40,000 is also credited in that ratio: Rs 20,000, Rs 12,000 and Rs 8,000, respectively.

Step 3: Pass the journal entries Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2019	Seema's Capital A/c Dr.		7,000	
	To Raka's Capital A/c			7,000
	(Being goodwill adjusted for Seema's gain)			
1-4-2019	Workmen's Compensation Fund A/c Dr.		90,000	
	To Workmen's Compensation Claim A/c			40,000
	To Raka's Capital A/c			25,000
	To Seema's Capital A/c			15,000
	To Mahesh's Capital A/c			10,000
	(Being claim provided and surplus distributed)			
1-4-2019	Revaluation A/c Dr.		40,000	
	To Raka's Capital A/c			20,000
	To Seema's Capital A/c			12,000
	To Mahesh's Capital A/c			8,000
	(Being revaluation profit transferred in old ratio)			

Step 4: Conclusion Seema debits Rs 7,000 for goodwill and Raka receives it. Distribute fund surplus Rs 50,000 and revaluation profit Rs 40,000 in the old ratio 5:3:2.

Quick Tip to Solve: Calculate the claim first, then distribute only the fund surplus in the old ratio; use the change in shares for goodwill.

15. How will the following items be treated while preparing the Income and Expenditure Account and Balance Sheet of a Not-for-profit-organization for the year ended 31st March, 2019?

Particulars	As at 1-4-2018 (₹)	As at 31-3-2019 (₹)
Creditors for sports materials	18,000	41,000
Stock of sports materials	27,000	38,000

During 2018-19 the payment made to creditors for sports material was ₹ 5,23,000. [4 marks]

Solution:

Concept:

- The Income and Expenditure Account follows the accrual basis: sports materials consumed during the year are charged as expenditure, irrespective of the amount paid.
- Purchases equal payments to creditors plus closing creditors less opening creditors. Consumption equals opening stock plus purchases less closing stock.
- The closing Balance Sheet shows unused sports materials as a current asset and unpaid creditors for sports materials as a current liability.

Step 1: Calculate sports materials purchased The payment of Rs 5,23,000 includes settlement of opening creditors of Rs 18,000. Deduct this opening liability to find the payment relating to current

purchases; add closing creditors of Rs 41,000 because those current purchases remain unpaid.

$$\begin{aligned}\text{Purchases} &= \text{Payments} + \text{Closing creditors} - \text{Opening creditors}\\ &= 5,23,000 + 41,000 - 18,000\\ &= \text{Rs } 5,46,000.\end{aligned}$$

Thus the increase in creditors means that purchases exceed cash paid. The opening creditors are not an expense of the current year.

Step 2: Calculate consumption and show the expenditure Opening stock is available for use in the current year, while closing stock is still unused. Therefore:

$$\begin{aligned}\text{Sports materials consumed} &= 27,000 + 5,46,000 - 38,000\\ &= \text{Rs } 5,35,000.\end{aligned}$$

Income and Expenditure Account (extract) for the year ended 31st March, 2019

Expenditure	Amount (Rs)
Sports materials consumed	5,35,000

This is a revenue expense and appears on the debit side. Charging the cash payment directly would omit the changes in both stock and creditors.

Step 3: Show the closing balances in the Balance Sheet Balance Sheet (extract) as at 31st March, 2019

Particulars	Amount (Rs)
Liabilities	
Current liabilities: Creditors for sports materials	41,000
Assets	
Current assets: Stock of sports materials	38,000

The opening stock of Rs 27,000 and opening creditors of Rs 18,000 belong to the opening Balance Sheet as at 1st April, 2018. They are used in the working above, but are not repeated as closing balances. Only the unused closing stock and outstanding closing creditors are carried forward.

Step 4: Conclusion Debit sports materials consumed of Rs 5,35,000 to the Income and Expenditure Account. Show closing stock of Rs 38,000 as an asset and creditors of Rs 41,000 as a liability in the closing Balance Sheet.

Quick Tip to Solve: First adjust cash paid for creditors to obtain purchases; then adjust purchases for opening and closing stock to obtain consumption.

OR

15. From the following particulars of Glorious Club, prepare Receipts and Payments Account for the year ended 31st March, 2019.

Particulars	Amount (₹)
Opening balance of cash	16,000
Subscriptions (including ₹ 13,000 for 2017-18)	93,000
Investments purchased	35,000
Maintenance expenses	15,000
Locker rent	40,000
Life membership fees	85,000
Insurance premium	6,000

[4 marks]

Solution:

Concept:

- A Receipts and Payments Account summarises actual cash and bank transactions. Receipts appear on its debit side and payments on its credit side.
- All cash receipts and payments are included whether capital or revenue and whether they relate to the current, preceding or subsequent accounting period.
- Opening cash is shown as Balance b/d; the balancing amount on the payment side is closing cash, shown as Balance c/d.

Step 1: Classify the cash transactions The opening cash balance is Rs 16,000. Subscriptions received are Rs 93,000, locker rent received is Rs 40,000 and life membership fees received are Rs 85,000. These are entered on the receipts side. The full subscription receipt is included: Rs 13,000 relating to 2017–18 is still cash received during 2018–19 and must not be deducted.

Investments purchased of Rs 35,000, maintenance expenses of Rs 15,000 and insurance premium of Rs 6,000 are entered on the payments side. Investments and life membership fees are capital items, but their cash movements remain part of this account. No accrual adjustment is required for this cash summary.

Step 2: Prepare the Receipts and Payments Account Glorious Club

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

Dr. Receipts	Amount (Rs)	Payments Cr.	Amount (Rs)
To Balance b/d	16,000	By Investments	35,000
To Subscriptions	93,000	By Maintenance expenses	15,000
To Locker rent	40,000	By Insurance premium	6,000
To Life membership fees	85,000	By Balance c/d	1,78,000
Total	**2,34,000**	**Total**	**2,34,000**

Both sides agree after including the closing cash balance. The Rs 1,78,000 balance is cash available at the year end, rather than an income surplus; the account also includes capital transactions and receipts relating to an earlier year.

Step 3: Verify the closing cash balance Total cash available consists of opening cash plus all receipts:

$$16,000 + 93,000 + 40,000 + 85,000 = \text{Rs } 2,34,000.$$

Actual payments total:

$$35,000 + 15,000 + 6,000 = \text{Rs } 56,000.$$

Hence cash remaining is Rs $2,34,000 - 56,000 = 1,78,000$. This is shown as Balance c/d on the payments side to balance the account, and becomes the debit opening balance for the next accounting year. In particular, neither the prior-year subscription portion nor life membership fees should be removed when calculating cash available.

Step 4: Conclusion The Receipts and Payments Account totals Rs 2,34,000 on each side, with closing cash (Balance c/d) of Rs 1,78,000 on 31st March, 2019.

Quick Tip to Solve: In a Receipts and Payments Account, include the entire cash subscription receipt even when part relates to an earlier year.

16. Puneet and Akshara were partners in a firm sharing profits and losses in the ratio of 2 : 3. The following was the balance sheet of the firm as on 31st March, 2019.

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals: Puneet 90,000 Akshara 1,10,000	2,00,000	Sundry Assets	2,00,000
Total	2,00,000	Total	2,00,000

The profits ₹ 40,000 for the year ended 31st March, 2019 were divided between the partners without allowing interest on capital @ 5% p.a. and commission to Akshara @ ₹ 1,000 per quarter. The drawings of the partners during the year were:

Puneet ₹ 2,500 per month

Akshara ₹ 10,000 per quarter

Showing your workings clearly, pass necessary adjustment entry in the books of the firm. [4 marks]

Solution:

Concept:

- Interest on capital is calculated on opening capital. Opening capital equals closing capital plus annual drawings minus profit already credited when no other capital changes occur.
- Compare the correct total entitlement with profit already credited. Debit the partner who received excess and credit the partner who received less. Both sides of the adjustment must be equal.

Step 1: Reconstruct opening capitals The profit of Rs 40,000 was already divided in the ratio $2 : 3$, giving Puneet Rs 16,000 and Akshara Rs 24,000. Puneet's annual drawings were $2,500 \times 12 =$

Rs $30,000$; Akshara's were $10,000 \times 4 =$ Rs $40,000$. Therefore,

$$\text{Puneet's opening capital} = 90,000 + 30,000 - 16,000 = \text{Rs } 1,04,000,$$
$$\text{Akshara's opening capital} = 1,10,000 + 40,000 - 24,000 = \text{Rs } 1,26,000.$$

Add drawings because they reduced closing capital; deduct profit because it increased closing capital. The question does not provide for interest on drawings.

Step 2: Calculate correct entitlements At 5% per annum, interest on opening capital is Rs 5,200 for Puneet and Rs 6,300 for Akshara. Akshara's commission is $1,000 \times 4 =$ Rs $4,000$. The remaining profit is

$$40,000 - 5,200 - 6,300 - 4,000 = \text{Rs } 24,500.$$

Sharing this balance in the ratio $2:3$ gives Rs 9,800 and Rs 14,700 respectively.

Particulars	Puneet (Rs)	Akshara (Rs)
Interest on capital	5,200	6,300
Commission	—	4,000
Residual profit share	9,800	14,700
Correct entitlement	15,000	25,000
Already credited	16,000	24,000
Adjustment	Debit 1,000	Credit 1,000

Step 3: Record the adjustment Puneet has received Rs 1,000 more than his entitlement; Akshara has received Rs 1,000 less. The single entry transfers the excess between their capital accounts and leaves total capital unchanged.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2019	Puneet's Capital A/c Dr. To Akshara's Capital A/c (Being omitted interest on capital and Akshara's commission adjusted through capital accounts)		1,000	1,000

Step 4: Conclusion Debit Puneet's Capital Account and credit Akshara's Capital Account by Rs 1,000 each.

Quick Tip to Solve: Recover opening capitals before applying 5 percent; the given balance-sheet capitals already include profit and drawings.

17. Keith, Bina and Veena were partners in a firm sharing profits and losses equally. Their balance sheet as on 31-3-2019 was as follows :

Balance Sheet of Keith, Bina and Veena as on 31-3-2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Plant and Machinery	2,40,000
Keith	1,50,000		Stock	60,000
Bina	1,00,000		Sundry debtors	35,000
Veena	75,000	3,25,000	Cash at bank	50,000
General Reserve		30,000		
Sundry creditors		30,000		
		3,85,000		3,85,000

Veena died on 30th June, 2019. According to the partnership deed, the executors of the deceased partner were entitled to :

(a) Balance in capital account

(b) Salary till the date of death @ ₹ 25,000 per annum.

(c) Share of goodwill calculated on the basis of twice the average profits of past three years.

(d) Share of profit from the closure of the last accounting year till the date of death on the basis of average of three completed years profits before death.

(e) Profits for 2016-17, 2017-18 and 2018-19 were ₹ 1,20,000, ₹ 90,000 and ₹ 1,50,000 respectively.

Veena withdrew ₹ 15,000 on 1st June, 2019 for paying her daughter's school fees.

Prepare Veena's capital account to be rendered to her executors. [4 marks]

Solution:

Concept:

- The deceased partner's capital account is credited with the opening balance, share of accumulated reserves, salary due, goodwill compensation and profit up to death. Drawings are debited, and the net amount due is transferred to the executor's account.
- Veena's share is $1/3$. Salary and estimated profit accrue for the three months from 1 April to 30 June 2019; goodwill is valued at twice the average annual profit.

Step 1: Calculate average profit and goodwill The average of the three completed years' profits is

$$\frac{1,20,000 + 90,000 + 1,50,000}{3} = \text{Rs } 1,20,000.$$

Hence the firm's goodwill is $2 \times 1,20,000 = \text{Rs } 2,40,000$, and Veena's one-third share is $2,40,000/3 = \text{Rs } 80,000$. Keith and Bina continue to share equally; each gains half of Veena's share. Therefore each continuing partner's capital account is debited by Rs 40,000 to compensate Veena, without raising goodwill in the books.

Step 2: Calculate other amounts due up to death Veena's share of the general reserve is $30,000/3 = \text{Rs } 10,000$. The reserve represents accumulated profits and must be credited in addition to her opening

capital of Rs 75,000. Salary for the three months to 30 June is

$$25,000 \times \frac{3}{12} = \text{Rs } 6,250.$$

Her estimated share of current-year profit, using the average annual profit as required by the deed, is

$$1,20,000 \times \frac{3}{12} \times \frac{1}{3} = \text{Rs } 10,000.$$

This amount is credited through Profit and Loss Suspense Account because final current-year profit is not yet determined. The Rs 15,000 withdrawn on 1 June is a debit to capital; no interest on drawings is specified.

Step 3: Prepare Veena's capital account Total credits are $75,000+10,000+6,250+80,000+10,000 =$ Rs $1,81,250$. After deducting drawings of Rs 15,000, the liability to Veena's executors is Rs 1,66,250. Transfer that liability to the executors' account so that Veena's capital account closes.

Veena's Capital Account

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Bank A/c (drawings)	15,000	By Balance b/d	75,000
To Veena's Executors' A/c	1,66,250	By General Reserve A/c	10,000
		By Salary A/c	6,250
		By Keith's Capital A/c	40,000
		By Bina's Capital A/c	40,000
		By Profit and Loss Suspense A/c	10,000
Total	1,81,250	Total	1,81,250

No balance remains in the capital account after the executor transfer; the unpaid amount is now shown as a liability in the executors' account.

Step 4: Conclusion The amount due to Veena's executors on 30 June 2019 is Rs 1,66,250.

Quick Tip to Solve: Include the deceased partner's share of general reserve as well as goodwill, and use only three months for salary and current-year profit.

18. From the given Receipts and Payments Account and additional information of Shine Club for the year ended 31st March, 2019, prepare Income and Expenditure Account for the year ended 31st March, 2019.

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

Receipts	Amount	Payments	Amount
To balance b/d	50,000	By Furniture & equipments	1,22,000
To donations	45,000	By Salaries	32,000
To subscriptions:		By balance c/d	13,400
2017-18 1,600			
2018-19 60,000			
2019-20 5,000	66,600		
To interest received	5,800		
Total	1,67,400		1,67,400

Additional Information:

(i) Furniture and equipments were purchased on 1-10-2018. Depreciation @ 10% p.a. was to be provided on furniture and equipments.

(ii) Subscriptions in arrears for the year 2018-19 were ₹ 2,000.

(iii) Outstanding salary ₹ 6,000. [4 marks]

Solution:

Concept:

- An Income and Expenditure Account records revenue income and revenue expenses for the current accounting year on the accrual basis. Opening and closing cash balances are excluded.
- Subscriptions belonging to an earlier or later year are excluded; subscriptions outstanding for the current year are added. General donations without a specified capital purpose are revenue income.
- Furniture and equipment purchases are capital expenditure. Only depreciation for the period of use is charged as an expense; unpaid current-year salaries are also charged.

Step 1: Calculate current-year subscriptions Of subscriptions received of Rs 66,600, Rs 1,600 belongs to 2017–18 and Rs 5,000 is received in advance for 2019–20. Only Rs 60,000 relates to 2018–19. Adding the current year's arrears gives:

$$\text{Subscription income} = 66,600 - 1,600 - 5,000 + 2,000 = \text{Rs } 62,000.$$

The earlier-year receipt settles a prior receivable, while the next-year receipt is a liability; neither is this year's income.

Step 2: Adjust salaries and depreciation Salaries include the outstanding amount because the employees' services relate to the current year:

$$\text{Salary expense} = 32,000 + 6,000 = \text{Rs } 38,000.$$

Furniture and equipment costing Rs 1,22,000 were purchased on 1 October 2018 and used for six

months up to 31 March 2019. Therefore:

$$\text{Depreciation} = 1,22,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 6,100.$$

The cost of the assets themselves is not an expense in this account.

Step 3: Prepare the Income and Expenditure Account **Shine Club: Income and Expenditure Account for the year ended 31 March 2019**

Expenditure (Dr.)	Rs	Income (Cr.)	Rs
To Salaries	38,000	By Donations	45,000
To Depreciation	6,100	By Subscriptions	62,000
To Surplus	68,700	By Interest received	5,800
Total	1,12,800	Total	1,12,800

Donations are treated as general donations because the question specifies no restricted purpose or capital direction. Interest is included as current revenue income; no adjustment to it is given. The cash balances of Rs 50,000 and Rs 13,400 are balance-sheet items and do not appear here.

Step 4: Conclusion The surplus of income over expenditure for the year ended 31 March 2019 is $\boxed{\text{Rs } 68,700}$.

Quick Tip to Solve: Separate subscriptions by accounting year before adding arrears; charge depreciation for only six months.

19. Niyati, Kartik and Ratik were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31st March, 2019 by the order of the court. After transfer of assets (other than cash) and external liabilities to Realization Account, the following transactions took place:

(a) An unrecorded liability of the firm of ₹ 45,000 was paid by Niyati.

(b) Creditors, to whom ₹ 67,000 were due to be paid, accepted furniture at ₹ 35,000 and the balance was paid to them in cash.

(c) Kartik had given a loan of ₹ 18,000 to the firm which was paid to him.

(d) Stock worth ₹ 85,000 was taken over by Ratik at ₹ 72,000.

(e) Expenses on dissolution amounted to ₹ 6,000 and were paid by Kartik.

(f) Loss on dissolution amounted to ₹ 40,000.

Pass the necessary journal entries for the above transactions in the books of the firm. [6 marks]

Solution:

Concept:

- After assets and outside liabilities have been transferred to Realisation Account, settlement receipts and payments pass through that account. A partner who pays a firm liability or dissolution expense is credited in the capital account.
- A partner loan is settled through the loan account, separately from capital. A partner taking an asset is debited with its agreed takeover value, with a corresponding credit to Realisation Account.
- The final realisation loss is debited to the partners in their profit-sharing ratio of 5:3:2 and credited to Realisation Account.

Step 1: Determine the amounts and the accounts affected (a) Niyati pays an unrecorded liability of Rs 45,000 on the firm's behalf. Realisation is debited and her capital is credited; the firm's cash does not move.

(b) The creditors accept furniture worth Rs 35,000 against Rs 67,000 due. The remaining cash settlement is $67,000 - 35,000 =$ Rs $32,000$. No separate entry is made for handing over furniture to creditors because both furniture and creditors have already been transferred to Realisation Account.

(c) Kartik's loan of Rs 18,000 is a separate liability and is paid through his Loan Account.

(d) Ratik is charged the agreed takeover price of Rs 72,000 for stock, rather than its book value of Rs 85,000.

(e) Kartik is credited with Rs 6,000 for expenses paid on the firm's behalf.

(f) The loss allocation is Niyati: $40,000 \times 5/10 =$ Rs $20,000$; Kartik: $40,000 \times 3/10 =$ Rs $12,000$; Ratik: $40,000 \times 2/10 =$ Rs $8,000$.

Step 2: Record the journal entries **Journal of the firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-19	Realisation A/c Dr. To Niyati's Capital A/c (Being unrecorded liability paid by Niyati)		45,000	 45,000
31-3-19	Realisation A/c Dr. To Bank A/c (Being creditors settled with furniture and balance cash)		32,000	 32,000
31-3-19	Kartik's Loan A/c Dr. To Bank A/c (Being partner's loan repaid)		18,000	 18,000
31-3-19	Ratik's Capital A/c Dr. To Realisation A/c (Being stock taken over by Ratik at agreed value)		72,000	 72,000
31-3-19	Realisation A/c Dr. To Kartik's Capital A/c (Being dissolution expenses paid by Kartik)		6,000	 6,000
31-3-19	Niyati's Capital A/c Dr. Kartik's Capital A/c Dr. Ratik's Capital A/c Dr. To Realisation A/c (Being realisation loss shared in the ratio 5:3:2)		20,000 12,000 8,000	 40,000

Step 3: Conclusion The six entries above record all transactions; the dissolution loss of Rs 40,000 is borne by Niyati Rs 20,000, Kartik Rs 12,000 and Ratik Rs 8,000.

Quick Tip to Solve: For an asset handed to an already-transferred creditor, record only the remaining cash paid; avoid recording the asset twice.

20. (a) On 1st April, 2015, Mayfair Ltd. issued 4,000 9% debentures of ₹ 100 each at a discount of 5% redeemable at a premium of 8%. The debentures were redeemable on 31st March, 2019. The company created the necessary minimum amount of debenture redemption reserve and purchased the required amount of debenture redemption investments as per the provisions of Companies Act, 2013. Pass the necessary journal entries for redemption of debentures.

(b) Hero Ltd. purchased plant and machinery for ₹ 18,00,000 from Pearl Machines Ltd. payable ₹ 3,00,000 by drawing a promissory note and the balance by issue of 9% debentures of ₹ 100 each at a premium of 20%. Pass the necessary journal entries in the books of Hero Ltd. for the above transactions. [6 marks]

Solution:

Concept:

- Debenture redemption reserve (DRR) is created out of profits before redemption. Under the provisions applicable to this question, the minimum DRR is 25% of the nominal amount of debentures.
- Debenture redemption investment (DRI) is 15% of the nominal debentures maturing during the year; redemption premium is a separate liability.
- Debentures issued to a vendor are valued at their issue price: face value plus securities premium.

Step 1: (a) Calculate the reserve, investment and payment The nominal liability is $4,000 \times 100 =$ Rs $4,00,000$. Thus DRR is $4,00,000 \times 25\% =$ Rs $1,00,000$, and DRI is $4,00,000 \times 15\% =$ Rs $60,000$. The investment is purchased by 30 April 2018 for debentures maturing in 2018-19. Redemption premium is $4,00,000 \times 8\% =$ Rs $32,000$; the total payment is Rs 4,32,000. The original issue discount does not reduce the redemption liability. The premium liability arose on issue; it is now debited when redemption becomes due. As no sale proceeds or investment income are specified, the DRI is realised at book value.

Step 2: (a) Record redemption Journal of Mayfair Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2018	Surplus in Statement of Profit and Loss Dr.		1,00,000	
	To Debenture Redemption Reserve			1,00,000
	(Being minimum reserve created for redemption)			
30-4-2018	Debenture Redemption Investment Dr.		60,000	
	To Bank			60,000
	(Being required investment purchased)			
31-3-2019	Bank Dr.		60,000	
	To Debenture Redemption Investment			60,000
	(Being investment realised at book value)			
31-3-2019	9% Debentures Dr.		4,00,000	
	Premium on Redemption of Debentures Dr.		32,000	
	To Debentureholders			4,32,000
	(Being amount due on redemption)			
31-3-2019	Debentureholders Dr.		4,32,000	
	To Bank			4,32,000
	(Being debentureholders paid)			
31-3-2019	Debenture Redemption Reserve Dr.		1,00,000	
	To General Reserve			1,00,000
	(Being reserve transferred after redemption)			

Step 3: (b) Calculate the debentures issued to the vendor After the promissory note of Rs 3,00,000, the vendor balance is $18,00,000 - 3,00,000 =$ Rs $15,00,000$. Each debenture settles Rs 120 of this amount. Hence $15,00,000/120 = 12,500$ debentures are issued. Their nominal value is Rs 12,50,000 and securities premium is Rs 2,50,000. A promissory note creates Bills Payable, rather than an immediate bank payment.

Step 4: (b) Record the purchase and its settlement Journal of Hero Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Plant and Machinery Dr.		18,00,000	
	To Pearl Machines Ltd.			18,00,000
	(Being plant and machinery purchased)			
	Pearl Machines Ltd. Dr.		3,00,000	
	To Bills Payable			3,00,000
	(Being promissory note issued towards purchase price)			
	Pearl Machines Ltd. Dr.		15,00,000	
	To 9% Debentures			12,50,000
	To Securities Premium Reserve			2,50,000
	(Being 12,500 debentures issued at 20% premium)			

Step 5: Conclusion Mayfair Ltd. pays Rs 4,32,000 on redemption and transfers DRR of Rs 1,00,000 to General Reserve. Hero Ltd. issues a promissory note of Rs 3,00,000 and 12,500 debentures of Rs 100 each at a premium of 20%.

Quick Tip to Solve: Calculate redemption reserve and investment on face value; divide the vendor balance by the issue price of Rs 120, not face value.

OR

20. (a) BGP Ltd. invited applications for issuing 15,000, 11% debentures of ₹ 100 each at a premium of ₹ 50 per debenture. The full amount was payable on application. Applications were received for 25,000 debentures. Applications for 5,000 debentures were rejected and the application money was refunded. Debentures were allotted to the remaining applicants on pro-rata basis. Pass the necessary journal entries for the above transactions in the books of BGP Ltd.

(b) Agam Ltd. issued 40,000 9% debentures of ₹ 100 each on April 1, 2018 at a discount of 10%, redeemable at a premium of 10%. Assuming that the interest was paid half yearly on September 30 and March 31 and the tax deducted at source was 10%, give journal entries relating to debenture interest for the half year ended March 31, 2019. [6 marks]

Solution:

Concept:

- Application receipts include both nominal value and premium. Money received for rejected applications and excess money from pro-rata applicants must be refunded when the full issue price was payable on application.
- Debenture interest is calculated on nominal value, independent of issue discount and redemption premium.
- Tax deducted at source (TDS) is withheld from gross interest; the balance is paid to debentureholders.

Step 1: (a) Calculate receipts, allotment and refunds The issue price is $100+50 =$ Rs 150. Receipts are $25,000 \times 150 =$ Rs $37,50,000$. Rejected applicants receive $5,000 \times 150 =$ Rs $7,50,000$. The remaining 20,000 applications receive 15,000 debentures in the ratio $3:4$. Their money received is Rs 30,00,000, while the amount required is $15,000 \times 150 =$ Rs $22,50,000$. Therefore their excess Rs 7,50,000 is also refunded; there is no unpaid allotment or call against which to adjust it. Nominal capital is Rs 15,00,000 and securities premium is Rs 7,50,000.

Step 2: (a) Record application and allotment Journal of BGP Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank Dr.		37,50,000	
	To Debenture Application and Allotment			37,50,000
	(Being application money received on 25,000 debentures at Rs 150 each)			
	Debenture Application and Allotment Dr.		7,50,000	
	To Bank			7,50,000
	(Being money refunded on 5,000 rejected applications)			
	Debenture Application and Allotment Dr.		22,50,000	
	To 11% Debentures			15,00,000
	To Securities Premium Reserve			7,50,000
	(Being 15,000 debentures allotted at Rs 150 each)			
	Debenture Application and Allotment Dr.		7,50,000	
	To Bank			7,50,000
	(Being excess money refunded to successful applicants)			

Step 3: (b) Calculate half-yearly interest and TDS Nominal debentures are $40,000 \times 100 =$ Rs $40,00,000$. For 1 October 2018 to 31 March 2019, gross interest is

$$40,00,000 \times \frac{9}{100} \times \frac{6}{12} = \text{Rs } 1,80,000.$$

TDS is $1,80,000 \times 10\% =$ Rs $18,000$, and net interest is $1,80,000 - 18,000 =$ Rs $1,62,000$. The issue discount and redemption premium affect loss on issue, not the contractual interest base. Only the requested second half-year is recorded below.

Step 4: (b) Record interest for the half-year Journal of Agam Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2019	Debenture Interest Dr.		1,80,000	
	To Debentureholders			1,62,000
	To Tax Deducted at Source Payable			18,000
	(Being half-yearly interest due after deduction of tax)			
31-3-2019	Debentureholders Dr.		1,62,000	
	To Bank			1,62,000
	(Being net interest paid)			
31-3-2019	Statement of Profit and Loss Dr.		1,80,000	
	To Debenture Interest			1,80,000
	(Being interest expense transferred)			

The TDS liability of Rs 18,000 remains payable to the government. When remitted, debit Tax Deducted at Source Payable and credit Bank with Rs 18,000; no remittance date is supplied.

Step 5: Conclusion BGP Ltd. allots 15,000 debentures and refunds Rs 15,00,000 in total. Agam Ltd. recognises gross half-yearly interest of Rs 1,80,000, deducts TDS of Rs 18,000 and pays Rs 1,62,000.

Quick Tip to Solve: Where the whole issue price is payable on application, refund excess pro-rata money; calculate debenture interest on nominal value.

21. Premier Tools Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows: On application – ₹ 5 per share (including premium); On allotment – ₹ 3 per share; On first & final call – Balance.

Applications were received for 2,50,000 shares. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payments received on application were adjusted towards sums due on allotment. All calls were made and duly received except allotment and first and final call from Naveen who applied for 7,200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹ 48,000 as fully paid. Pass the necessary journal entries for the above transactions in the books of Premier Tools Ltd. Open calls-in-arrears account wherever required. [8 marks]

Solution:

Concept:

- Application premium is credited to Securities Premium Reserve; only the capital component enters Share Capital. Excess application money reduces allotment payable.
- Forfeiture cancels called-up capital and credits capital actually received to Share Forfeiture. On reissue, only the forfeiture relating to reissued shares becomes capital reserve.

Step 1: Calculate the allotment and arrears Valid applications are for $2,50,000 - 10,000 = 2,40,000$ shares. The allotment ratio is $2,00,000 : 2,40,000 = 5 : 6$. Thus Naveen receives $7,200 \times 5/6 = 6,000$ shares. The final call per share is $12 - 5 - 3 = \text{Rs } 4$.

Naveen paid application money of $7,200 \times 5 = \text{Rs } 36,000$. The application requirement for his allotment is Rs 30,000, including premium of Rs 12,000. Therefore Rs 6,000 is adjusted against his allotment of Rs 18,000, leaving Rs 12,000 unpaid. His final-call arrears are $6,000 \times 4 = \text{Rs } 24,000$. Total calls in arrears are Rs 36,000. Capital received on his shares is $36,000 - 12,000 = \text{Rs } 24,000$. The premium has already been received and is not reversed.

Step 2: Record application and allotment entries Journal of Premier Tools Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 2,50,000 shares at Rs 5 each)		12,50,000	 12,50,000
	Share Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Being application money transferred, excess adjusted and rejected applications refunded)		12,50,000	 6,00,000 4,00,000 2,00,000 50,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment money due on 2,00,000 shares at Rs 3 each)		6,00,000	 6,00,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being allotment balance received except the amount due from Naveen)		3,88,000 12,000	 4,00,000

Step 3: Record the call and forfeiture Journal of Premier Tools Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call of Rs 4 per share made)		8,00,000	 8,00,000
	Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (Being call money received except on Naveen's 6,000 shares)		7,76,000 24,000	 8,00,000
	Share Capital A/c Dr. To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 6,000 fully called shares forfeited for non-payment)		60,000	 36,000 24,000

Step 4: Record reissue and transfer the realised profit Half of 6,000 shares means 3,000 shares. Their face value is Rs 30,000; proceeds of Rs 48,000 include Rs 18,000 premium. No discount is allowed. Half the forfeiture credit, Rs 12,000, is the realised capital profit; the other Rs 12,000 remains for the unreissued shares.

Journal of Premier Tools Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being 3,000 forfeited shares reissued fully paid at Rs 16 each)		48,000	 30,000 18,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on the reissued half of the forfeited shares transferred)		12,000	 12,000

Step 5: Conclusion Naveenś 6,000 shares are forfeited; 3,000 are reissued at Rs 16 each. Capital Reserve is credited with Rs 12,000, while Share Forfeiture retains Rs 12,000.

Quick Tip to Solve: For Naveen, subtract excess application money from allotment due before computing calls in arrears.

OR

21. Concept Stationary Ltd. invited applications for issuing 3,00,000 shares of ₹ 10 each at a premium of ₹ 3 per share. The amounts were payable as follows: On application and allotment – ₹ 7 per share; On first & final call – balance (including premium of ₹ 3).

Applications were received for 4,00,000 shares & allotment was made as follows:

(i) To applicants for 80,000 shares – 80,000 shares.

(ii) To applicants for 40,000 shares – nil.

(iii) Balance of the applicants were allotted shares on pro-rata basis.

Excess money received with applications was adjusted towards sums due on first and final call. Amit, who belonged to category (i) and was allotted 4,000 shares and Veni, who belonged to category (iii) and was allotted 4,400 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were re-issued at ₹ 7 per share fully paid-up. Pass necessary journal entries for the above transactions in the books of the company. [8 marks]

Solution:

Concept:

- Application and allotment are combined at Rs 7 per share, entirely capital. The Rs 6 final call consists of Rs 3 capital and Rs 3 premium.
- Excess application money is adjusted against the final call. On forfeiture, unpaid premium is reversed; reissue discount is charged to Share Forfeiture.

Step 1: Work out the pro-rata adjustment Category (iii) applications are $4,00,000 - 80,000 - 40,000 = 2,80,000$; shares allotted to this category are $3,00,000 - 80,000 = 2,20,000$. The ratio of allotment to application is $11 : 14$. Excess application money is $(2,80,000 - 2,20,000) \times 7 = \text{Rs } 4,20,000$. Refund to rejected applicants is $40,000 \times 7 = \text{Rs } 2,80,000$.

Veni applied for $4,400 \times 14/11 = 5,600$ shares. Her excess payment is $(5,600 - 4,400) \times 7 = \text{Rs } 8,400$. Her gross final call is $4,400 \times 6 = \text{Rs } 26,400$, leaving Rs 18,000 unpaid. Amit has no excess application

money, so his arrears are $4,000 \times 6 =$ Rs $24,000$. Total unpaid call is Rs 42,000. Accordingly bank receives $18,00,000 - 4,20,000 - 42,000 =$ Rs $13,38,000$.

Step 2: Record receipt, adjustment and final call Journal of Concept Stationary Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application and allotment money received on 4,00,000 shares)		28,00,000	 28,00,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Share First and Final Call A/c To Bank A/c (Being money transferred to capital, excess adjusted to call and rejected money refunded)		28,00,000	 21,00,000 4,20,000 2,80,000
	Share First and Final Call A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Being final call of Rs 6 including premium of Rs 3 made on 3,00,000 shares)		18,00,000	 9,00,000 9,00,000

Step 3: Forfeit the defaulting shares There are $4,000 + 4,400 = 8,400$ forfeited shares, with called capital of Rs 84,000. Unpaid premium is $8,400 \times 3 =$ Rs $25,200$, reversed on forfeiture. The excess application adjustment is applied to capital in the call; the unpaid balance still includes the premium. Capital received is $8,400 \times 7 + 8,400 =$ Rs $67,200$. This is the forfeiture credit.

Journal of Concept Stationary Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share First and Final Call A/c (Being balance call money received except Rs 42,000 from Amit and Veni)		13,38,000	 13,38,000
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share First and Final Call A/c To Share Forfeiture A/c (Being 8,400 shares forfeited and unpaid premium cancelled)		84,000 25,200	 42,000 67,200

Step 4: Reissue shares and transfer the balance All 8,400 shares are reissued at Rs 7 fully paid. Bank receives Rs 58,800, while the discount of $8,400 \times 3 =$ Rs $25,200$ is charged to Share Forfeiture. Its balance, $67,200 - 25,200 =$ Rs $42,000$, is transferred entirely to Capital Reserve because all forfeited shares have been reissued.

Journal of Concept Stationary Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 8,400 forfeited shares reissued fully paid at Rs 7 each)		58,800 25,200	 84,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus after reissue discount transferred to capital reserve)		42,000	 42,000

Step 5: Conclusion The company forfeits and reissues 8,400 shares. The forfeiture credit is Rs 67,200; after reissue discount of Rs 25,200, Capital Reserve is Rs 42,000.

Quick Tip to Solve: Find Veni's applied shares from the 14:11 ratio before deducting her excess money from the final call.

22. Achla and Bobby were partners in a firm sharing profits and losses in the ratio of 3 : 1. On 31st March, 2019, their balance sheet was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	1,10,000	Cash at bank	60,000
General Reserve	40,000	Debtors	40,000
Workmen's compensation reserve	50,000	Stock	45,000
Capitals: Achla 4,00,000 Bobby 2,00,000	6,00,000	Furniture	1,55,000
		Land & Building	5,00,000
Total	8,00,000	Total	8,00,000

On 1st April, 2019, they admitted Vihaan as a new partner for 1/5th share in the profits of the firm on the following terms:

(a) Vihaan brought ₹ 1,00,000 as his capital and the capitals of Achla and Bobby were to be adjusted on the basis of Vihaan's capital; any surplus or deficiency was to be adjusted by opening current accounts.

(b) Goodwill of the firm was valued at ₹ 4,00,000. Vihaan brought the necessary amount in cash for his share of goodwill premium, half of which was withdrawn by the old partners.

(c) Liability on account of workmen's compensation amounted to ₹ 80,000.

(d) Achla took over stock at ₹ 35,000.

(e) Land and building was to be appreciated by 20%.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Vihaan's admission. [8 marks]

Solution:

Concept:

- Revaluation gains and losses and accumulated reserves belong to the old partners in their old ratio, $3:1$. The compensation reserve is first used against the compensation liability.
- The goodwill premium compensates the sacrificing partners. Required total capital is the incoming partner' s capital divided by his profit share; capital differences are transferred to current accounts.

Step 1: Determine ratios, goodwill and reserve adjustments Achla and Bobby retain their relative ratio of $3:1$ in the remaining $4/5$ share. Thus the new ratio is $3:1:1$, and the sacrificing ratio is $3:1$. Vihaan brings goodwill premium $4,00,000 \times 1/5 =$ Rs $80,000$, credited Rs 60,000 to Achla and Rs 20,000 to Bobby. Half is withdrawn: Rs 30,000 and Rs 10,000 respectively. General reserve is credited Rs 30,000 and Rs 10,000. The compensation liability of Rs 80,000 consumes the entire Rs 50,000 reserve, leaving Rs 30,000 as a revaluation loss; no compensation reserve is distributed.

Step 2: Prepare the Revaluation Account The stock taken over for Rs 35,000 against its book value of Rs 45,000 causes a loss of Rs 10,000. The takeover value is debited to Achla' s capital. Land and building increases by $5,00,000 \times 20\% =$ Rs $1,00,000$. Net revaluation profit is Rs 60,000, shared Rs 45,000 and Rs 15,000.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Workmen' s compensation	30,000	By Land and building	1,00,000
To Stock	10,000		
To Achla' s Capital	45,000		
To Bobby' s Capital	15,000		
Total	1,00,000	Total	1,00,000

Step 3: Adjust capital and prepare capital accounts Vihaan' s Rs 1,00,000 represents one-fifth of total capital, so total capital is Rs 5,00,000. Required capitals in the new ratio are Rs 3,00,000, Rs 1,00,000 and Rs 1,00,000. After all admission adjustments, Achla has Rs 4,70,000 and Bobby Rs 2,35,000; their surpluses Rs 1,70,000 and Rs 1,35,000 become credit current balances. No cash is paid for these transfers.

Partners' Capital Accounts

Dr.				Cr.			
Particulars	Achla	Bobby	Vihaan	Particulars	Achla	Bobby	Vihaan
	Rs	Rs	Rs		Rs	Rs	Rs
To Stock	35,000	–	–	By Balance b/d	4,00,000	2,00,000	–
To Bank	30,000	10,000	–	By General reserve	30,000	10,000	–
To Current A/c	1,70,000	1,35,000	–	By Premium for goodwill	60,000	20,000	–
To Balance c/d	3,00,000	1,00,000	1,00,000	By Revaluation	45,000	15,000	–
				By Bank	–	–	1,00,000
Total	5,35,000	2,45,000	1,00,000	Total	5,35,000	2,45,000	1,00,000

Step 4: Prepare the reconstituted balance sheet Bank becomes $60,000 + 1,00,000 + 80,000 - 40,000 =$ Rs $2,00,000$. Stock is removed completely because Achla has taken it over. Furniture and debtors remain at book values. The full compensation obligation is shown as a liability.

Balance Sheet as at 1st April, 2019

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	1,10,000	Bank	2,00,000
Workmen' s compensation liability	80,000	Debtors	40,000
Capitals:		Furniture	1,55,000
Achla	3,00,000	Land and building	6,00,000
Bobby	1,00,000		
Vihaan	1,00,000		
Current accounts:			
Achla	1,70,000		
Bobby	1,35,000		
Total	9,95,000	Total	9,95,000

Step 5: Conclusion The reconstituted Balance Sheet totals Rs 9,95,000. Capitals are Achla Rs 3,00,000, Bobby Rs 1,00,000 and Vihaan Rs 1,00,000; old partners' credit current balances are Rs 1,70,000 and Rs 1,35,000.

Quick Tip to Solve: Charge only the compensation claim exceeding its reserve to revaluation; transfer capital surpluses to current accounts without changing bank.

OR

22. Gita, Radha and Garv were partners in a firm sharing profits and losses in the ratio of 3 : 5 : 2. On 31st March, 2019, their balance sheet was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	60,000	Cash	50,000
General Reserve	40,000	Stock	80,000
Capitals: Gita 3,00,000 Radha 2,00,000 Garv 1,00,000	6,00,000	Debtors	40,000
		Investments	30,000
		Buildings	5,00,000
Total	7,00,000	Total	7,00,000

Radha retired on the above date and it was agreed that:

(a) Goodwill of the firm be valued at ₹ 3,00,000 and Radha's share be adjusted through the capital accounts of Gita and Garv.

(b) Stock was to be appreciated by 20%.

(c) Buildings were found undervalued by ₹ 1,00,000.

(d) Investments were sold for ₹ 34,000.

(e) Capital of the new firm was fixed at ₹ 5,00,000 which will be in the new profit sharing ratio of the partners; the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Radha's retirement. [8 marks]

Solution:

Concept:

- Revaluation profit and accumulated reserves are distributed among all partners in their old ratio $3:5:2$, before the retiring partner' s account is settled.
- The continuing partners compensate the retiring partner for goodwill in their gaining ratio. A debit current balance represents capital deficiency transferred to that account.

Step 1: Calculate the new ratio and goodwill adjustment Gita and Garv continue in their old relative ratio $3:2$, since no different agreement is given. Their gains are $3/5 - 3/10 = 3/10$ and $2/5 - 2/10 = 2/10$; hence the gaining ratio is $3:2$. Radha' s goodwill entitlement is $3,00,000 \times 5/10 =$ Rs $1,50,000$. Debit Gita' s capital Rs 90,000 and Garv' s capital Rs 60,000, and credit Radha' s capital Rs 1,50,000. Goodwill is adjusted through capital accounts and is not carried as an asset.

Step 2: Prepare revaluation and distribute reserve Stock appreciation is $80,000 \times 20\% =$ Rs $16,000$; buildings increase by Rs 1,00,000. Sale of investments yields a profit of $34,000 - 30,000 =$ Rs $4,000$. Total revaluation profit Rs 1,20,000 is credited in the old ratio: Gita Rs 36,000, Radha Rs 60,000 and Garv Rs 24,000. General reserve Rs 40,000 is credited Rs 12,000, Rs 20,000 and Rs 8,000 respectively.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Gita' s Capital	36,000	By Stock	16,000
To Radha' s Capital	60,000	By Buildings	1,00,000
To Garv' s Capital	24,000	By Investments	4,000
Total	1,20,000	Total	1,20,000

Step 3: Prepare partners' capital accounts Adjusted balances before fixing continuing capitals are: Gita $3,00,000 + 12,000 + 36,000 - 90,000 =$ Rs $2,58,000$; Radha $2,00,000 + 20,000 + 60,000 + 1,50,000 =$ Rs $4,30,000$; Garv $1,00,000 + 8,000 + 24,000 - 60,000 =$ Rs $72,000$. Fixed total capital Rs 5,00,000 in ratio $3:2$ requires Rs 3,00,000 and Rs 2,00,000. Debit current accounts and credit capital accounts for deficiencies Rs 42,000 and Rs 1,28,000. Since no payment to Radha is stipulated, the amount due is transferred to her loan account.

Partners' Capital Accounts

Dr.				Cr.			
Particulars	Gita	Radha	Garv	Particulars	Gita	Radha	Garv
	Rs	Rs	Rs		Rs	Rs	Rs
To Radha (goodwill)	90,000	–	60,000	By Balance b/d	3,00,000	2,00,000	1,00,000
To Radha' s Loan	–	4,30,000	–	By General reserve	12,000	20,000	8,000
To Balance c/d	3,00,000	–	2,00,000	By Revaluation	36,000	60,000	24,000
				By Gita (goodwill)	–	90,000	–
				By Garv (goodwill)	–	60,000	–
				By Current A/c	42,000	–	1,28,000
Total	3,90,000	4,30,000	2,60,000	Total	3,90,000	4,30,000	2,60,000

Step 4: Prepare the balance sheet after retirement Cash becomes $50,000 + 34,000 =$ Rs $84,000$ after sale of investments. Investments disappear from the assets. Stock is Rs 96,000 and buildings Rs 6,00,000 after revaluation. The debit current balances appear on the asset side; these transfers do not bring in cash.

Balance Sheet as at 31st March, 2019 (after retirement)

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry creditors	60,000	Cash	84,000
Radha' s loan	4,30,000	Stock	96,000
Capitals:		Debtors	40,000
Gita	3,00,000	Buildings	6,00,000
Garv	2,00,000	Current accounts (debit):	
		Gita	42,000
		Garv	1,28,000
Total	9,90,000	Total	9,90,000

Step 5: Conclusion The reconstituted Balance Sheet totals Rs 9,90,000. Radha is due Rs 4,30,000. Gita and Garv have capitals Rs 3,00,000 and Rs 2,00,000, with debit current balances Rs 42,000 and Rs 1,28,000.

Quick Tip to Solve: First calculate adjusted capitals including reserve, revaluation and goodwill; only then compare with the required capitals to find current balances.

Part B (20 marks)

Option – I (Analysis of Financial Statements)

23. State the primary objective of preparing cash flow statement. [1 mark]

Solution:

Concept:

- A cash flow statement reports movements in cash and cash equivalents during a specified accounting period.
- Cash flows are classified as operating, investing and financing activities so that the sources and uses of cash can be understood.

Step 1: Identify what is being measured The statement measures actual cash inflows and outflows, rather than accounting profit. Profit may include non-cash charges and credit transactions, so profit alone does not explain the change in cash.

Step 2: Identify the information it provides By showing where cash came from and how it was applied, the statement explains the movement from opening to closing cash and cash equivalents during the period. This assists assessment of the enterprise' s ability to generate cash and meet cash requirements.

Step 3: Conclusion The primary objective is to provide information about the cash inflows and cash outflows of an enterprise during a particular period.

Quick Tip to Solve: Use the words cash inflows and cash outflows during a period; do not define its objective merely as finding profit.

24. From the following information, calculate the amount of cash flow from investing activities.

Acquired machinery for ₹ 10,00,000, paying 10% immediately in cash and accepting a draft for the balance in favour of the vendor, payable after three months. [1 mark]

Solution:

Concept:

- Purchase of machinery is an investing activity because it acquires a long-term asset.
- Only the amount actually paid in cash enters the cash flow statement; a credit acquisition is excluded until payment.

Step 1: Determine the immediate cash payment The machinery costs Rs 10,00,000, but only 10% is paid immediately. Therefore, cash paid is

$$\text{Cash payment} = 10,00,000 \times \frac{10}{100} = \text{Rs } 1,00,000.$$

Step 2: Exclude the deferred consideration The balance of Rs 9,00,000 is covered by a draft payable after three months. Accepting this draft does not itself pay cash to the vendor, so that balance is excluded from the present cash flow calculation.

Step 3: Conclusion Cash flow from investing activities is an outflow of Rs 1,00,000, i.e. Rs $(1,00,000)$.

Quick Tip to Solve: For an asset acquired partly on credit, include only the cash actually paid now.

25. State giving reason, whether issue of shares for consideration other than cash will result into inflow, outflow or no flow of cash. [1 mark]

Solution:

Concept:

- Cash flows are inflows and outflows of cash and cash equivalents.
- An issue of shares for non-cash consideration is a non-cash financing transaction and is excluded from the cash flow statement.

Step 1: Identify what the company receives The company issues shares in exchange for consideration other than cash, such as an asset or the settlement of a purchase consideration. Thus no cash or cash equivalent is received from the allottee.

Step 2: Check whether any cash is paid Issuing the shares also does not involve a payment of cash by the company. Although share capital and the related asset or liability change, those accounting changes do not create a cash movement.

Step 3: Conclusion There is no flow of cash because neither cash nor cash equivalents are received or paid.

Quick Tip to Solve: Check the actual consideration received: an increase in share capital alone does not prove a cash inflow.

26. Which of the following is not a tool of financial analysis? [1 mark]

(A) Comparative income statement

(B) Comparative position statement

(C) Statement of profit and loss

(D) Cash flow statement

Correct Answer: (C) Statement of profit and loss

Solution:

Concept:

- Tools of financial analysis process financial statement information to enable comparison and interpretation.
- A basic financial statement supplies the data on which tools such as comparative statements and cash flow analysis operate.

Step 1: Distinguish the statement from the analytical tool A statement of profit and loss reports the income, expenses and profit of a company for a period. In its ordinary form it is a basic financial statement, rather than a tool used to analyse the statements.

Step 2: Check the remaining choices A comparative income statement compares performance across periods, while a comparative position statement compares financial position. A cash flow statement analyses cash movements under operating, investing and financing activities. These are tools used for financial analysis.

Step 3: Conclusion The correct option is (C): Statement of profit and loss.

Quick Tip to Solve: Do not confuse a comparative income statement with the basic statement of profit and loss.

27. Which of the following is a limitation of financial analysis? [1 mark]

(A) It is just a study of reports of the company.

(B) It judges the ability of the firm to repay its debts.

(C) It identifies the reasons for change in financial position.

(D) It ascertains the relative importance of different components of the financial position of the firm.

Correct Answer: (A) It is just a study of reports of the company.

Solution:

Concept:

- A limitation restricts the scope or reliability of financial analysis.
- Financial analysis relies on the information reported in financial statements and may omit qualitative and other relevant information.

Step 1: Identify the restriction Saying that financial analysis is just a study of the reports of the company expresses its limited information base. Factors not adequately reflected in those reports, such as management quality or employee relations, may affect performance but escape the analysis.

Step 2: Eliminate the benefits Judging the ability to repay debts, identifying reasons for changes in financial position, and finding the relative importance of components are uses or objectives of financial analysis. They describe what the analysis helps achieve, rather than a weakness.

Step 3: Conclusion The correct option is (A): It is just a study of reports of the company.

Quick Tip to Solve: For a limitation question, look for a restriction on information rather than an objective of analysis.

28. As per Schedule III, Part I of the Companies Act, 2013 'calls-in-arrears' will be presented under which of the following head/sub-head, in the Balance Sheet of a company? [1 mark]

(A) Reserves and Surplus

(B) Current Liabilities

(C) Contingent Liabilities

(D) Shareholders Funds

Correct Answer: (D) Shareholders Funds

Solution:

Concept:

- Calls-in-arrears are amounts called on shares but not yet received from shareholders.
- Unpaid calls are deducted from called-up share capital in its note; share capital is included in shareholders funds.

Step 1: Locate the unpaid calls Calls-in-arrears represent the unpaid part of the amount already called on issued shares. They reduce the paid-up amount of share capital and are therefore deducted from called-up capital in the share capital disclosure.

Step 2: Identify the correct head Share capital falls under Shareholders Funds. Calls-in-arrears are not a reserve, a current liability, or a contingent liability: they are an amount due from shareholders, presented as a deduction in arriving at paid-up share capital.

Step 3: Conclusion The correct option is (D): Shareholders Funds, as a deduction from called-up share capital.

Quick Tip to Solve: Trace calls-in-arrears through share capital: called-up capital less unpaid calls gives paid-up capital.

29. 'Interest accrued but not due on loans' is shown in the companies balance sheet under the sub head _____. [1 mark]

Solution:

Concept:

- Accrued interest is an expense already incurred whose payment remains outstanding.
- Interest accrued but not due on loans is disclosed under Other Current Liabilities in the company

balance sheet.

Step 1: Recognise the accrued obligation Interest accumulates with the passage of time. Even though the contractual payment date has not arrived, interest relating to the elapsed period is an existing obligation and must be recognised as a liability.

Step 2: Identify its presentation The interest component is disclosed separately under Other Current Liabilities, within Current Liabilities. It is not added to reserves, treated as income, or confused with the principal amount of the borrowing.

Step 3: Conclusion The blank is: Other Current Liabilities.

Quick Tip to Solve: Separate accrued interest from the loan principal before selecting the balance sheet sub-head.

30. A company had a liquid ratio of 1.5 : 1 and a current ratio of 2 : 1. Its inventory turnover ratio was 6 times. It had total current assets of ₹ 2,00,000. Find out revenue from operations if the goods are sold at 25% profit on cost. [3 marks]

Solution:

Concept:

- Current ratio is Current assets/Current liabilities; liquid ratio is Liquid assets/Current liabilities.
- Liquid assets are current assets less inventory. Inventory turnover equals cost of goods sold divided by average inventory.
- Profit of 25% on cost gives revenue from operations equal to 125% of cost.

Step 1: Calculate current liabilities Using the current ratio of $2:1$ and current assets of Rs 2,00,000,

$$\text{Current liabilities} = \frac{2,00,000}{2} = \text{Rs } 1,00,000.$$

The denominator in both the current and liquid ratios is the same current liabilities figure.

Step 2: Calculate liquid assets and inventory The liquid ratio is $1.5:1$. Hence,

$$\text{Liquid assets} = 1.5 \times 1,00,000 = \text{Rs } 1,50,000,$$
$$\text{Inventory} = 2,00,000 - 1,50,000 = \text{Rs } 50,000.$$

There is no prepaid expense figure in the information, so the difference between current assets and liquid assets represents inventory.

Step 3: Find cost of revenue from operations Using the available inventory figure of Rs 50,000 as average inventory for the turnover calculation,

$$\text{Inventory turnover ratio} = \frac{\text{Cost of revenue from operations}}{\text{Average inventory}},$$
$$\text{Cost of revenue from operations} = 6 \times 50,000 = \text{Rs } 3,00,000.$$

This is the cost of the goods sold, before adding the profit.

Step 4: Add profit on cost Profit is 25% of cost, rather than 25% of selling price. Therefore,

$$\text{Profit} = 3,00,000 \times \frac{25}{100} = \text{Rs } 75,000,$$
$$\text{Revenue from operations} = 3,00,000 + 75,000$$
$$= \text{Rs } 3,75,000.$$

As a check, Rs 75,000 divided by Rs 3,00,000 gives the required 25% profit on cost.

Step 5: Conclusion Revenue from operations is Rs 3,75,000.

Quick Tip to Solve: Derive inventory from the difference between current and liquid assets, then add profit to cost.

OR

30. Calculate the amount of opening trade receivables and closing trade receivables from the following information:

Trade receivables turnover ratio 8 times

Cost of revenue from operations ₹ 4,80,000

The amount of credit revenue from operations is ₹ 2,00,000 more than cash revenue from operations.

Gross profit ratio is 20%.

Opening trade receivables are 1/4th of Closing trade receivables. [3 marks]

Solution:

Concept:

- Gross profit ratio expresses gross profit as a percentage of revenue from operations. Therefore, cost of revenue from operations is $100\% - 20\% = 80\%$ of revenue.
- Trade receivables turnover ratio equals net credit revenue from operations divided by average trade receivables, where average receivables are half the sum of opening and closing balances.

Step 1: Calculate total revenue from operations Let total revenue from operations be S. Since gross profit is 20% of revenue, cost is 80% of revenue:

$$S = \frac{4,80,000 \times 100}{80} = \text{Rs } 6,00,000.$$

The gross profit percentage is on revenue, so dividing cost by 1.20 would use the wrong base.

Step 2: Separate credit and cash revenue Let cash revenue be x; credit revenue is then $x + 2,00,000$. Their sum equals total revenue:

$$x + (x + 2,00,000) = 6,00,000,$$
$$2x = 4,00,000,$$
$$x = 2,00,000.$$

Thus credit revenue is Rs $4,00,000$, which is the numerator required for the trade receivables turnover ratio.

Step 3: Determine opening and closing receivables Average trade receivables are

$$\frac{\text{Credit revenue}}{\text{Turnover ratio}} = \frac{4,00,000}{8} = \text{Rs } 50,000.$$

Let closing trade receivables be C. Opening receivables are $C/4$, so

$$\frac{C/4 + C}{2} = 50,000,$$
$$\frac{5C}{8} = 50,000,$$
$$C = 80,000.$$

Opening receivables are $80,000/4 = \text{Rs } 20,000$. As a check, their average is Rs $50,000$, and $4,00,000/50,000 = 8$ times.

Step 4: Conclusion Opening trade receivables are $\boxed{\text{Rs } 20,000}$ and closing trade receivables are $\boxed{\text{Rs } 80,000}$.

Quick Tip to Solve: First split total sales into cash and credit sales; use only credit sales when applying the receivables turnover ratio.

31. Prepare common size statement of profit and loss from the following information :

Particulars	Note No.	2017-18	2016-17
Revenue from operations		₹ 16,00,000	₹ 8,00,000
Cost of material consumed(% of revenue from operations)		60%	50%
Operating expenses		₹ 80,000	₹ 40,000
Income tax rate		40%	30%

[4 marks]

Solution:

Concept:

- In a common size statement of profit and loss, revenue from operations is the base of 100% for each year. Each other amount is divided by that year's revenue and multiplied by 100.
- Profit before tax equals revenue less material cost and operating expenses. Tax is calculated on profit before tax; profit after tax is the balance after deducting tax.

Step 1: Calculate material cost and profit before tax For 2017-18, material cost is $16,00,000 \times 60\% = \text{Rs } 9,60,000$. Total expenses are $9,60,000 + 80,000 = \text{Rs } 10,40,000$, leaving profit before tax of Rs $5,60,000$.

For 2016-17, material cost is $8,00,000 \times 50\% = \text{Rs } 4,00,000$. Total expenses are $4,00,000 + 40,000 = \text{Rs } 4,40,000$, leaving profit before tax of Rs $3,60,000$. No other income or expense is given.

Step 2: Calculate tax and profit after tax The tax rates apply to profit before tax, rather than revenue:

$$\text{2017-18 tax} = 5,60,000 \times 40\% = \text{Rs } 2,24,000,$$
$$\text{2017-18 profit after tax} = 5,60,000 - 2,24,000 = \text{Rs } 3,36,000,$$
$$\text{2016-17 tax} = 3,60,000 \times 30\% = \text{Rs } 1,08,000,$$
$$\text{2016-17 profit after tax} = 3,60,000 - 1,08,000 = \text{Rs } 2,52,000.$$

Operating expenses are 5% of revenue in both years. The tax expense as a percentage of revenue differs from the stated tax rate because the latter uses profit before tax as its base.

Step 3: Prepare the common size statement **Common Size Statement of Profit and Loss**

Particulars	2017-18		2016-17	
	Amount (Rs)	%	Amount (Rs)	%
Revenue from operations	16,00,000	100	8,00,000	100
Total revenue	16,00,000	100	8,00,000	100
Expenses:				
Cost of materials consumed	9,60,000	60	4,00,000	50
Operating expenses	80,000	5	40,000	5
Total expenses	10,40,000	65	4,40,000	55
Profit before tax	5,60,000	35	3,60,000	45
Less: Tax expense	2,24,000	14	1,08,000	13.5
Profit after tax	3,36,000	21	2,52,000	31.5

For example, the 2016-17 tax percentage is $1,08,000/8,00,000 \times 100 = 13.5\%$. Each percentage uses the revenue of its own year.

Step 4: Conclusion Profit after tax is Rs $3,36,000$, or 21% of revenue, in 2017-18 and Rs $2,52,000$, or 31.5%, in 2016-17. The statement above presents all amounts on the common revenue base.

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

OR

31. From the following Balance Sheets of Vinayak Ltd. as at 31st March, 2019, prepare a comparative Balance Sheet.

Vinayak Ltd.

Balance Sheet as at 31st March, 2019

Particulars	Note No.	31-3-19 (₹)	31-3-18 (₹)
Equity and Liabilities			
(1) Shareholders Funds			
(a) Share capital		21,00,000	20,00,000
(b) Reserves and Surplus		2,30,000	2,00,000
(2) Non-current liabilities			
Long term borrowing		5,60,000	2,00,000
(3) Current liabilities			
Trade payables		2,80,000	1,00,000
Total		31,70,000	25,00,000
Assets			
(1) Non-current Assets			
Fixed Assets			
(i) Tangible assets		21,00,000	20,00,000
(ii) Intangible assets		3,00,000	2,00,000
(2) Current Assets			
(a) Inventories		5,60,000	2,00,000
(b) cash and cash equivalents		2,10,000	1,00,000
Total		31,70,000	25,00,000

[4 marks]

Solution:

Concept:

- A comparative balance sheet places the previous and current years side by side and shows the absolute and percentage changes in each item.
- Absolute change = current-year amount minus previous-year amount. Percentage change = absolute change divided by previous-year amount, multiplied by 100.

Step 1: Choose the base year Take 31 March 2018 as the base and 31 March 2019 as the current year. All the amounts increase, so all changes below are positive. For example, share capital increases by $21,00,000 - 20,00,000 =$ Rs $1,00,000$, giving $1,00,000/20,00,000 \times 100 = 5\%$. Borrowings increase by $3,60,000$, or 180% of their opening amount.

Step 2: Prepare the comparative statement Vinayak Ltd. – Comparative Balance Sheet as at 31 March 2018 and 31 March 2019.

Particulars	2018 (Rs)	2019 (Rs)	Increase (Rs)	%
Equity and liabilities				
Share capital	20,00,000	21,00,000	1,00,000	5
Reserves and surplus	2,00,000	2,30,000	30,000	15
Long-term borrowings	2,00,000	5,60,000	3,60,000	180
Trade payables	1,00,000	2,80,000	1,80,000	180
Total	25,00,000	31,70,000	6,70,000	26.8
Assets				
Tangible assets	20,00,000	21,00,000	1,00,000	5
Intangible assets	2,00,000	3,00,000	1,00,000	50
Inventories	2,00,000	5,60,000	3,60,000	180
Cash and cash equivalents	1,00,000	2,10,000	1,10,000	110
Total	25,00,000	31,70,000	6,70,000	26.8

Step 3: Verify the totals The liability increases total $1,00,000 + 30,000 + 3,60,000 + 1,80,000 =$ Rs $6,70,000$. The asset increases total $1,00,000 + 1,00,000 + 3,60,000 + 1,10,000 =$ Rs $6,70,000$. Thus both sides rise from Rs 25,00,000 to Rs 31,70,000. The total percentage increase is $6,70,000/25,00,000 \times 100 = 26.8\%$.

Step 4: Conclusion Total assets and total equity and liabilities each increase by Rs 6,70,000, or 26.8 percent.

Quick Tip to Solve: Use the previous year as the percentage denominator, even when the current-year figure is printed first.

32. Cash flow from operating activities of Starline Ltd. for the year ended 31.03.2019 was ₹ 18,000. The Balance Sheet along with notes to accounts of Starline Ltd. as at 31-03-19 is given below :

Starline limited

Balance Sheet as at 31st March, 2019

Particulars	Note No.	31-3-19 (₹)	31-3-18 (₹)
I. Equity and Liabilities :			
(1) Shareholders Funds			
(a) Share capital		18,00,000	10,00,000
(b) Reserves and Surplus	1	50,000	40,000
(2) Non-current liabilities			
Long term borrowing	2	1,00,000	4,00,000
(3) Current liabilities			
Short term provisions	3	2,50,000	3,60,000
Total		22,00,000	18,00,000
II. Assets :			
(1) Non-current Assets			
Fixed Assets			
(i) Tangible assets	4	14,00,000	10,00,000
(ii) Intangible assets	5	1,80,000	70,000
(2) Current Assets			
(a) Current Investments		30,000	1,90,000
(b) Trade Receivables		2,90,000	3,10,000
(c) Cash and cash equivalents		3,00,000	2,30,000
Total		22,00,000	18,00,000

Notes to Accounts

Note No.	Particulars	31-3-19 (Rs)	31-3-18 (Rs)
1.	Reserves & Surplus		
	Surplus (balance in statement of profit & loss)	50,000	40,000
		50,000	40,000
2.	Long term borrowing		
	8% debentures	1,00,000	4,00,000
		1,00,000	4,00,000
3.	Short term provisions		
	Provision for tax	2,50,000	3,60,000
		2,50,000	3,60,000
4.	Tangible Assets		
	Plant & Machinery	15,20,000	10,90,000
	Less Accumulated depreciation	(1,20,000)	(90,000)
		14,00,000	10,00,000
5.	Intangible Assets		
	Goodwill	1,80,000	70,000
		1,80,000	70,000

You are given the following additional information :

(a) A machinery of the book value of ₹ 40,000 (depreciation provided thereon ₹ 12,000) was sold at a loss of ₹ 6,000.

(b) 8% debentures were redeemed on 1st July 2018.

Prepare Cash Flow Statement. [6 marks]

Solution:

Concept:

- Under AS 3, purchase and sale of fixed assets and non-cash-equivalent investments are investing activities. Share issues, debenture redemption and interest paid by a non-financial enterprise are financing activities.
- Use the expressly supplied operating cash flow. Depreciation and loss on sale are non-cash adjustments; neither is an investing cash payment. Reconcile the result with opening and closing cash.

Step 1: Calculate machinery and goodwill cash flows The machinery sold had book value Rs 40,000 and accumulated depreciation Rs 12,000, so its original cost was Rs 52,000. Sale proceeds are $40,000 - 6,000 = \text{Rs } 34,000$. Gross plant increased from Rs 10,90,000 to Rs 15,20,000; purchases therefore equal $15,20,000 + 52,000 - 10,90,000 = \text{Rs } 4,82,000$. Goodwill purchased is $1,80,000 - 70,000 = \text{Rs } 1,10,000$. Current investments decrease by $1,90,000 - 30,000 = \text{Rs } 1,60,000$, treated as proceeds at carrying value since no gain or loss is stated.

Step 2: Calculate financing cash flows Share capital issued yields $18,00,000 - 10,00,000 = \text{Rs } 8,00,000$. Debentures redeemed on 1 July 2018 are $4,00,000 - 1,00,000 = \text{Rs } 3,00,000$. Interest for April to June is $4,00,000 \times 8\% \times 3/12 = \text{Rs } 8,000$; interest for July to March is $1,00,000 \times 8\% \times 9/12 = \text{Rs } 6,000$. Total interest paid is Rs 14,000, giving financing inflow Rs 4,86,000.

Step 3: Present the statement using the given operating cash flow Starline Ltd. – Cash Flow Statement for the year ended 31 March 2019

Particulars	Amount (Rs)
A. Cash flow from operating activities (given)	18,000
B. Cash flow from investing activities	
Sale of machinery	34,000
Sale of current investments	1,60,000
Purchase of plant and machinery	(4,82,000)
Purchase of goodwill	(1,10,000)
Net cash used in investing activities	(3,98,000)
C. Cash flow from financing activities	
Proceeds from issue of share capital	8,00,000
Redemption of debentures	(3,00,000)
Interest paid on debentures	(14,000)
Net cash from financing activities	4,86,000
Net increase using the given operating cash flow	1,06,000
Add: opening cash and cash equivalents	2,30,000
Calculated closing cash and cash equivalents	3,36,000

Step 4: Reconcile the printed data The printed balance sheet shows closing cash of Rs 3,00,000, an increase of only Rs 70,000. The supplied positive operating cash flow of Rs 18,000 produces an increase of Rs 1,06,000, leaving an inconsistency of Rs 36,000. The figures reconcile if operating cash flow is an outflow of Rs 18,000: $-18,000 - 3,98,000 + 4,86,000 = \text{Rs } 70,000$. As an independent check, depreciation is $1,20,000 + 12,000 - 90,000 = 42,000$. Profit before tax is $50,000 - 40,000 + 2,50,000 = 2,60,000$; adding depreciation Rs 42,000, loss Rs 6,000, interest Rs 14,000 and decrease in receivables

Rs 20,000 gives Rs 3,42,000 before tax paid. Tax paid is the opening provision Rs 3,60,000, yielding an operating outflow of Rs 18,000. Thus the stated operating inflow has a sign inconsistency; it cannot be silently changed.

Step 5: Conclusion Investing outflow is Rs 3,98,000 and financing inflow is Rs 4,86,000. Using the stated operating inflow gives closing cash Rs 3,36,000; the printed Rs 3,00,000 reconciles with an operating outflow of Rs 18,000.

Quick Tip to Solve: Calculate interest for three months on the opening debentures and nine months on the remaining debentures; then reconcile cash.

Option – II (Computerized Accounting)

23. _____ is a logical action to perform a task. [1 mark]

(A) Data

(B) Hardware

(C) System

(D) Procedure

Correct Answer: (D) Procedure

Solution:

Concept:

- A procedure prescribes the logical actions or ordered steps needed to perform a task.
- Data are facts supplied for processing; hardware is the physical equipment used by the system.

Step 1: Identify the term A logical action that tells the user how to carry out a task belongs to the procedure component of a computerised accounting system. Procedures provide instructions for using the system consistently.

Step 2: Check the alternatives Data are the input facts, so option (A) does not describe an action. Hardware means physical devices, so (B) is unsuitable. A system is the complete organised set of interacting components, so (C) is too broad. Procedure in (D) directly matches the definition.

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

Quick Tip to Solve: Match instructions and logical steps with procedure; match physical equipment with hardware.

24. Name of account, (i) _____, (ii) _____ and amount are the four forms of data elements of a transaction in computerized accounting. [1 mark]

Solution:

Concept:

- A data element is an individual fact recorded for processing an accounting transaction.
- An account code identifies the ledger account; the transaction date fixes the accounting period.

Step 1: Identify the account identifier The name of an account is accompanied by its accounting code. The code distinguishes that account in the computerised records and enables transactions to be classified consistently.

Step 2: Identify the time element The date of transaction records when the event occurred. Together with the account name, accounting code and amount, it supplies the four stated data elements.

Step 3: Conclusion (i) Accounting code; (ii) Date of transaction.

Quick Tip to Solve: Recall the four fields together: account name, code, date and amount.

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25. Cell address refers to: [1 mark]

(A) location of cell

(B) group of cells

(C) cell reference

(D) All of these

Correct Answer: (D) All of these

Solution:

Concept:

- A spreadsheet reference identifies the position of data within its rows and columns.
- References can identify an individual cell or a group of cells through a range.

Step 1: Interpret location and reference A cell is located by a column letter and a row number, such as B4. This is its cell reference or address, so the descriptions in (a) and (c) apply.

Step 2: Consider a group of cells A group of cells is addressed by a range reference, such as B4:B8. In the inclusive terminology used by this question, addressing covers this group as well. Thus (b) also forms part of the intended description; choosing only (a) or (c) would omit it.

Step 3: Conclusion The correct option is (d), All of these.

Quick Tip to Solve: Distinguish a single-cell reference such as B4 from a range such as B4:B8.

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26. To expect a well formatted printable data from access database, we use: [1 mark]

(A) Table

(B) Form

(C) Report

(D) Query

Correct Answer: (C) Report

Solution:

Concept:

- A database report arranges selected data in a structured, printable layout.

- Tables store data, forms support interaction, and queries retrieve or filter records.

Step 1: Select the output object A report provides headings, grouping, totals and page formatting for presenting data from an Access database. It is the object designed for a well-formatted printed output.

Step 2: Eliminate the other objects A table stores records; a form is primarily an input and viewing interface; a query selects or processes records. These can supply or display data, but the requested print presentation is the purpose of a report.

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

Quick Tip to Solve: When the requirement stresses formatted printing, select Report rather than Query.

27. A spreadsheet is used (i) _____ calculate and compare (ii) _____ or financial data. [1 mark]

Solution:

Concept:

- A spreadsheet organises data in rows and columns for recording and computation.
- Its formulae can calculate results and compare numerical or financial values.

Step 1: Complete the action The first blank is record: data must first be entered and stored in the spreadsheet before calculations and comparisons can be performed. Recording is therefore the initial function in the stated sequence.

Step 2: Complete the category of data The second blank is numerical. Spreadsheets handle numbers in many contexts, including financial records, and their formulae turn these recorded values into useful calculated results.

Step 3: Conclusion (i) Record; (ii) Numerical. A spreadsheet is used to record, calculate and compare numerical or financial data.

Quick Tip to Solve: Remember the sequence record, calculate and compare numerical or financial data.

28. A sequential code helps either (i) in _____ or (ii) _____ a relevant document. [1 mark]

Solution:

Concept:

- Sequential codes assign consecutive identifiers to documents or records.
- The ordered series supports completeness checks and retrieval of a particular document.

Step 1: Use the sequence to check completeness When documents carry consecutive codes, a gap in the series signals a missing code. For example, a jump from 104 to 106 calls attention to code 105 and helps locate a possible missing document.

Step 2: Use the code to retrieve a document A known sequential code can be used to trace the relevant document in the records. This provides a direct link between the identifier and the transaction document to which it was assigned.

Step 3: Conclusion (i) Identification of missing codes; (ii) Trace.

Quick Tip to Solve: Check a sequence for gaps to find omissions; use a known code to trace the document.

29. The interactive link between the user and data base oriented software through which the user communicates is known as: [1 mark]

(A) Front end interface

(B) Back end interface

(C) Data processing

(D) Reporting system

Correct Answer: (A) Front end interface

Solution:

Concept:

- An interface enables a user to communicate with database-oriented software.
- The front end provides the user-facing screens and controls for that interaction.

Step 1: Identify the interactive component The front end interface accepts the user's inputs and commands and presents information through screens, menus or forms. It is therefore the link through which the user communicates with the software.

Step 2: Distinguish the alternatives The back end manages underlying data storage and related operations. Data processing transforms input into information, while a reporting system produces reports. None of these describes the user-facing interactive link as precisely as the front end interface.

Step 3: Conclusion The correct option is (a), Front end interface.

Quick Tip to Solve: Look for the words user communicates: they point to the front end interface.

30. State any three requirements which should be considered before making an investment to choose between 'Desktop Database' or 'Server Database'. [3 marks]

Solution:

Concept:

- Database selection should follow the organisation's data, users and processing requirements.
- Desktop and server databases differ in the scale of work and simultaneous access they can support.

Step 1: Determine the data to be stored Identify what data the database must hold, including the nature of accounting records, the number of records and the expected growth. This establishes the required storage and organisational capacity. A small local set of records and a growing organisation-wide database can impose very different demands.

Step 2: Determine who will capture or modify data Identify who will enter and change records and how frequently changes will occur. Consider whether several users must update the database at the same time. These requirements affect the need for shared access, controlled updates and reliable

coordination, and therefore influence the choice between a desktop and a server database.

Step 3: Determine the users and their tasks Specify who will use the database and what tasks each user will perform, such as recording vouchers, retrieving account details or producing reports. The number of users, their access requirements and the complexity of their tasks establish the processing and access facilities needed. These requirements should be assessed before making the investment.

Step 4: Conclusion Any three requirements are: the data to be stored; who will capture or modify it and how frequently; and who will use the database and for which tasks.

Quick Tip to Solve: Before buying a database, ask: what data, who updates it, and who uses it for what?

OR

30. Explain any three types of vouchers used for facilitating entry in 'Tally Software'. [3 marks]

Solution:

Concept:

- A voucher is the document or entry form used to record a business transaction in accounting software. In Tally, selecting the appropriate voucher type helps classify the transaction correctly and post it to the relevant ledger accounts.
- The voucher chosen depends on the nature of the transaction, such as receiving money, paying money, or transferring money between the business's own cash and bank accounts.

Step 1: Receipt voucher A receipt voucher records money received by the business in cash or through a bank. It is used, for example, when a customer pays an outstanding balance, when commission is received, or when interest is credited to the bank account. The cash or bank account receiving the money is debited and the relevant party or income account is credited. Thus, receipt vouchers provide a record of incoming funds and the source of each receipt.

Step 2: Payment voucher A payment voucher records money paid by the business in cash or through a bank. Examples include paying rent, salaries or a supplier's outstanding balance. The relevant expense or party account is debited and the cash or bank account from which the payment is made is credited. It therefore records outgoing funds together with the purpose of the payment.

Step 3: Contra voucher A contra voucher records a transfer between the business's own cash and bank accounts, or between two of its bank accounts. Examples are depositing cash into the bank and withdrawing cash from the bank for office use. The account receiving the funds is debited and the account giving the funds is credited. Such a transfer changes the location or form of the funds; it does not itself create an income or expense.

Step 4: Conclusion Three types of vouchers used in Tally are receipt vouchers for money received, payment vouchers for money paid, and contra vouchers for transfers between the business's own cash and bank accounts.

Quick Tip to Solve: Identify the money movement first: incoming funds suggest receipt, outgoing funds suggest payment, and an internal cash-bank transfer suggests contra.

31. Write and explain the formulae to calculate basic pay earned and total earnings. [4 marks]

Solution:

Concept:

- Basic pay earned is the part of an employee's monthly basic salary payable for the days for which the employee is entitled to salary in the pay period.
- Total earnings, also called gross earnings, are the sum of basic pay earned and all admissible allowances and other earnings before deductions. Net salary is obtained only after deductions have been subtracted.

Step 1: Formula for basic pay earned The formula is

$$\text{Basic pay earned} = \frac{\text{Monthly basic pay} \times \text{Payable days}}{\text{Days in the month}}.$$

Monthly basic pay is the employee's basic salary for a complete month. Payable days are the days for which salary is due, including any paid leave counted under the organisation's rules. Days of unpaid absence are excluded from payable days. Dividing the monthly basic pay by the number of days in the month gives basic pay per day; multiplying this by payable days gives the basic pay actually earned. For an employee entitled to salary for the whole month, basic pay earned equals monthly basic pay.

Step 2: Formula for total earnings Add basic pay earned and all the earnings payable for the same period:

$$\begin{aligned}\text{Total earnings} = {} & \text{Basic pay earned} + \text{Dearness allowance} \\ & + \text{House rent allowance} + \text{Transport allowance} \\ & + \text{Other admissible earnings}.\end{aligned}$$

Dearness allowance compensates for increases in the cost of living, house rent allowance contributes towards housing expenses, and transport allowance contributes towards travel expenses. Other admissible earnings may include overtime or bonus when these are payable. Only the components applicable to the employee are included. If an allowance is specified as a percentage of basic pay earned, first calculate that allowance using the stated percentage and then add it to the other earnings.

Step 3: Illustration of the calculations Suppose monthly basic pay is Rs 30,000, a month has 30 days, and the employee has 27 payable days. Then basic pay earned is $30,000 \times 27/30 = \text{Rs } 27,000$. If the payable dearness allowance is Rs 5,400, house rent allowance is Rs 2,700 and transport allowance is Rs 900, total earnings are $27,000 + 5,400 + 2,700 + 900 = \text{Rs } 36,000$. Provident fund, income tax and other deductions are not subtracted in calculating total earnings; they are used later to calculate net pay.

Step 4: Conclusion Basic pay earned equals monthly basic pay multiplied by payable days and divided by days in the month. Total earnings equal basic pay earned plus all admissible allowances and other earnings, before deductions.

Quick Tip to Solve: Prorate basic pay for payable days first, calculate the applicable allowances next, and keep deductions out of the total-earnings calculation.

OR

31. What is meant by a 'Form'? How is 'split form' different from 'simple form'? [4 marks]

Solution:

Concept:

- A form is a database object that provides a convenient interface for entering, viewing and editing records stored in an underlying table or query.
- A form presents fields through controls such as text boxes, labels and buttons; its layout can make data entry clearer without changing the underlying stored data.
- A simple form normally presents one record at a time, whereas a split form combines a form view and a datasheet view of the same data.

Step 1: Meaning and purpose of a form A form is a user-friendly screen through which a user interacts with database records. Instead of working directly in the table grid, the user can see labelled fields arranged in a suitable order, enter a new record, inspect an existing record or modify its values. For example, an employee form may display employee code, name, basic pay and department together. The entries are stored in the table to which the form is bound; the form supplies the interface for working with them.

Step 2: Simple form A simple form shows the fields of a single record in its form layout at a time. The user moves to another record using record navigation controls or a search. It is useful where attention is required on the full details of one employee, customer or transaction, since the labelled controls provide a clear view of that individual record.

Step 3: Split form A split form displays two linked views simultaneously: a form view showing the details of the current record and a datasheet view showing multiple records in rows and columns. Both views use the same data source and remain synchronised. Selecting a row in the datasheet selects that record in the form; an edit made through an editable control is reflected in the other view. Thus the user can locate or compare records in the grid while examining the selected record in detail.

Step 4: Difference in use The essential difference is simultaneous visibility. A simple form focuses on the current record through one form view; a split form gives the current-record view together with the multiple-record datasheet. The split arrangement makes browsing a list and then editing a particular record convenient, while the simple arrangement is suited to focused record entry.

Step 5: Conclusion A form is an interface for entering, viewing and editing database records. A simple form shows one record at a time; a split form shows a synchronised form view and datasheet view together.

Quick Tip to Solve: Remember split = detail plus grid: selecting a row changes the record shown in the form.

32. Star Ltd. has a sales linked bonus policy to motivate its sales personnel. Any employee achieving target sales for the month is paid ₹ 5,000 as bonus. There is an additional incentive of 2% of the amount of sales exceeding the target sales (i.e., the difference in target sales and actual sales). The target sale for current month was 1500 units.

Calculate the bonus for employees mentioned below and also give the excel formula for the same.

(a) Amit sold 700 units for ₹ 7,00,000.

(b) Namit sold 1500 units for ₹ 15,00,000.

(c) Jatin sold 2,200 units for ₹ 22,00,000. [6 marks]

Solution:

Concept:

- The fixed bonus is Rs 5,000 only if actual quantity sold is at least the target of 1,500 units.
- The additional incentive is 2% of the sales value above the target sales value, not 2% of total sales.
- Excel IF tests target achievement and chooses the eligible bonus or zero; MAX can keep excess sales non-negative.

Step 1: Determine the target sales value Each employee sells at the same price per unit:

$$\frac{7,00,000}{700} = \frac{15,00,000}{1,500} = \frac{22,00,000}{2,200} = \text{Rs } 1,000.$$

Therefore, the value of target sales is

$$1,500 \times 1,000 = \text{Rs } 15,00,000.$$

Compare quantities to decide eligibility, and use the corresponding sales value to calculate the additional incentive.

Step 2: Calculate each employee's bonus Amit sells only 700 units, below the 1,500-unit target, so he receives no bonus: Rs 0. Namit sells exactly 1,500 units and qualifies for the fixed Rs 5,000. His excess sales value is zero, so his total bonus is Rs 5,000. Jatin sells 2,200 units and qualifies for the fixed bonus. His excess sales value and incentive are

$$\begin{aligned}\text{Excess sales} &= 22,00,000 - 15,00,000 = \text{Rs } 7,00,000,\\ \text{Additional incentive} &= 7,00,000 \times \frac{2}{100} = \text{Rs } 14,000,\\ \text{Total bonus} &= 5,000 + 14,000 = \text{Rs } 19,000.\end{aligned}$$

Step 3: Arrange the worksheet Use column A for Employee, B for Units sold, C for Actual sales (Rs), and D for Bonus (Rs). Enter Amit, Namit and Jatin in rows 2, 3 and 4. Enter 700, 1500 and 2200 in B2:B4, and 700000, 1500000 and 2200000 in C2:C4 respectively. Put target units 1500 in F1 and target sales value 1500000 in F2. Thus the target inputs are explicit and can be changed without rewriting the bonus calculation.

Step 4: Enter and copy the Excel formula In D2 enter the following Excel formula, written on two lines here only for readability:

```
=IF(B2>=$F$1,5000+MAX(0,C2-$F$2)*2%,0)
```

Copy it down to D3 and D4. The references B2 and C2 move to the employee on each row; the

absolute references `$F$1` and `$F$2` keep the target inputs fixed. IF returns zero below the quantity target. At or above the target it returns Rs 5,000 plus 2% of positive excess sales value. The resulting D2:D4 values are 0, 5000 and 19000, agreeing with the individual calculations.

Step 5: Conclusion The bonuses are Amit: Rs 0; Namit: Rs 5,000; Jatin: Rs 19,000. Use `=IF(B2>=$F$1,5000+MAX(0,C2-$F$2)*2%,0)` in D2 and fill down with the stated worksheet layout.

Quick Tip to Solve: First test the 1,500-unit target; apply 2 percent only to sales above Rs 15,00,000.