CBSE Class 12 Accountancy Question Paper 2022 with Solution PDF-Set 67-1-3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 2 hours **Maximum Marks: 40**

General Instructions

(i) This question paper comprises of **two** Parts – **A** and **B**. There are **12** 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 Statements and (ii) Computerised Accounting. Students must attempt only **one** of the given options.

(iv) Question Nos. **1** to **3** and **10** are short answer type – I questions carrying **2** marks each.

(v) Question Nos. **4** to **6** and **11** are short answer type – II questions carrying **3** marks each.

(vi) Question Nos. **7** to **9** and **12** are long answer questions carrying **5** marks each.

(vii) There is no overall choice. However, an internal choice has been provided in **3** questions of **three** marks and **1** question of **five** marks.

Part A (30 marks)

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

1. Present the following items in the Balance Sheet of Aman Welfare Club.

Particulars	Amount (Rs.)
Tournament Fund on 1-4-2020	18,00,000
Donation for Tournament	5,00,000
Tournament expenses	22,00,000

[2 marks]

Solution:

Concept:

- A specific-purpose fund is shown separately on the liabilities side of a club's Balance Sheet. Receipts restricted to that purpose increase the fund.
- Expenditure on that purpose is deducted from the related fund. Only an excess of expenditure over the available fund would be charged to the Income and Expenditure Account.

Step 1: Calculate the amount available for the tournament The opening Tournament Fund and the donation for the tournament are restricted to the same purpose. Therefore, add the donation to this fund:

$$\text{Available fund} = \text{Rs } 18,00,000 + \text{Rs } 5,00,000 = \text{Rs } 23,00,000.$$

Deduct the tournament expenses of Rs 22,00,000. The unspent balance is Rs 1,00,000. Since the expenses are less than the available fund, no tournament expense is charged to the Income and Expenditure Account.

Step 2: Present the closing fund in the Balance Sheet Balance Sheet of Aman Welfare Club as at 31 March 2021 (Extract)

Liabilities	Amount (Rs)
Tournament Fund on 1-4-2020	18,00,000
Add: Donation for Tournament	5,00,000
Fund available	23,00,000
Less: Tournament expenses	22,00,000
Closing Tournament Fund	1,00,000

Step 3: Conclusion The Balance Sheet shows a Tournament Fund of Rs 1,00,000 on the liabilities side.

Quick Tip to Solve: Add the restricted donation to the tournament fund first, then deduct tournament expenses from that combined amount.

2. State any two situations when the dissolution of a partnership firm takes place by agreement.

[2 marks]

Solution:

Concept:

- Dissolution of a firm means that the partnership relationship among all its partners comes to an end and the firm's business is wound up.
- Dissolution by agreement is voluntary: it rests on the consent of all partners or on the terms of their partnership agreement.

Step 1: Situation 1: Consent of all partners A partnership firm may be dissolved with the consent of all the partners. They may mutually decide to close the business and wind up the firm, even though no term in the original deed required dissolution at that time. The agreement must involve all the partners; a single partner's preference alone does not constitute dissolution by mutual consent.

Step 2: Situation 2: According to the partnership contract A firm may also be dissolved in accordance with a contract between the partners. The partnership deed may provide that the firm will be dissolved on the occurrence of a specified event or on fulfilment of an agreed condition. When that contractual condition operates, dissolution takes place under the terms accepted by the partners. Thus, the agreement may be made when the firm is formed or subsequently by the partners.

Step 3: Conclusion The two situations are: (i) dissolution with the consent of all partners, and (ii) dissolution in accordance with a contract between the partners.

Quick Tip to Solve: For dissolution by agreement, remember the two phrases: consent of all partners and terms of their contract.

3. X, Y and Z were partners in a firm sharing profit and losses in the ratio of 5 : 3 : 2. Y retired from the firm and X and Z decided to share future profits in the ratio of 3 : 2.

Calculate the Gain/Sacrifice of X and Z.

[2 marks]

Solution:

Concept:

- A continuing partner's gain is the new share minus the old share. A positive difference is a gain; a negative difference represents a sacrifice.
- Express the old and new shares with a common denominator before subtracting. The total gain of the continuing partners equals the retiring partner's old share.

Step 1: Write the old and new shares of X and Z The old profit-sharing ratio of X, Y and Z is $5 : 3 : 2$, whose total is 10. Hence X's old share is $5/10$ and Z's old share is $2/10$. After Y retires, the new ratio of X and Z is $3 : 2$, whose total is 5. Therefore, their new shares are $3/5$ and $2/5$, respectively.

Step 2: Calculate each partner's gain and check the total

$$\text{X's gain} = \frac{3}{5} - \frac{5}{10} = \frac{6}{10} - \frac{5}{10} = \frac{1}{10},$$
$$\text{Z's gain} = \frac{2}{5} - \frac{2}{10} = \frac{4}{10} - \frac{2}{10} = \frac{2}{10} = \frac{1}{5}.$$

Both differences are positive, so neither continuing partner sacrifices. As a check, the combined gain is $1/10 + 2/10 = 3/10$, exactly Y's old share. Their gaining ratio is $(1/10) : (2/10) = 1 : 2$.

Step 3: Conclusion X gains $\frac{1}{10}$ and Z gains $\frac{1}{5}$. The gaining ratio of X and Z is $1 : 2$; neither partner sacrifices.

Quick Tip to Solve: Convert the new shares to tenths: X moves from 5 to 6 tenths and Z from 2 to 4 tenths, giving gains of 1:2.

4(a). Surya Ltd. purchased machinery from Mohan Equipment Ltd. The company paid the vendors by issue of 9% debentures and the balance through an acceptance in their favour payable after three months. The accountant of the company while Journalising the above mentioned transactions left some items blank. Fill in the blanks in the given below Journal of Surya Ltd. :

Journal of Surya Ltd.

Date	Particulars	LF	Debit Amount (Rs.)	Credit Amount (Rs.)
2021 Jan. 1	Machinery A/c. Dr. To _____ (Purchased Machinery for Rs. 12,50,000 from Mohan Equipment Ltd.)		_____	_____
" 1	Mohan Equipment Ltd. A/c. Dr. To _____ To Securities Premium Reserve (Issued 8000, 9% Debentures of Rs. 100 each at a premium of 25%).		_____	_____ _____
" 1	_____ Dr. To _____ (_____)		_____	_____

[3 marks]

Solution:

Concept:

- A machinery purchase on credit debits Machinery Account at its cost and credits the supplier, Mohan Equipment Ltd., for the same amount.
- Debentures are credited at face value. The excess of issue price over face value is credited to Securities Premium Reserve. An acceptance given to a creditor creates Bills Payable.

Step 1: Calculate the amount settled by debentures The machinery costs Rs 12,50,000. The company issues 8,000 debentures of Rs 100 each at a premium of 25%. Hence,

$$\text{Face value of debentures} = 8,000 \times 100 = \text{Rs } 8,00,000,$$
$$\text{Securities premium} = 8,00,000 \times 25\% = \text{Rs } 2,00,000,$$
$$\text{Amount due settled by issue} = 8,00,000 + 2,00,000 = \text{Rs } 10,00,000.$$

The vendor is debited with the full issue price, since that is the liability discharged. The premium is not part of the debenture face value.

Step 2: Calculate the acceptance and complete the journal The unpaid balance is Rs $12,50,000 - 10,00,000 = 2,50,000$. The three-month acceptance is a bill payable, so Mohan Equipment Ltd. is debited and Bills Payable Account is credited.

Journal of Surya Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
2021 Jan. 1	Machinery A/c Dr. To Mohan Equipment Ltd. A/c (Being machinery purchased on credit)		12,50,000	 12,50,000
Jan. 1	Mohan Equipment Ltd. A/c Dr. To 9% Debentures A/c To Securities Premium Reserve A/c (Being 8,000 debentures of Rs 100 each issued at 25% premium to the vendor)		10,00,000	 8,00,000 2,00,000
Jan. 1	Mohan Equipment Ltd. A/c Dr. To Bills Payable A/c (Being a three-month acceptance given for the balance due)		2,50,000	 2,50,000

Step 3: Conclusion The blanks are completed above: Machinery Rs 12,50,000; debentures Rs 8,00,000; premium Rs 2,00,000; and Bills Payable Rs 2,50,000.

Quick Tip to Solve: First settle the vendor at the debentures' issue price, then calculate the acceptance from the remaining creditor balance.

OR

4(b). Sujata Ltd. invited applications for issuing 50,000, 9% debenture of Rs. 100 each at a discount of 10% redeemable at par after five years. The debentures were fully subscribed and all money was duly received. The company had a balance of Rs. 3,00,000 in 'Securities Premium Reserve' which it decided to use for writing off the discount/loss on issue of debentures. It also decided to write off the remaining discount/loss on issue of debentures in the first year.

Pass the Journal entries for issue of debentures and for writing off discount/loss on issue of debentures.

[3 marks]

Solution:

Concept:

- An issue at discount records debentures at their nominal value, while cash received is the nominal value less discount. Redemption at par creates no additional redemption premium.
- The discount may be written off against the available Securities Premium Reserve. The remaining loss is charged to Statement of Profit and Loss as directed in the question.

Step 1: Compute nominal value, proceeds and discount For 50,000 debentures of Rs 100 each, the nominal liability is $50,000 \times 100 = \text{Rs } 50,00,000$. The issue price is Rs $100 - 10 = 90$ per debenture.

$$\begin{aligned} \text{Bank receipts} &= 50,000 \times 90 = \text{Rs } 45,00,000, \\ \text{Discount on issue} &= 50,000 \times 10 = \text{Rs } 5,00,000, \\ \text{Balance to charge to profit and loss} &= 5,00,000 - 3,00,000 \\ &= \text{Rs } 2,00,000. \end{aligned}$$

The five-year term does not spread this write-off here: the question expressly requires the entire remaining discount to be written off in the first year. The 9% rate determines interest, not issue proceeds.

Step 2: Record the issue and the complete first-year write-off Journal of Sujata Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application and allotment money received on 50,000 debentures at Rs 90 each)		45,00,000	45,00,000
	Debenture Application and Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 9% Debentures A/c (Being debentures allotted at 10% discount, redeemable at par)		45,00,000 5,00,000	50,00,000
	Securities Premium Reserve A/c Dr. Statement of Profit and Loss A/c Dr. To Discount on Issue of Debentures A/c (Being the entire discount written off in the first year using available securities premium and charging the balance to profit and loss)		3,00,000 2,00,000	5,00,000

The application and allotment account closes on allotment. The discount account also closes after the final entry, and the debenture liability remains at its nominal value until redemption.

Step 3: Conclusion Debentures issued: Rs 50,00,000; cash received: Rs 45,00,000. Discount of Rs 5,00,000 is written off using Rs 3,00,000 securities premium and Rs 2,00,000 profit and loss.

Quick Tip to Solve: Calculate discount on face value first; apply the available securities premium before charging the remaining loss to profit and loss.

5(a). From the following information, calculate the amount of sports material that will be debited to the Income and Expenditure Account of Arjun Sports Club for the year ended 31st March, 2021.

Particulars	1st April, 2020 (Rs.)	31st March, 2021 (Rs.)
Stock of Sports Material	1,50,000	2,20,000
Creditors for Sports Material	35,000	65,000

Additional Information :

During the year, Rs. 2,80,000 were paid to the creditors of sports material. [3 marks]

Solution:

Concept:

- The Income and Expenditure Account records sports material consumed during the accounting year, on the accrual basis, rather than the cash paid during the year.
- Purchases equal payments to creditors plus closing creditors minus opening creditors. Consumption equals opening stock plus purchases minus closing stock.

Step 1: Calculate purchases of sports material Payments of Rs 2,80,000 include settlement of opening creditors, while closing creditors represent purchases whose payment is still due. Therefore, deduct the opening liability and add the closing liability:

$$\begin{aligned} \text{Purchases} &= \text{Payments} + \text{Closing creditors} - \text{Opening creditors} \\ &= 2,80,000 + 65,000 - 35,000 \\ &= \text{Rs } 3,10,000. \end{aligned}$$

The increase of Rs 30,000 in creditors means purchases exceed cash payments by that amount.

Step 2: Determine the material consumed during the year Opening stock is available for use along with current purchases. Closing stock remains unused and must be excluded from the expense for the year.

$$\begin{aligned} \text{Sports material consumed} &= \text{Opening stock} + \text{Purchases} - \text{Closing stock} \\ &= 1,50,000 + 3,10,000 - 2,20,000 \\ &= \text{Rs } 2,40,000. \end{aligned}$$

Thus the accrual adjustment for creditors first establishes purchases; the stock adjustment then converts purchases into consumption. The unused closing material is carried forward as an asset.

Step 3: Conclusion Sports material of $\boxed{\text{Rs } 2,40,000}$ will be debited to Arjun Sports Club's Income and Expenditure Account for the year ended 31st March, 2021.

Quick Tip to Solve: First adjust cash payments for creditors, then adjust purchases for stock; closing creditors add, but closing stock subtracts.

OR

5(b). From the following extract of 'Receipts and Payments Account' and additional information, calculate the amount of subscriptions to be shown in 'Income and Expenditure Account' for the year ended 31st March, 2021 and 'Balance Sheet' as on that date.

Receipts and Payments Account

for the year ended 31st March, 2021

Receipts		Amount (Rs.)	Payments	Amount (Rs.)
To Subscriptions :				
2019-20	9,000			
2020-21	40,000			
2021-22	6,000	55,000		

Additional Information :

The club has 500 members each paying an annual subscription of Rs. 100.

Subscriptions outstanding on 31st March, 2020 were Rs. 12,000. [3 marks]

Solution:

Concept:

- Subscription income is recognised for the year to which it relates. Cash received for an earlier year settles outstanding subscriptions, while cash for the following year is income received in advance.
- Outstanding subscriptions are assets. Subscriptions received in advance are liabilities until the relevant accounting year begins.

Step 1: Calculate subscription income for 2020-21 The club has 500 members, each paying Rs 100 annually. Therefore the income belonging to the current year is

$$\text{Annual subscription income} = 500 \times 100 = \text{Rs } 50,000.$$

Only Rs 40,000 of current-year subscriptions has been collected. Consequently, the current-year amount still outstanding is $50,000 - 40,000 = \text{Rs } 10,000$. The Rs 9,000 received for 2019-20 and Rs 6,000 received for 2021-22 do not belong to current-year income.

Step 2: Determine the closing subscription balances Of the opening outstanding subscriptions of Rs 12,000, Rs 9,000 has been recovered. The unpaid balance for 2019-20 is therefore $12,000 - 9,000 =$

Rs $3,000$. As no write-off is stated, it remains recoverable.

$$\text{Total closing outstanding} = 3,000 + 10,000 = \text{Rs } 13,000,$$
$$\text{Closing advance subscriptions} = \text{Rs } 6,000.$$

A cash-to-accrual check gives $55,000 + 13,000 - 12,000 - 6,000 = \text{Rs } 50,000$, confirming the income figure.

Step 3: Present the amounts in the financial statements Income and Expenditure Account (extract) for the year ended 31st March, 2021

Expenditure	Rs	Income	Rs
		By Subscriptions	50,000

Balance Sheet (extract) as at 31st March, 2021

Liabilities	Rs	Assets	Rs
Subscriptions in advance	6,000	Subscriptions outstanding:	
		2019-20	3,000
		2020-21	10,000
		Total outstanding	13,000

These are extracts: no balancing figure for the club's other assets, liabilities or capital fund is required.

Step 4: Conclusion Show subscription income of $\boxed{\text{Rs } 50,000}$ in the Income and Expenditure Account; show outstanding subscriptions of $\boxed{\text{Rs } 13,000}$ as an asset and advance subscriptions of $\boxed{\text{Rs } 6,000}$ as a liability in the Balance Sheet.

Quick Tip to Solve: Retain the unrecovered Rs 3,000 from the previous year in closing outstanding subscriptions as well as the current-year arrears.

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6. Avni, Charu and Radha were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. Avni died on 31st July, 2021. Her share of profit in the year of death was to be calculated on the basis of average profit of the last three years. The profits of last three years were :

2018-19 Rs. 30,000

2019-20 Rs. 60,000

2020-21 Rs. 90,000

Calculate Avni's share of profit in the year of her death and pass necessary journal entry for the same. [3 marks]

Solution:

Concept:

- A deceased partner is entitled to her share of the firm's profit from the beginning of the accounting year up to the date of death. When agreed, this profit is estimated using the average annual profit of preceding years.
- Estimated share of profit equals average annual profit multiplied by the fraction of the year elapsed and by the deceased partner's old profit-sharing fraction. Profit and Loss Suspense Account is debited and the deceased partner's Capital Account is credited.

Step 1: Determine the average annual profit The agreement uses the profits of all three preceding completed years, so take their arithmetic mean:

$$\text{Average annual profit} = \frac{30,000 + 60,000 + 90,000}{3} = \text{Rs } 60,000.$$

This is an annual estimate for the firm as a whole; it must first be adjusted for the period up to death.

Step 2: Calculate profit up to death and Avni's share The books close on 31st March, so the current accounting year begins on 1st April, 2021. The period from 1st April to 31st July, 2021 is four months. Thus,

$$\text{Firm's estimated profit for four months} = 60,000 \times \frac{4}{12} = \text{Rs } 20,000,$$

$$\text{Avni's share of this profit} = 20,000 \times \frac{2}{2+2+1} = \text{Rs } 8,000.$$

Avni's old share is $2/5$; Charu's and Radha's shares are not used to credit Avni.

Step 3: Record the adjustment on the date of death Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 July 2021	Profit and Loss Suspense A/c Dr.		8,000	
	To Avni's Capital A/c			8,000
	(Being Avni's share of estimated profit up to the date of her death credited to her Capital Account)			

The credit increases the amount due to Avni. The debit to Profit and Loss Suspense Account records the estimated interim profit allocation before the firm's annual profit is finally ascertained.

Step 4: Conclusion Avni's share of profit for the year up to her death is $\boxed{\text{Rs } 8,000}$. Debit Profit and Loss Suspense Account and credit Avni's Capital Account by Rs 8,000.

Quick Tip to Solve: Count the months from the start of the accounting year to death before multiplying the annual average by the deceased partner's old share.

7. From the following 'Receipts and Payments Account' of Space Club, prepare an Income and Expenditure Account for the year ended 31st March, 2021.

Receipts and Payments Account of Space Club

for the year ended 31st March, 2021

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d	5,000	By Salaries	31,000
To Subscriptions	73,000	By Machinery (1.7.2020)	40,000
To Sale of old furniture (Book value Rs. 2,000)	800	By 8% Investments	30,000
To Donations	41,800	By Balance c/d	19,600
	1,20,600		1,20,600

Additional Information :

(i) Subscriptions in arrears on 31.03.2021 were Rs. 2,000.

(ii) On 31st March, 2021, outstanding salaries were Rs. 4,000.

(iii) 8% Investments were purchased on 31st March, 2021.

(iv) The club owned Machinery of Rs. 1,00,000 on 1st April 2020. Depreciate Machinery @ 6% p.a. [5 marks]

Solution:

Concept:

- The Income and Expenditure Account records revenue income and revenue expenses for the current accounting year on the accrual basis. Cash balances and purchases of capital assets do not enter this account.
- Add closing subscriptions in arrears to subscriptions received and add closing outstanding salaries to salaries paid, since both relate to the current year.
- General donations are revenue income. On disposal of an asset, only the difference between its book value and sale proceeds is a revenue loss or gain; the entire receipt is not income.
- Depreciation is charged for the period an asset is used: annual depreciation equals cost multiplied by the annual rate, with a proportionate charge for additions during the year.

Step 1: Determine income for the year Subscriptions earned include the amount still receivable at year-end:

$$\text{Subscriptions} = 73,000 + 2,000 = \text{Rs } 75,000.$$

Donations of Rs 41,800 have no specific capital purpose stated, so they are treated as general revenue donations. Total income is therefore Rs $75,000 + 41,800 = 1,16,800$. The 8% investments were purchased on 31st March, 2021 itself, so there is no investment interest to accrue for the year ended on that date.

Step 2: Calculate revenue expenses and depreciation Salaries for the year are Rs $31,000 + 4,000 = 35,000$, including the unpaid amount at the closing date. The furniture was sold below its book value, giving a loss of Rs $2,000 - 800 = 1,200$.

The opening machinery was held for the whole year, while machinery bought on 1st July, 2020 was

held for nine months, from July to March:

$$\text{Depreciation on opening machinery} = 1,00,000 \times \frac{6}{100} = 6,000,$$
$$\text{Depreciation on addition} = 40,000 \times \frac{6}{100} \times \frac{9}{12} = 1,800,$$
$$\text{Total depreciation} = 6,000 + 1,800 = \text{Rs } 7,800.$$

Total expenses are Rs $35,000 + 1,200 + 7,800 = 44,000$. Purchases of machinery and investments are capital payments and are excluded. Opening and closing cash balances are also excluded because they are assets, not the year's income or expenditure.

Step 3: Prepare the Income and Expenditure Account **Space Club**
Income and Expenditure Account for the year ended 31st March, 2021

Dr.		Cr.	
Expenditure	Amount (Rs)	Income	Amount (Rs)
To Salaries	35,000	By Subscriptions	75,000
To Loss on sale of furniture	1,200	By Donations	41,800
To Depreciation on machinery	7,800		
To Surplus (Capital Fund)	72,800		
Total	1,16,800	Total	1,16,800

The credit total exceeds revenue expenses by Rs $1,16,800 - 44,000 = 72,800$. This surplus is transferred to the Capital Fund, which makes both sides of the account equal.

Step 4: Conclusion Space Club has a surplus of income over expenditure of $\boxed{\text{Rs } 72,800}$ for the year ended 31st March, 2021. The Income and Expenditure Account totals Rs 1,16,800 on each side.

Quick Tip to Solve: Charge nine months' depreciation on the July machinery addition; exclude the investment purchase and record only the furniture loss, not its sale proceeds.

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

(i) Issued 3,000, 11% debentures of Rs. 100 each at par, redeemable at 5% premium.

(ii) Issued 4,000, 12% debentures of Rs. 100 each at 5% premium, redeemable at 10% premium.

(iii) Issued Rs. 3,00,000, 9% debentures of Rs. 100 each at par redeemable at par.

(iv) Issued Rs. 7,00,000, 9% debentures at a discount of 10% redeemable at par.

(v) Issued Rs. 10,00,000, 9% debentures of Rs. 100 each at 10% discount redeemable at 5% premium.

[5 marks]

Solution:

Concept:

- Debentures A/c is credited with the face value issued. Bank A/c is debited with the actual proceeds, irrespective of the coupon interest rate.
- An issue premium is credited to Securities Premium Reserve. A premium payable on redemption is credited to Premium on Redemption of Debentures A/c when the debentures are issued.
- Loss on Issue of Debentures equals the discount allowed on issue plus the premium payable on

redemption. Issue premium is shown separately; it is not netted against the loss in these issue entries.

Step 1: Record transaction (i) Face value is Rs 3,00,000; bank receives Rs 3,00,000. Redemption premium is Rs 15,000 and is provided at issue as a liability. The debit to Loss on Issue is issue discount plus redemption premium, Rs 15,000.

Journal entry (i)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,00,000	
	Loss on Issue of Debentures A/c Dr.		15,000	
	To 11% Debentures A/c			3,00,000
	To Premium on Redemption of Debentures A/c			15,000
	(Being debentures issued on the stated terms)			

Step 2: Record transaction (ii) Face value is Rs 4,00,000; bank receives Rs 4,20,000. Issue premium is $4,00,000 \times 5/100 =$ Rs $20,000$, credited separately to Securities Premium Reserve. Redemption premium is Rs 40,000 and is provided at issue as a liability. The debit to Loss on Issue is issue discount plus redemption premium, Rs 40,000.

Journal entry (ii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,20,000	
	Loss on Issue of Debentures A/c Dr.		40,000	
	To 12% Debentures A/c			4,00,000
	To Securities Premium Reserve A/c			20,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being debentures issued on the stated terms)			

Step 3: Record transaction (iii) Face value is Rs 3,00,000; bank receives Rs 3,00,000. There is no discount or redemption premium, so no loss on issue is debited.

Journal entry (iii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,00,000	
	To 9% Debentures A/c			3,00,000
	(Being debentures issued on the stated terms)			

Step 4: Record transaction (iv) Face value is Rs 7,00,000; bank receives Rs 6,30,000. The debit to Loss on Issue is issue discount plus redemption premium, Rs 70,000.

Journal entry (iv)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,30,000	
	Loss on Issue of Debentures A/c Dr.		70,000	
	To 9% Debentures A/c			7,00,000
	(Being debentures issued on the stated terms)			

Step 5: Record transaction (v) Face value is Rs 10,00,000; bank receives Rs 9,00,000. Redemption premium is Rs 50,000 and is provided at issue as a liability. The debit to Loss on Issue is issue discount plus redemption premium, Rs 1,50,000.

Journal entry (v)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		9,00,000	
	Loss on Issue of Debentures A/c Dr.		1,50,000	
	To 9% Debentures A/c			10,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(Being debentures issued on the stated terms)			

Step 6: Conclusion The five entries above record the issue of debentures. Loss on Issue of Debentures is Rs 15,000 in (i), Rs 40,000 in (ii), nil in (iii), Rs 70,000 in (iv), and Rs 1,50,000 in (v). Each entry has equal debit and credit totals.

Quick Tip to Solve: For each case, first write face value, cash received and redemption premium in separate columns. The coupon rate identifies the debenture account; it does not determine the cash received on issue.

9(a). Chanda, Tara and Nisha were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. They decided to dissolve the firm on 31st March, 2021. Pass necessary Journal Entries for the following transactions after all assets (other than cash and bank) and third party liabilities have been transferred to Realisation Account.

(i) A typewriter completely written off from the books was sold for Rs. 9,000.

(ii) Chanda took over stock worth Rs. 96,000 at Rs. 84,000.

(iii) Nisha was to get remuneration of Rs. 42,000 for completing the dissolution process.

(iv) Creditors of Rs. 23,500 took over all the investments at Rs. 10,000. Remaining amount was paid to them in Cash.

(v) Sundry Creditors amounting to Rs. 40,000 were settled at a discount of 10%. [5 marks]

Solution:

Concept:

- After assets and third-party liabilities have been transferred, Realisation Account records the proceeds from assets, payments to creditors and dissolution expenses. Do not repeat the original transfers.
- An asset taken over by a partner is debited to that partner's Capital Account at the agreed value. Remuneration due to a partner is an expense debited to Realisation Account and credited to the partner's Capital Account.
- When a creditor accepts an asset already transferred to Realisation Account, no separate entry records that asset settlement. Only the balance paid in cash is entered; discounts on transferred liabilities remain reflected in Realisation Account.

Step 1: Determine the amounts to be recorded (i) The typewriter has no book value, but its sale brings in Rs 9,000; credit Realisation Account with the receipt. (ii) Debit Chanda's Capital Account with the agreed takeover price of Rs 84,000, rather than the stock's book value of Rs 96,000. The difference is already captured through Realisation Account. (iii) Credit Nisha's Capital Account with remuneration of Rs 42,000 because the amount is due to her; no payment to her is stated.

(iv) The cash balance payable to creditors is Rs $23,500 -$ Rs $10,000 =$ Rs $13,500$. There is no additional entry for their taking over the investments. (v) The discount is Rs $40,000 \times 10\% =$ Rs $4,000$, so the cash payment is Rs $40,000 -$ Rs $4,000 =$ Rs $36,000$. No separate discount entry is required after the creditors have been transferred.

Step 2: Record the journal entries on 31st March, 2021 Journal of Chanda, Tara and Nisha

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2021	Cash A/c Dr. To Realisation A/c (Being fully written-off typewriter sold)		9,000	 9,000
31-3-2021	Chanda's Capital A/c Dr. To Realisation A/c (Being stock taken over at agreed value)		84,000	 84,000
31-3-2021	Realisation A/c Dr. To Nisha's Capital A/c (Being remuneration due for dissolution work)		42,000	 42,000
31-3-2021	Realisation A/c Dr. To Cash A/c (Being balance paid to creditors after their acceptance of investments for Rs 10,000)		13,500	 13,500
31-3-2021	Realisation A/c Dr. To Cash A/c (Being creditors of Rs 40,000 settled at a discount of 10%)		36,000	 36,000

Step 3: Conclusion The five entries record asset receipts of Rs 9,000, Chanda's takeover of Rs 84,000, remuneration due to Nisha of Rs 42,000, and creditor payments of Rs 13,500 and Rs 36,000. The profit-sharing ratio is not needed for these entries because distribution of the final realisation profit or loss is not asked.

Quick Tip to Solve: Once creditors and assets have been transferred, record only the cash balance when a creditor accepts an asset; do not pass another asset-to-creditor entry.

OR

9(b). Heena, Meena and Tina are partners in a firm sharing profits and losses equally. Their Balance Sheet on April 1st, 2020 was as follows :

Balance Sheet of Heena, Meena & Tina as on 1st April, 2020

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills Payable	12,000	Building	40,000
Sundry Creditors	18,000	Machinery	30,000
General Reserve	12,000	Furniture	12,000
Capitals : Heena	30,000	Stock	22,000
Meena	30,000	Debtors 20,000 Less : Provision for doubtful debts 1,000	19,000
Tina	28,000	Bank	7,000
	1,30,000		1,30,000

Tina retired from the firm on the above date and the following was agreed upon :

(a) Building was to be appreciated by 20%.

(b) Machinery was to be depreciated by Rs. 1,500.

(c) Provision for doubtful debts was to be increased to Rs. 1,500.

(d) Goodwill was valued at Rs. 21,000 on Tina's retirement and the same was to be treated without opening goodwill account.

(e) The balance in Tina's Capital account will be transferred to her Loan account.

Prepare Revaluation Account and Partners' Capital Accounts. [5 marks]

Solution:

Concept:

- Revaluation records changes in asset and liability values at retirement; its profit or loss belongs to all old partners in their old profit-sharing ratio, here $1:1:1$.
- Accumulated general reserve is credited to the old partners in their old ratio. The retiring partner's goodwill share is borne by continuing partners in their gaining ratio without opening a Goodwill Account.
- The amount due to Tina is transferred from her Capital Account to her Loan Account because it is not paid immediately.

Step 1: Calculate the revaluation adjustments Building appreciation is Rs $40,000 \times 20\% =$ Rs $8,000$. Machinery depreciation is Rs 1,500. Only the increase in provision, Rs $1,500 -$ Rs $1,000 =$ Rs 500, is charged to revaluation; the existing provision is already reflected in the balance sheet. Thus revaluation profit is Rs $8,000 -$ Rs $1,500 -$ Rs $500 =$ Rs $6,000$, credited equally as Rs 2,000 to each partner.

Step 2: Prepare the Revaluation Account Revaluation Account as on 1st April, 2020

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Machinery	1,500	By Building	8,000
To Provision for doubtful debts	500		
To Heena's Capital	2,000		
To Meena's Capital	2,000		
To Tina's Capital	2,000		
Total	8,000	Total	8,000

Step 3: Distribute reserve and adjust Tina's share of goodwill Each partner receives general reserve of Rs $12,000/3 =$ Rs $4,000$. With no changed ratio specified, Heena and Meena continue in their existing relative ratio, $1:1$. Each partner's share rises from $1/3$ to $1/2$, giving an equal gain of $1/6$. Tina's goodwill share is Rs $21,000 \times 1/3 =$ Rs $7,000$. Therefore debit Heena's and Meena's capitals by Rs 3,500 each and credit Tina's capital by Rs 7,000. No goodwill asset is created and this adjustment does not enter the Revaluation Account.

Step 4: Prepare the Partners' Capital Accounts Partners' Capital Accounts as on 1st April, 2020

Dr.							Cr.
Particulars	Heena Rs	Meena Rs	Tina Rs	Particulars	Heena Rs	Meena Rs	Tina Rs
To Tina's Capital	3,500	3,500	–	By Balance b/d	30,000	30,000	28,000
To Tina's Loan	–	–	41,000	By General Reserve	4,000	4,000	4,000
To Balance c/d	32,500	32,500	–	By Revaluation	2,000	2,000	2,000
				By Heena's Capital	–	–	3,500
				By Meena's Capital	–	–	3,500
Total	36,000	36,000	41,000	Total	36,000	36,000	41,000

Tina's total entitlement is Rs $28,000$ + Rs $4,000$ + Rs $2,000$ + Rs $7,000$ = Rs $41,000$. Debiting her capital and crediting her loan transfers the whole balance, leaving her Capital Account closed. Heena's and Meena's closing capital balances are carried forward.

Step 5: Conclusion Revaluation profit is Rs 6,000. Heena's and Meena's closing capitals are Rs 32,500 each, and Rs 41,000 is transferred to Tina's Loan Account.

Quick Tip to Solve: Charge only the increase in the provision to revaluation, and adjust Tina's goodwill directly through the continuing partners' capitals in their gaining ratio.

Part B (10 marks)

Option - I (Analysis of Financial Statements)

10. State the objective of preparing 'Cash Flow Statement'. [2 marks]

Solution:

Concept:

- A Cash Flow Statement reports the inflows and outflows of cash and cash equivalents during an accounting period.
- Cash flows are classified into operating, investing and financing activities, so that the sources and

uses of cash can be understood separately.

Step 1: Explain the primary objective The primary objective is to provide information about changes in cash and cash equivalents between the beginning and the end of the period. It explains where cash came from and how it was used, by presenting receipts and payments under operating, investing and financing activities.

Step 2: Explain its usefulness This information helps users assess the enterprise's ability to generate cash and cash equivalents and its needs for using those cash flows. It therefore assists in evaluating liquidity and the ability to meet payment obligations. Accounting profit alone cannot provide this information because income and expenses may include non-cash items and credit transactions.

Step 3: Conclusion The objective is to explain the change in cash and cash equivalents through operating, investing and financing cash flows and help assess the enterprise's cash-generating ability and cash requirements.

Quick Tip to Solve: State both the change in cash and its three activity classifications when explaining the objective.

11(a). Prepare 'Common size statement of Profit and Loss' from the following information for the year ended March 31st March, 2021 :

Particulars	2020-21 (Rs.)	2019-20 (Rs.)
Revenue from Operations	16,00,000	8,00,000
Expenses	4,00,000	1,60,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- In a common size statement of profit and loss, revenue from operations of each year is the base, taken as 100%.
- Each item is expressed as Item amount/Revenue from operations $\times$ 100. Tax is calculated on profit before tax, not on revenue.

Step 1: Calculate profit and tax for each year For 2020-21, profit before tax is Rs $16,00,000 - 4,00,000 = 12,00,000$. Tax at 50% is Rs $6,00,000$, leaving profit after tax of Rs $6,00,000$. For 2019-20, profit before tax is Rs $8,00,000 - 1,60,000 = 6,40,000$. Tax at 50% is Rs $3,20,000$, leaving profit after tax of Rs $3,20,000$.

Step 2: Express the items as percentages of revenue Expenses are $4,00,000/16,00,000 \times 100 = 25\%$ in 2020-21 and $1,60,000/8,00,000 \times 100 = 20\%$ in 2019-20. Thus profit before tax is 75% and 80%, respectively. The tax rate halves these percentages to obtain both the tax and profit-after-tax percentages.

Common Size Statement of Profit and Loss for the year ended 31 March, 2021

Particulars	2020-21		2019-20	
	Amount (Rs)	%	Amount (Rs)	%
Revenue from operations	16,00,000	100	8,00,000	100
Less: Expenses	4,00,000	25	1,60,000	20
Profit before tax	12,00,000	75	6,40,000	80
Less: Tax at 50%	6,00,000	37.5	3,20,000	40
Profit after tax	6,00,000	37.5	3,20,000	40

Step 3: Conclusion Profit after tax is 37.5% of revenue in 2020-21 and 40% in 2019-20. Although absolute profit increased, the net profit proportion fell by 2.5 percentage points because expenses absorbed a higher share of revenue.

Quick Tip to Solve: Use each year's own revenue as the 100 percent base; apply the tax rate to profit before tax first.

OR

11(b). From the following information of Nirma Ltd. for the year ended 31st March, 2021, Prepare a Comparative Statement of Profit and Loss.

Particulars	2020-21 (Rs.)	2019-20 (Rs.)
Revenue from Operations	20,00,000	16,00,000
Expenses	11,00,000	10,00,000
Tax Rate 30%		

[3 marks]

Solution:

Concept:

- A comparative statement presents the previous and current years together, with the absolute change and percentage change for each item. Absolute change equals current-year amount minus previous-year amount.
- Percentage change is $\dfrac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$. Profit before tax equals revenue from operations less expenses; tax is 30% of profit before tax, and profit after tax is the balance.

Step 1: Calculate profit and tax for both years For 2019-20, profit before tax is Rs $16,00,000 -$ Rs $10,00,000 =$ Rs $6,00,000$. Tax is Rs $6,00,000 \times 30\% =$ Rs $1,80,000$, leaving profit after tax of Rs $4,20,000$. For 2020-21, profit before tax is Rs $20,00,000 -$ Rs $11,00,000 =$ Rs $9,00,000$. Tax is Rs $9,00,000 \times 30\% =$ Rs $2,70,000$, leaving profit after tax of Rs $6,30,000$. Apply the tax rate to profit, rather than to revenue or expenses.

Step 2: Prepare the comparative statement **Nirma Ltd.**
Comparative Statement of Profit and Loss
for the year ended 31st March, 2021

Particulars	2019-20 (Rs)	2020-21 (Rs)	Increase (Rs)	Change (%)
Revenue from operations	16,00,000	20,00,000	4,00,000	25
Less: Expenses	10,00,000	11,00,000	1,00,000	10
Profit before tax	6,00,000	9,00,000	3,00,000	50
Less: Tax at 30%	1,80,000	2,70,000	90,000	50
Profit after tax	4,20,000	6,30,000	2,10,000	50

For example, the revenue increase is $\frac{4,00,000}{16,00,000} \times 100 = 25\%$, while the increase in profit after tax is $\frac{2,10,000}{4,20,000} \times 100 = 50\%$. Every percentage uses its own previous-year amount as the base.

Step 3: Conclusion Revenue increased by 25%, while expenses increased by 10%. Consequently, profit after tax increased by Rs $2,10,000$, or 50%, from Rs $4,20,000$ to Rs $6,30,000$.

Quick Tip to Solve: Use 2019-20 as the percentage-change base even though the question prints 2020-21 first; calculate tax only after finding profit before tax.

12. Following was the Balance Sheet of Bajaj Ltd. as on 31st March, 2021 :

Bajaj Ltd.

Balance Sheet as on 31st March, 2021

Particulars	Note No.	31.03.2021 (Rs.)	31.03.2020 (Rs.)
I. Equity and Liabilities :			
1. Shareholder's funds :			
(a) Share Capital		19,00,000	17,00,000
(b) Reserves and Surplus	1	6,00,000	3,00,000
2. Non-Current Liabilities : 12% long term borrowings		5,00,000	4,00,000
3. Current Liabilities :			
(a) Short term Borrowings	2	1,70,000	1,75,000
(b) Short term Provisions	3	2,00,000	1,65,000
Total		33,70,000	27,40,000
II. Assets :			
1. Non Current Assets : Fixed Assets			
(i) Tangible Assets	4	25,00,000	21,00,000
(ii) Intangible Assets	5	4,00,000	3,00,000
2. Current Assets :			
(a) Current Investments		1,40,000	1,70,000
(b) Inventories		2,60,000	1,30,000
(c) Cash and Cash Equivalents		70,000	40,000
Total		33,70,000	27,40,000

Notes to Accounts

Note No.	Particulars	31.03.2021 (Rs.)	31.03.2020 (Rs.)
1	Reserves & Surplus : Surplus i.e. Balance in Statement of Profit and Loss	6,00,000	3,00,000
2	Short term borrowings : Bank Overdraft	1,70,000	1,75,000
3	Short term provisions : Provision for tax	2,00,000	1,65,000
4	Tangible Assets : Machinery	25,00,000	21,00,000
5	Intangible Assets : Goodwill	4,00,000	3,00,000

Additional Information :

(i) A machine of the book value of Rs. 40,000 was sold for Rs. 50,000.

(ii) Depreciation charged on machinery during the year was Rs. 2,00,000.

(iii) Rs. 1,00,000, 12% long term borrowings were obtained on 31-3-2021.

Calculate cash flows from investing and financing activities. [5 marks]

Solution:

Concept:

- Investing activities comprise cash purchases and sales of machinery, goodwill and investments. Depreciation is non-cash; a profit on sale is not an additional cash receipt.
- Financing activities change share capital and borrowings. For a non-financial enterprise, interest paid is a financing outflow. A decrease in bank overdraft represents repayment of short-term finance.

Step 1: Calculate the purchase of machinery The machinery balances are book values. Therefore add depreciation and the book value of the machine sold to the increase in machinery to obtain purchases:

$$\begin{aligned}\text{Purchases} &= 25,00,000 - 21,00,000 + 2,00,000 + 40,000 \\ &= \text{Rs } 6,40,000.\end{aligned}$$

The proceeds from sale are Rs 50,000. The difference of Rs 10,000 between proceeds and book value is a profit; it is not added separately to investing receipts, since the entire proceeds are already included.

Step 2: Prepare cash flow from investing activities Goodwill increases by Rs 1,00,000, representing its purchase. Current investments decrease by Rs 30,000, representing proceeds from sale. No gain or loss on their sale is given. The investments are shown separately from cash and cash equivalents and are treated as investments.

Bajaj Ltd.: Cash Flow Statement (Extract)
For the year ended 31st March, 2021

Particulars	Amount (Rs)
Cash flows from investing activities	
Sale of machinery	50,000
Sale of current investments	30,000
Total cash inflows	80,000
Purchase of machinery	(6,40,000)
Purchase of goodwill	(1,00,000)
Total cash outflows	(7,40,000)
Net cash used in investing activities	(6,60,000)

Step 3: Calculate financing receipts and interest paid Share capital increases from Rs 17,00,000 to Rs 19,00,000, giving cash proceeds of Rs 2,00,000. The additional long-term borrowing is Rs 1,00,000. Since it was obtained on 31st March, 2021, it bears no interest for the year under consideration. Interest is calculated on the opening borrowing only:

$$\text{Interest paid} = 4,00,000 \times \frac{12}{100} = \text{Rs } 48,000.$$

No interest outstanding is given. Bank overdraft falls from Rs 1,75,000 to Rs 1,70,000, so Rs 5,000 is a financing repayment. Reserves and surplus and tax provisions do not constitute financing receipts.

Step 4: Prepare cash flow from financing activities **Bajaj Ltd.: Cash Flow Statement (Extract) For the year ended 31st March, 2021**

Particulars	Amount (Rs)
Cash flows from financing activities	
Proceeds from issue of shares	2,00,000
Proceeds from long-term borrowings	1,00,000
Total cash inflows	3,00,000
Repayment of bank overdraft	(5,000)
Interest paid	(48,000)
Total cash outflows	(53,000)
Net cash generated from financing activities	2,47,000

Parentheses denote cash outflows. Inventory changes belong to operating activities and are therefore excluded from both extracts requested here.

Step 5: Conclusion Net cash used in investing activities is $\boxed{\text{Rs } 6,60,000}$. Net cash generated from financing activities is $\boxed{\text{Rs } 2,47,000}$.

Quick Tip to Solve: Reconstruct machinery purchases using book value sold, but use the actual sale proceeds in the cash flow statement; calculate interest only for the period each loan was outstanding.

Option - II (Computerised Accounting)

10. Give the meaning of the terms 'Report' and 'Report Wizard'. [2 marks]

Solution:

Concept:

- A database stores data in tables; reports present selected data in a useful, readable form.
- A wizard is a guided sequence of steps that helps a user create an object by selecting the required settings.

Step 1: Meaning of Report A Report is a database object that presents information retrieved from one or more tables or queries in an organised and formatted manner. It is designed for viewing, printing and communicating information. For example, a report can present customer-wise outstanding balances with headings, grouped records and totals, making the stored accounting data easy to understand.

Step 2: Meaning of Report Wizard Report Wizard is a facility that guides the user, step by step, in creating a report. The user chooses the source table or query and the fields to include, and then specifies grouping, sorting and layout settings. The wizard uses these selections to generate the formatted report without requiring the user to design every element manually.

Step 3: Conclusion A Report is the formatted presentation of database information; Report Wizard is the guided facility used to create that presentation.

Quick Tip to Solve: Distinguish the finished output, Report, from the step-by-step creation facility, Report Wizard.

11(a). Explain the formula to calculate 'Total Earnings'. [3 marks]

Solution:

Concept:

- Total Earnings (TE), also called gross salary, is the sum of the employee's earned basic pay and the applicable allowances for the period.
- Basic Pay Earned (BPE) reflects the effective days present; deductions are applied separately after gross earnings have been calculated.

Step 1: Establish the earned basic pay First calculate the basic pay attributable to the effective days present during the month:

$$\text{BPE} = \frac{\text{BP} \times \text{NOEDP}}{\text{NODM}}.$$

Here BP is monthly basic pay, NOEDP is the number of effective days present, and NODM is the number of days in the month. Effective days present are obtained after excluding leave without pay and unauthorised absence.

Step 2: Identify the allowances Dearness Allowance (DA) and House Rent Allowance (HRA) are calculated by applying the relevant rates to BPE. Thus, when rates are expressed as percentages,

$$\text{DA} = \text{BPE} \times \frac{\text{DA rate}}{100}, \qquad \text{HRA} = \text{BPE} \times \frac{\text{HRA rate}}{100}.$$

Transport Allowance (TRA) is included at the applicable fixed amount or is calculated on the specified percentage basis.

Step 3: Add the earning components Add BPE and all three allowances to calculate the employee's total earnings. In a spreadsheet, if BPE, DA, HRA and TRA occupy cells G12, H12, I12 and J12 respectively, the total-earnings cell can contain `=SUM(G12:J12)`. This adds the earning components before provident fund, tax deducted at source and loan instalments are deducted. Subtracting these deductions gives net salary, which is a separate calculation.

Step 4: Conclusion The required formula is

$$\boxed{\text{TE} = \text{BPE} + \text{DA} + \text{HRA} + \text{TRA}}.$$

Quick Tip to Solve: Add earned basic pay and allowances first; subtract payroll deductions only when calculating net salary.

OR

11(b). Explain the terms 'Data Audit' and 'Data Vault'. [3 marks]

Solution:

Concept:

- Accounting data must be checked for correctness and protected against unauthorised access. Audit controls and encryption provide different safeguards.
- Data audit supports checking and tracing accounting records; a data vault protects the confidentiality of stored accounting information.

Step 1: Data Audit Data Audit is the examination of accounting data and its processing in a computerised accounting system to check its accuracy, completeness and reliability. It enables an authorised auditor to scrutinise recorded vouchers and transactions, identify errors or irregular entries, and check whether the records comply with the applicable accounting requirements. An audit trail helps trace entries and alterations to their source and, where user controls are enabled, identify the responsible user. For example, an alteration to the amount of a purchase voucher can be examined and verified against the original supporting invoice. Thus, data audit strengthens accountability and the credibility of accounting information.

Step 2: Data Vault Data Vault is a security facility that protects accounting data by encrypting it, normally with a password. Encryption converts the stored information into an unreadable form so that an unauthorised person cannot understand it merely by obtaining the data files. Only an authorised user with the correct vault password can open and use the protected company data. For example, a company may apply a vault password to keep its accounts confidential. The password must be kept securely because access to the encrypted information depends on it. A vault protects confidentiality; it does not itself check whether a transaction has been recorded correctly and does not replace a backup.

Step 3: Conclusion Data Audit checks the correctness and reliability of accounting records, while Data Vault safeguards their confidentiality through password-based encryption.

Quick Tip to Solve: Associate audit with checking and tracing transactions, and vault with encrypting and protecting confidential company data.

12. State the steps in the installation of 'Computerised Accounting System'. [5 marks]

Solution:

Concept:

- Installation places the accounting application and its supporting files on the computer so that the program can be used.
- The installer asks for locations for the application, accounting data and configuration files; these locations may be accepted or changed.

Step 1: Insert the installation medium Insert the CD containing the accounting software into the computer's CD drive. The installation files on this disc are used to set up the accounting package on the computer.

Step 2: Launch the installation program Open My Computer from the desktop, select the drive containing the installation files and double-click `install.exe`. Alternatively, choose Start, then Run, and use Browse to select the installation program on the CD drive, then confirm to start setup. These are two ways of starting the same installer; only one is needed.

Step 3: Specify the installation directories The setup window displays default folders for the application, data and configuration. Accept these folders or specify the required drive and directory names. For example, an application folder on D: may be selected instead of the default application folder on C:. The application folder holds program files, while the data folder is the location used for accounting records.

Step 4: Install and confirm completion Click Install to begin copying and setting up the software. Allow the process to finish and check the message confirming successful installation. Once this confirmation appears, remove the installation CD; the accounting program is now installed on the computer.

Step 5: Conclusion The sequence is: insert the CD, run the installer, confirm or change the directories, and click Install. Remove the CD after successful installation is confirmed.

Quick Tip to Solve: Remember the order: CD, installer, directories, Install, confirmation. Selecting folders comes before starting installation.