CBSE Class 12 Accountancy Question Paper 2022 with Solution PDF-Set 67-2-1

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 – **Part A** and **Part 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. (1) Analysis of Financial Statements and (2) Computerized Accounting. Students must attempt only **one** of the given options.

(iv) Questions no. **1** to **3** and **10** are Short Answer Type–I Questions carrying **2** marks each.

(v) Questions no. **4** to **6** and **11** are Short Answer Type–II Questions carrying **3** marks each.

(vi) Questions no. **7** to **9** and **12** are Long Answer Type 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 Organisations, Partnership Firms and Companies)

1. Distinguish between 'Receipts and Payments Account' and 'Income and Expenditure Account' on the basis of the following:

(a) Nature of items

(b) Opening balance [2 marks]

Solution:

Concept:

- A Receipts and Payments Account summarises actual cash and bank receipts and payments, irrespective of their capital or revenue nature.
- An Income and Expenditure Account determines the surplus or deficit for the current accounting period using revenue items on the accrual basis.

Step 1: Distinguish the nature of items The Receipts and Payments Account includes both capital and revenue receipts and payments. It includes cash transactions relating to the previous, current and future accounting periods. For example, payment for equipment and payment of current salaries both appear in it.

The Income and Expenditure Account includes only revenue income and revenue expenditure relating to the current accounting period, whether received or paid or still outstanding. Capital receipts and capital expenditure are excluded; depreciation on equipment, however, is a revenue expense included in it.

Step 2: Distinguish the opening balance The Receipts and Payments Account opens with the opening cash-in-hand and cash-at-bank balances on its debit side. An opening bank overdraft, if any, appears on its credit side.

The Income and Expenditure Account has no opening balance. It is a nominal account prepared afresh for each accounting period; the previous period's surplus or deficit is transferred to the Capital Fund rather than carried forward as its opening balance.

Step 3: Conclusion On nature of items: Receipts and Payments includes both capital and revenue cash transactions; Income and Expenditure includes only current-period revenue items. On opening balance: the former opens with cash/bank balances or bank overdraft, while the latter has no opening balance.

Quick Tip to Solve: Remember cash movements for Receipts and Payments, and current-period revenue results for Income and Expenditure; only the cash summary carries an opening cash/bank balance.

2. Pass the necessary journal entry on dissolution of a partnership firm if an unrecorded creditor of Rs. 40,000 was paid by a partner, Amar, at a discount of 10%. [2 marks]

Solution:

Concept:

- Payment of an unrecorded liability on dissolution is debited to Realisation Account at the amount actually paid, because no liability balance exists in the books for transfer.
- When a partner pays a firm's liability personally, the partner's Capital Account is credited. This recognises the amount due to that partner and does not reduce the firm's bank balance.

Step 1: Calculate the settlement amount The creditor accepts a discount of 10% on the unrecorded amount of Rs 40,000. Therefore the discount and actual payment by Amar are:

$$\text{Discount} = 40,000 \times \frac{10}{100} = \text{Rs } 4,000,$$
$$\text{Amount paid} = 40,000 - 4,000 = \text{Rs } 36,000.$$

As the creditor was unrecorded, there is no separate transfer of its balance to Realisation Account. Only the settlement amount is recorded; the discount is not separately credited as a gain against an existing book liability.

Step 2: Record the payment made by Amar **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Amar's Capital A/c (Being an unrecorded creditor of Rs 40,000 paid personally by Amar at a discount of 10%.)		36,000	36,000

Realisation Account bears the settlement cost and Amar's Capital Account records his claim for the personal payment. Both sides of the entry equal Rs 36,000.

Step 3: Conclusion Debit Realisation Account and credit Amar's Capital Account by Rs 36,000 each.

Quick Tip to Solve: For an unrecorded creditor, record only the actual settlement; if a partner pays personally, credit that partner's Capital Account instead of Bank Account.

3. Suman, Shubham and Siya were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Shubham retired from the firm and Suman and Siya decided to continue the business. Their gaining ratio was 3 : 2. Calculate the new profit sharing ratio of Suman and Siya. [2 marks]

Solution:

Concept:

- On retirement, the outgoing partner's share is acquired by the continuing partners in their gaining ratio.
- For each continuing partner, new share equals old share plus the share gained. The gaining ratio distributes the retiring partner's share; it need not equal the new profit-sharing ratio.

Step 1: Find the share acquired by each partner **Working Notes**

The old ratio is Suman : Shubham : Siya $= 5 : 3 : 2$, whose terms total 10. Thus Suman's old share is $5/10$, Shubham's retiring share is $3/10$, and Siya's old share is $2/10$.

Suman and Siya acquire Shubham's $3/10$ share in their gaining ratio of $3 : 2$. The fractions $3/5$ and $2/5$ apply only to the retiring share:

$$\text{Suman's gain} = \frac{3}{10} \times \frac{3}{5} = \frac{9}{50},$$
$$\text{Siya's gain} = \frac{3}{10} \times \frac{2}{5} = \frac{6}{50}.$$

Step 2: Add each gain to the respective old share Each continuing partner retains the old share and adds the newly acquired portion:

$$\text{Suman's new share} = \frac{5}{10} + \frac{9}{50} = \frac{34}{50},$$
$$\text{Siya's new share} = \frac{2}{10} + \frac{6}{50} = \frac{16}{50}.$$

The new shares total $(34 + 16)/50 = 1$, so the whole profit is allocated between the continuing partners. The increases are $9/50$ and $6/50$, which reduce to the stated gaining ratio $3 : 2$.

Step 3: Conclusion The new profit-sharing ratio of Suman and Siya is $34 : 16 = \boxed{17 : 8}$.

Quick Tip to Solve: Distribute only Shubham's 3/10 share in the gaining ratio, then add each gain to the partner's old share before forming the new ratio.

4(a). From the following information of 'Kapoor Sports Club', calculate the amount of 'sports material' to be debited to 'Income and Expenditure Account' for the year ended 31st March, 2021:

Details	Amount (Rs.)
Stock of sports material as on 1st April, 2020	40,000
Creditors for sports material as on 1st April, 2020	8,000
Stock of sports material as on 31st March, 2021	20,000
Amount paid for sports material during the year 2020-21	90,000
Creditors for sports material as on 31st March, 2021	10,000

[3 marks]

Solution:

Concept:

- The Income and Expenditure Account records the cost of sports material consumed during the accounting year, using the accrual basis rather than the cash paid during the year.
- Purchases equal payment for material plus closing creditors less opening creditors. Consumption equals opening stock plus purchases less closing stock.

Step 1: Calculate purchases on the accrual basis The payment of Rs 90,000 includes settlement of Rs 8,000 owed at the beginning of the year. Deduct that opening liability because it relates to earlier purchases. Add the closing liability of Rs 10,000 because it represents material purchased but not yet

paid for.

$$\begin{aligned}\text{Purchases} &= \text{Payment} + \text{Closing creditors} - \text{Opening creditors}\\ &= 90,000 + 10,000 - 8,000\\ &= \text{Rs } 92,000.\end{aligned}$$

Step 2: Adjust purchases for opening and closing stock Material available for use consists of the opening stock and purchases during the year. Closing stock remains unused and must therefore be deducted from material available for use.

$$\begin{aligned}\text{Sports material consumed} &= \text{Opening stock} + \text{Purchases} - \text{Closing stock}\\ &= 40,000 + 92,000 - 20,000\\ &= \text{Rs } 1,12,000.\end{aligned}$$

The fall in stock increases consumption above purchases by Rs 20,000. The unpaid closing purchases have already been included in the first step, so no further creditors adjustment is made here.

Step 3: Conclusion Sports material of $\boxed{\text{Rs } 1,12,000}$ is debited to the Income and Expenditure Account of Kapoor Sports Club for the year ended 31st March, 2021.

Quick Tip to Solve: First convert the Rs 90,000 payment into purchases using creditors; then convert purchases into consumption using stock. Add closing creditors but subtract closing stock.

OR

4(b). Show the following information in the Balance Sheet of 'Royal Sports Club' for the year ended 31st March, 2021:

Details	Amount (Rs.)
Match expenses	10,000
Match fund	70,000
Donation for Match fund	20,000
Sale of match tickets	10,000

[3 marks]

Solution:

Concept:

- A match fund is a specific-purpose fund. Receipts specifically related to matches are added to this fund, and match expenses are charged against it.
- The unutilised fund is shown on the liabilities side of the club's Balance Sheet. Related expenses are charged to the Income and Expenditure Account only to the extent they exceed the available fund.

Step 1: Work out the balance of the match fund Add the donation for the Match Fund and the sale proceeds of match tickets to the existing fund. Both receipts relate to the purpose for which this fund

is maintained. Deduct the match expenses from the resulting amount.

$$\begin{aligned} \text{Fund available} &= 70,000 + 20,000 + 10,000 \\ &= \text{Rs } 1,00,000, \\ \text{Closing Match Fund} &= 1,00,000 - 10,000 \\ &= \text{Rs } 90,000. \end{aligned}$$

The expenses are fully covered by the fund. Therefore, no part of the match expenses is transferred to the Income and Expenditure Account.

Step 2: Show the specific fund in the Balance Sheet **Royal Sports Club**
Balance Sheet (Extract) as at 31st March, 2021

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Match Fund	70,000		
Add: Donation for Match Fund	20,000		
Add: Sale of match tickets	10,000		
Fund available	1,00,000		
Less: Match expenses	(10,000)		
Closing Match Fund	**90,000**		

This is an extract showing the requested fund adjustment. The receipts and expenses are incorporated in the Match Fund balance; they are not shown again as separate liabilities.

Step 3: Conclusion The Match Fund is shown at $\boxed{\text{Rs } 90,000}$ on the liabilities side of Royal Sports Club's Balance Sheet as at 31st March, 2021.

Quick Tip to Solve: Group the donation, ticket receipts and match expenses under the Match Fund before entering its net balance in the Balance Sheet.

5. Ramesh, Rajesh and Raman are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 30th June, 2021, Ramesh died. Sales for the year ended 31st March, 2021 were Rs. 12,00,000 and profits were Rs. 1,20,000. The sales for the period from 1st April, 2021 to 30th June, 2021 amounted to Rs. 4,00,000. Accounts are closed on 31st March every year. Calculate Ramesh's share of profit till the date of his death and pass the necessary journal entry for the same in the books of the firm. [3 marks]

Solution:

Concept:

- When profit up to a partner's death is estimated on the basis of sales, apply the previous year's profit-to-sales percentage to sales up to the date of death.
- The deceased partner receives the estimated profit multiplied by his old profit-sharing fraction. Credit his Capital Account and debit Profit and Loss Suspense Account because final accounts for the current year have not yet been prepared.

Step 1: Calculate the previous year's profit rate **Working Notes**

The profit of Rs 1,20,000 relates to sales of Rs 12,00,000 for the year ended 31st March, 2021. Thus

the rate is measured on sales, not on cost:

$$\text{Profit rate} = \frac{1,20,000}{12,00,000} \times 100 = 10\%.$$

Step 2: Estimate profit up to death and allocate Ramesh's share Sales from 1st April to 30th June, 2021 are Rs 4,00,000. Applying the same profit rate gives the firm's estimated profit for this period:

$$\text{Profit up to death} = 4,00,000 \times \frac{10}{100} = \text{Rs } 40,000.$$

Ramesh's fraction in the old ratio $2:2:1$ is $2/5$. Therefore,

$$\text{Ramesh's share} = 40,000 \times \frac{2}{5} = \text{Rs } 16,000.$$

The actual sales for the relevant period are already given, so no additional multiplication by $3/12$ is required.

Step 3: Record the profit due to Ramesh **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
2021 June 30	Profit and Loss Suspense A/c Dr. To Ramesh's Capital A/c (Being Ramesh's estimated share of profit up to his death credited to his Capital Account)		16,000	 16,000

Step 4: Conclusion Ramesh's share of profit up to 30th June, 2021 is $\boxed{\text{Rs } 16,000}$. Debit Profit and Loss Suspense Account and credit Ramesh's Capital Account by this amount.

Quick Tip to Solve: Use period sales $\times$ past profit rate $\times$ deceased partner's share; do not apply the time fraction again when period sales are supplied.

6(a). Khandelwal Ltd. took over assets of Sharma Ltd. of Rs. 25,00,000 and liabilities amounting to Rs. 7,80,000 for a purchase consideration of Rs. 27,00,000. The payment to Sharma Ltd. was made by issuing 10% Debentures of Rs. 100 each at a discount of 10%.

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

Solution:

Concept:

- Net assets acquired equal assets taken over less liabilities assumed. If purchase consideration exceeds net assets, the excess is debited to Goodwill Account.
- Debentures issued to the vendor settle the purchase consideration at their issue price. Credit Debentures Account with face value and debit Discount on Issue of Debentures Account with the discount allowed.

Step 1: Determine the goodwill arising on acquisition **Working Notes**

Khandelwal Ltd. acquires assets of Rs 25,00,000 and assumes liabilities of Rs 7,80,000. Hence,

$$\text{Net assets} = 25,00,000 - 7,80,000 = \text{Rs } 17,20,000.$$

Purchase consideration is Rs 27,00,000, which is higher than the net assets. The balancing debit is goodwill:

$$\text{Goodwill} = 27,00,000 - 17,20,000 = \text{Rs } 9,80,000.$$

Step 2: Calculate the debentures issued and the discount Each debenture has a face value of Rs 100 and is issued at a discount of 10%, giving an issue price of $100 - 10 = \text{Rs } 90$. Therefore,

$$\text{Number issued} = \frac{27,00,000}{90} = 30,000.$$

$$\text{Face value issued} = 30,000 \times 100 = \text{Rs } 30,00,000,$$

$$\text{Discount on issue} = 30,000 \times 10 = \text{Rs } 3,00,000.$$

The 10% in the debenture's name is its interest rate; the separately stated 10% discount determines its issue price. No interest entry is required for these acquisition transactions.

Step 3: Pass the acquisition and settlement entries **Journal of Khandelwal Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		25,00,000	
	Goodwill A/c Dr.		9,80,000	
	To Sundry Liabilities A/c			7,80,000
	To Sharma Ltd.			27,00,000
	(Being assets and liabilities of Sharma Ltd. taken over for a purchase consideration of Rs 27,00,000)			
	Sharma Ltd. Dr.		27,00,000	
	Discount on Issue of Debentures A/c Dr.		3,00,000	
	To 10% Debentures A/c			30,00,000
	(Being 30,000 debentures of Rs 100 each issued at a discount of 10% to discharge the purchase consideration)			

The first entry balances at Rs 34,80,000 on each side and the second at Rs 30,00,000 on each side.

Step 4: Conclusion Goodwill is $\boxed{\text{Rs } 9,80,000}$. Khandelwal Ltd. issues $\boxed{30,000}$ debentures of Rs 100 each, crediting 10% Debentures Account with Rs 30,00,000 and debiting discount of Rs 3,00,000.

Quick Tip to Solve: Divide the vendor's consideration by Rs 90, the issue price, to find the number of debentures; use Rs 100 per debenture only for the Debentures Account credit.

OR

6(b). Explain the meaning of issue of debentures as collateral security with the help of an example.

[3 marks]

Solution:

Concept:

- Collateral security means an additional or secondary security given to a lender, besides the principal security for a loan.
- Debentures issued as collateral security secure an existing loan; their issue does not bring any additional cash into the company.

Step 1: Explain the purpose of collateral debentures A company may borrow money from a bank or financial institution against its assets. If the lender asks for further protection, the company may deposit its own debentures with the lender as additional security. This is called issue of debentures as collateral security. These debentures support repayment of the loan and are not an independent borrowing for fresh cash. While they remain collateral security, the company pays interest on the loan; it does not pay separate interest on these debentures.

Step 2: Illustrate the arrangement with an example Suppose ABC Ltd. obtains a bank loan of Rs 5,00,000 against a mortgage of its building. At the bank's request, it also deposits 6,000 debentures of Rs 100 each, having a total face value of Rs 6,00,000, as collateral security. The building is the principal security and the debentures provide additional security. The company receives only Rs 5,00,000 from the bank, not Rs 11,00,000; depositing the debentures does not generate a second cash receipt.

Step 3: Explain what happens on repayment or default When ABC Ltd. repays the loan and the interest due, the bank returns or releases the collateral debentures. If the company defaults and the principal security is insufficient, the bank can use the collateral debentures to recover the unpaid balance in accordance with the lending arrangement. The bank cannot recover the same debt twice merely because it holds both forms of security.

Step 4: Conclusion Issue of debentures as collateral security is the deposit of debentures as additional security for a loan. In the example, debentures of Rs 6,00,000 secure the bank loan of Rs 5,00,000 without bringing any additional funds to ABC Ltd.

Quick Tip to Solve: In your example, identify the loan, its principal security and the extra debentures; distinguish the loan proceeds from the face value of collateral debentures.

7(a). A and B are partners sharing profits and losses equally. On 31st March, 2021, they decided to dissolve their firm. On the date of dissolution, their Balance Sheet was as under:

Balance Sheet of A and B as at 31st March, 2021

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		3,00,000	Bank	3,00,000
A's Loan		60,000	Stock	2,40,000
Mrs. A's Loan		70,000	Furniture	2,00,000
Capitals:				
A	2,30,000	4,60,000	Plant and Machinery	1,00,000
B	2,30,000			
			Profit and Loss A/c	50,000
Total		8,90,000	Total	8,90,000

The assets were realised and liabilities were paid as under:

(i) Creditors were paid at 20% less.

(ii) Furniture was taken over by A for Rs. 1,80,000 and Plant and Machinery was sold for Rs. 80,000.

(iii) B took over the stock at Rs. 1,80,000.

(iv) A promised to pay Mrs. A's loan.

(v) Realisation expenses of Rs. 20,000 were paid by B.

Prepare Realisation Account. [5 marks]

Solution:

Concept:

- Realisation Account records the book values of non-cash assets on its debit side and outside liabilities on its credit side. Cash or bank, partners' loans, capital balances and accumulated losses are not transferred to it.
- Assets taken over by a partner are credited to Realisation Account at the agreed value. An outside liability assumed by a partner is debited to Realisation Account, with a credit to that partner's capital account.
- Realisation expenses paid by a partner are debited to Realisation Account and credited to the partner's capital account. The resulting profit or loss is transferred to partners in their profit-sharing ratio.

Step 1: Identify the balances transferred Transfer stock of Rs 2,40,000, furniture of Rs 2,00,000 and plant and machinery of Rs 1,00,000 to the debit side, giving total assets of Rs 5,40,000. Transfer creditors of Rs 3,00,000 and Mrs. A's loan of Rs 70,000 to the credit side, giving outside liabilities of Rs 3,70,000. Mrs. A is an outside lender, so her loan is included even though A undertakes its payment. A's own loan of Rs 60,000 is a partner's loan and is settled separately. The bank balance of Rs 3,00,000 is excluded. The debit balance of Profit and Loss Account, Rs 50,000, is transferred directly to the partners' capital accounts equally, not to Realisation Account.

Step 2: Calculate the settlement amounts **Working Notes** Creditors accept a reduction of 20%, so

the bank payment is

$$\text{Creditors paid} = 3,00,000 \times \frac{80}{100} = \text{Rs } 2,40,000.$$

A takes furniture at Rs 1,80,000; hence credit Realisation Account and debit A's Capital Account. B takes stock at Rs 1,80,000; similarly credit Realisation Account and debit B's Capital Account. The sale of plant and machinery brings Rs 80,000 into bank. A's undertaking to pay Mrs. A's loan results in a debit of Rs 70,000 to Realisation Account and a credit to A's Capital Account. Expenses of Rs 20,000 paid personally by B result in a debit to Realisation Account and a credit to B's Capital Account; they are not a payment from the firm's bank.

Step 3: Prepare the Realisation Account

Realisation Account of A and B
as at 31st March, 2021

Dr. Particulars	**Rs**	**Particulars Cr.**	**Rs**
To Stock A/c	2,40,000	By Creditors A/c	3,00,000
To Furniture A/c	2,00,000	By Mrs. A's Loan A/c	70,000
To Plant and Machinery A/c	1,00,000	By A's Capital A/c (furniture)	1,80,000
To Bank A/c (creditors)	2,40,000	By Bank A/c (plant and machinery)	80,000
To A's Capital A/c (Mrs. A's loan)	70,000	By B's Capital A/c (stock)	1,80,000
To B's Capital A/c (expenses)	20,000	By Loss transferred to:	
		A's Capital A/c	30,000
		B's Capital A/c	30,000
Total	**8,70,000**	**Total**	**8,70,000**

Step 4: Verify the loss transferred to capitals Before the loss transfer, the debit total is Rs 8,70,000 and the credit total is Rs 8,10,000. The excess debit is a loss of Rs 60,000, shared equally by A and B at Rs 30,000 each. These capital debits are matched by credits to Realisation Account, closing it with equal totals. As an independent check, losses on stock, furniture and plant are Rs 60,000, Rs 20,000 and Rs 20,000 respectively. Adding expenses of Rs 20,000 and deducting the creditors' concession of Rs 60,000 gives the same loss of Rs 60,000. Mrs. A's loan is taken over at book value, so it creates no profit or loss.

Step 5: Conclusion The Realisation Account closes with a **loss of Rs 60,000**, transferred equally to A's and B's Capital Accounts at **Rs 30,000 each**. Both sides total **Rs 8,70,000**.

Quick Tip to Solve: Distinguish A's own loan from Mrs. A's loan: only the outside loan enters Realisation Account. A partner taking an asset is a credit here; a partner assuming a liability or paying expenses is a debit.

OR

7(b). Vidit, Vinay and Siya were partners in a firm. On 31st March, 2021, their Balance Sheet was as follows:

Balance Sheet of Vidit, Vinay and Siya as at 31st March, 2021

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	72,000	Cash	28,000
Bank Loan	18,000	Stock	46,000
General Reserve	18,000	Debtors	34,000
		Building	30,000
Capitals:		Plant and Machinery	66,000
Vidit 48,000			
Vinay 16,000			
Siya 32,000	96,000		
Total	2,04,000	Total	2,04,000

On the above date, Vinay retired and it was agreed that:

(i) The value of stock will be reduced by Rs. 10,000.

(ii) Plant and Machinery will be valued at Rs. 80,000.

(iii) An amount of Rs. 4,500 included in creditors is not likely to be claimed.

(iv) Debtors to be valued at Rs. 30,000.

(v) Amount due to Vinay will be transferred to Vinay's Loan Account.

Prepare Revaluation Account and Vinay's Capital Account. [5 marks]

Solution:

Concept:

- A decrease in an asset is debited to Revaluation Account; an increase in an asset or a decrease in a liability is credited. Transfer the resulting profit or loss to all old partners in their old profit-sharing ratio.
- If no profit-sharing ratio is specified, partners share profits and losses equally. Thus Vidit, Vinay and Siya share revaluation profit and the existing General Reserve in the ratio $1 : 1 : 1$, irrespective of their different capital balances.
- The retiring partner's capital is credited with his share of accumulated reserves and revaluation profit. Transfer the entire amount due to his Loan Account when immediate payment is not required.

Step 1: Calculate the adjustments and each partner's share **Working Notes**

Stock falls by Rs 10,000, from Rs 46,000 to Rs 36,000. Debtors fall by Rs 4,000, from Rs 34,000 to Rs 30,000. These losses are debited to Revaluation Account. Plant and Machinery rise by Rs 14,000, from Rs 66,000 to Rs 80,000. Creditors of Rs 4,500 are no longer payable, so this liability reduction is also a gain; the remaining creditors are Rs 67,500. Cash, building and bank loan require no revaluation

adjustment.

$$\text{Total revaluation gains} = 14,000 + 4,500 = \text{Rs } 18,500,$$
$$\text{Total revaluation losses} = 10,000 + 4,000 = \text{Rs } 14,000,$$
$$\text{Revaluation profit} = 18,500 - 14,000 = \text{Rs } 4,500,$$
$$\text{Each partner's share of profit} = 4,500 \times \frac{1}{3} = \text{Rs } 1,500,$$
$$\text{Vinay's share of General Reserve} = 18,000 \times \frac{1}{3} = \text{Rs } 6,000.$$

The reserve is an accumulated profit and is transferred directly to the old partners' capital accounts; it does not enter Revaluation Account.

Step 2: Prepare the Revaluation Account **Revaluation Account as at 31st March, 2021**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Stock A/c	10,000	By Plant and Machinery A/c	14,000
To Debtors A/c	4,000	By Creditors A/c	4,500
To Vidit's Capital A/c	1,500		
To Vinay's Capital A/c	1,500		
To Siya's Capital A/c	1,500		
Total	18,500	Total	18,500

The three transfers on the debit side of Revaluation Account credit the partners' capital accounts and distribute the Rs 4,500 profit equally among the old partners. The Revaluation Account closes after this transfer and has no balance carried forward.

Step 3: Prepare Vinay's Capital Account and transfer the amount due Vinay's opening capital of Rs 16,000 is increased by his reserve share of Rs 6,000 and revaluation profit share of Rs 1,500. The amount transferred to his loan is therefore

$$16,000 + 6,000 + 1,500 = \text{Rs } 23,500.$$

Vinay's Capital Account as at 31st March, 2021

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Vinay's Loan A/c	23,500	By Balance b/d	16,000
		By General Reserve A/c	6,000
		By Revaluation A/c	1,500
Total	23,500	Total	23,500

The transfer debits Vinay's Capital Account and credits Vinay's Loan Account. Consequently his capital account closes, while the firm owes him the same amount as a loan. No cash or bank payment is recorded because the question specifically requires a transfer to loan.

Step 4: Conclusion Revaluation profit is $\boxed{\text{Rs } 4,500}$, shared equally at Rs 1,500 each. Vinay's Capital Account totals Rs 23,500 on each side, and $\boxed{\text{Rs } 23,500}$ is transferred to Vinay's Loan Account.

Quick Tip to Solve: Use equal shares when the question gives no profit-sharing ratio; different capital balances do not determine that ratio. Add Vinay's Rs 6,000 reserve share outside Revaluation Account before transferring his final capital to loan.

8. Pass the necessary journal entries in the books of Pankaj Limited for the issue of Debentures in the following cases:

(a) Issued 7500, 10% Debentures of Rs. 100 each at a discount of Rs. 10,000 redeemable at a premium of 5%.

(b) Issued 5000, 10% Debentures of Rs. 100 each at a premium of 10% redeemable at a premium of 10%.

(c) Issued 1000, 9% Debentures of Rs. 100 each at par redeemable at par.

(d) Issued Rs. 2,00,000, 9% Debentures of Rs. 100 each at a discount of 10% redeemable at par.

(e) Issued 5000, 9% Debentures of Rs. 100 each at 20% premium redeemable at par. [5 marks]

Solution:

Concept:

- Debentures A/c is credited with the face value issued, while Bank A/c is debited with the actual issue proceeds. The stated 9% or 10% is the interest rate, not the rate of issue discount or premium.
- Issue premium is credited to Securities Premium A/c. Issue discount is debited; where redemption is at a premium, Loss on Issue of Debentures A/c includes the issue discount plus the redemption premium.
- Premium on Redemption of Debentures A/c is credited at issue for the extra amount payable on redemption. The five cases are independent, and the entries below record issue only.

Step 1: (a) Record issue at discount and redemption at premium **Working Notes:** Face value $= 7,500 \times$ Rs $100 =$ Rs $7,50,000$. The printed discount is a total of Rs 10,000, so bank proceeds are Rs 7,40,000. Redemption premium $= 5\% \times$ Rs $7,50,000 =$ Rs $37,500$. Therefore, loss on issue $=$ Rs $10,000 +$ Rs $37,500 =$ Rs $47,500$.

Journal of Pankaj Limited – Case (a)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,40,000	
	Loss on Issue of Debentures A/c Dr.		47,500	
	To 10% Debentures A/c			7,50,000
	To Premium on Redemption of Debentures A/c			37,500
	(Being 7,500 debentures issued at a total discount of Rs 10,000, redeemable at 5% premium)			

Step 2: (b) Record separate issue and redemption premiums **Working Notes:** Face value $= 5,000 \times$ Rs $100 =$ Rs $5,00,000$. Issue premium and redemption premium are each $10\% \times$ Rs $5,00,000 =$ Rs $50,000$. Bank receives Rs 5,50,000. Record the issue premium and redemption loss separately, even though their amounts are equal.

Journal of Pankaj Limited – Case (b)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		5,50,000	
	Loss on Issue of Debentures A/c Dr.		50,000	
	To 10% Debentures A/c			5,00,000
	To Securities Premium A/c			50,000
	To Premium on Redemption of Debentures A/c			50,000
	(Being 5,000 debentures issued at 10% premium, redeemable at 10% premium)			

Step 3: (c) Record issue and redemption at par **Working Notes:** Face value $= 1,000 \times$ Rs $100 =$ Rs $1,00,000$. Since both issue and redemption are at par, bank proceeds equal face value; no issue discount, securities premium or redemption premium arises.

Journal of Pankaj Limited – Case (c)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,00,000	
	To 9% Debentures A/c			1,00,000
	(Being 1,000 debentures issued at par, redeemable at par)			

Step 4: (d) Record issue at a ten per cent discount **Working Notes:** Rs 2,00,000 is the total face value of the issue, representing $2,00,000/100 = 2,000$ debentures. Discount $= 10\% \times$ Rs $2,00,000 =$ Rs $20,000$; proceeds $=$ Rs $1,80,000$. Redemption at par creates no additional premium liability.

Journal of Pankaj Limited – Case (d)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,80,000	
	Discount on Issue of Debentures A/c Dr.		20,000	
	To 9% Debentures A/c			2,00,000
	(Being 2,000 debentures issued at 10% discount, redeemable at par)			

Step 5: (e) Record issue at a twenty per cent premium **Working Notes:** Face value $= 5,000 \times$ Rs $100 =$ Rs $5,00,000$. Securities premium $= 20\% \times$ Rs $5,00,000 =$ Rs $1,00,000$, making total bank proceeds Rs 6,00,000. Since redemption is at par, no loss on redemption is recorded.

Journal of Pankaj Limited – Case (e)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,00,000	
	To 9% Debentures A/c			5,00,000
	To Securities Premium A/c			1,00,000
	(Being 5,000 debentures issued at 20% premium, redeemable at par)			

Step 6: Conclusion The issue entries above balance in each case. Bank receipts in cases (a)–(e) are respectively Rs 7,40,000, Rs 5,50,000, Rs 1,00,000, Rs 1,80,000 and Rs 6,00,000. Redemption-premium liabilities arise only in (a) and (b), for Rs 37,500 and Rs 50,000 respectively.

Quick Tip to Solve: First separate face value, issue price and redemption price. In (a), Rs 10,000 is the total discount; in (d), Rs 2,00,000 is the total face value, not the number of debentures.

9. From the following Receipts and Payments Account of Ziya Educational Society for the year ended 31st March, 2021, prepare Income and Expenditure Account for the year ended 31st March, 2021:

Receipts and Payments Account of Ziya Educational Society for the year ended 31st March, 2021

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d	25,500	Honorarium	2,000
Subscriptions	34,000	Computer	10,000
Sale of old newspapers	700	Repairs	1,000
Interest on Investments	2,800	Salaries	13,000
		Sundry Expenses	1,000
		Balance c/d	36,000
Total	63,000	Total	63,000

Additional Information:

(i) Subscriptions outstanding on 1st April, 2020 were Rs. 900 and Subscriptions outstanding on 31st March, 2021 were Rs. 1,900.

(ii) Salaries outstanding on 31st March, 2021 were Rs. 2,000. [5 marks]

Solution:

Concept:

- The Income and Expenditure Account records revenue incomes and revenue expenses belonging to the current year on the accrual basis, whether or not cash has been received or paid.
- Subscription income equals subscriptions received less opening subscriptions outstanding plus closing subscriptions outstanding, when there are no advance subscriptions.
- Capital expenditure and opening or closing cash balances are excluded. Revenue income in excess of revenue expenditure is the surplus, which increases the capital fund.

Step 1: Calculate subscription income for the year **Working Notes**

The receipts of Rs 34,000 include Rs 900 outstanding from the previous year; deduct this because it does not belong to 2020–21. Add Rs 1,900 due for the current year but still uncollected at its end:

$$\text{Subscriptions for 2020–21} = 34,000 - 900 + 1,900 = \text{Rs } 35,000.$$

Thus, the Income and Expenditure Account recognises the amount earned during the year, rather than merely the cash collected.

Step 2: Adjust salaries and identify revenue items Salaries paid are Rs 13,000. Closing outstanding salaries of Rs 2,000 are a current-year expense even though unpaid. No opening salary liability is given. Therefore,

$$\text{Salary expense} = 13,000 + 2,000 = \text{Rs } 15,000.$$

Honorarium of Rs 2,000, repairs of Rs 1,000 and sundry expenses of Rs 1,000 are revenue expenses. Sale of old newspapers of Rs 700 and interest on investments of Rs 2,800 are revenue incomes. The computer purchase of Rs 10,000 is a capital expenditure and is excluded from this account. No depreciation amount or rate is supplied, so no depreciation adjustment is introduced. The balances b/d of Rs 25,500 and c/d of Rs 36,000 represent cash or bank balances, not income or expenditure.

Step 3: Prepare the Income and Expenditure Account

Ziya Educational Society
Income and Expenditure Account
for the year ended 31st March, 2021

Dr.		Cr.	
Expenditure	Amount (Rs)	Income	Amount (Rs)
To Honorarium	2,000	By Subscriptions	35,000
To Repairs	1,000	By Sale of old newspapers	700
To Salaries	15,000	By Interest on investments	2,800
To Sundry expenses	1,000		
To Surplus (transferred to capital fund)	19,500		
Total	**38,500**	**Total**	**38,500**

The debit side contains the revenue expenses; the surplus is entered on that side to balance the account because income exceeds expenditure. Both sides consequently total Rs 38,500.

Step 4: Conclusion Revenue income is Rs 38,500 and revenue expenditure is Rs 19,000. Hence, the surplus for the year ended 31st March, 2021 is $38,500 - 19,000 = \boxed{\text{Rs } 19,500}$, transferred to the capital fund.

Quick Tip to Solve: For subscriptions, subtract opening arrears and add closing arrears; for salaries, add closing dues. Cross out cash balances and the computer purchase before preparing this revenue account.

Part B (10 marks)

OPTION 1 (Analysis of Financial Statements)

10. State with reason, whether 'Redemption of Debentures' would result in inflow, outflow or no flow of cash while preparing Cash Flow Statement. [2 marks]

Solution:

Concept:

- A cash outflow occurs when cash or a cash equivalent is paid to another party; it reduces the company's cash resources.
- Financing activities change the size or composition of owners' capital and borrowings. Debentures are a source of long-term borrowed funds.

Step 1: Identify the effect of redemption on cash Redemption means repayment of the amount owed to debentureholders. When the company redeems its debentures by payment, money leaves its cash or bank account and is received by the debentureholders. Therefore, the company's cash and cash equivalents decrease. It is not a cash inflow, because the company is repaying funds previously borrowed, rather than receiving new funds.

Step 2: Classify the payment in the cash flow statement The repayment reduces the company's outstanding debenture liability, which is a borrowing. Hence, the payment belongs to financing

activities. It is shown as a deduction under cash flow from financing activities, not as an operating expense or as a purchase of an investment.

Step 3: Conclusion Redemption of debentures results in an **outflow of cash from financing activities**, because cash is paid to debentureholders to repay the company's borrowing.

Quick Tip to Solve: For debentures, distinguish raising the loan (financing inflow) from repaying it on redemption (financing outflow).

11(a). From the following information of Shruti Ltd, prepare Comparative Statement of Profit and Loss:

Particulars	2020-21 (Rs.)	2019-20 (Rs.)
Revenue from operations	15,00,000	10,00,000
Expenses	3,00,000	2,00,000
Tax Rate 30%		

[3 marks]

Solution:

Concept:

- A comparative statement shows the previous year's and current year's figures, the absolute increase or decrease, and the percentage change using the previous year as the base.
- Profit before tax equals revenue from operations less expenses. Tax is 30% of profit before tax, and profit after tax equals profit before tax less tax.

Step 1: Calculate profit and tax for both years **Working Notes**

First deduct the given expenses from revenue. As no other income or expense is given, the resulting difference is profit before tax (PBT).

$$\begin{aligned}
\text{PBT}_{\text{2019-20}} &= 10,00,000 - 2,00,000 = \text{Rs } 8,00,000,\\
\text{Tax}_{\text{2019-20}} &= 8,00,000 \times 30\% = \text{Rs } 2,40,000,\\
\text{PAT}_{\text{2019-20}} &= 8,00,000 - 2,40,000 = \text{Rs } 5,60,000,\\
\text{PBT}_{\text{2020-21}} &= 15,00,000 - 3,00,000 = \text{Rs } 12,00,000,\\
\text{Tax}_{\text{2020-21}} &= 12,00,000 \times 30\% = \text{Rs } 3,60,000,\\
\text{PAT}_{\text{2020-21}} &= 12,00,000 - 3,60,000 = \text{Rs } 8,40,000.
\end{aligned}$$

PAT denotes profit after tax. Apply the same tax rate to each year's own profit before tax, not to its revenue.

Step 2: Determine absolute and percentage changes For each line, subtract the 2019–20 amount from the 2020–21 amount. Divide that increase by the corresponding 2019–20 amount and multiply by 100:

$$\text{Percentage increase} = \frac{\text{Current year} - \text{Previous year}}{\text{Previous year}} \times 100.$$

For revenue, the increase is Rs 5,00,000, so the percentage increase is $5,00,000/10,00,000 \times 100 =$

50%. Apply the same method separately to expenses, PBT, tax and PAT: each also increases by 50%.

Step 3: Prepare the comparative statement **Shruti Ltd.**

Comparative Statement of Profit and Loss

For the years ended 31st March, 2020 and 2021

Particulars	2019–20 (Rs)	2020–21 (Rs)	Increase (Rs)	Increase (%)
I. Revenue from operations	10,00,000	15,00,000	5,00,000	50
II. Total revenue	10,00,000	15,00,000	5,00,000	50
III. Expenses	2,00,000	3,00,000	1,00,000	50
IV. Profit before tax (II–III)	8,00,000	12,00,000	4,00,000	50
V. Tax expense (30%)	2,40,000	3,60,000	1,20,000	50
VI. Profit after tax (IV–V)	5,60,000	8,40,000	2,80,000	50

Step 4: Conclusion Shruti Ltd.'s profit after tax increased by **Rs 2,80,000 (50%)**, from Rs 5,60,000 in 2019–20 to Rs 8,40,000 in 2020–21. Revenue, expenses, profit before tax and tax expense also increased by 50%.

Quick Tip to Solve: Put 2019–20 first as the base year, even though the question lists 2020–21 first; use the base-year amount as every percentage-change denominator.

OR

11(b). From the following Balance Sheet of Avinash Ltd. as on 31st March, 2021, prepare a Comparative Balance Sheet:

Balance Sheet of Avinash Ltd. as at 31st March, 2021

Particulars	Note No.	31.3.2021 (Rs)	31.3.2020 (Rs)
I - Equity and Liabilities:			
1. Shareholders' Funds			
Share Capital		**30,00,000**	**20,00,000**
2. Non-Current Liabilities			
Long-term Borrowings		**—**	**—**
3. Current Liabilities			
Trade Payables		**6,00,000**	**5,00,000**
Total		**36,00,000**	**25,00,000**
II - Assets:			
1. Non-Current Assets			
Fixed Assets		**24,00,000**	**15,00,000**
2. Current Assets			
Inventories		**12,00,000**	**10,00,000**
Total		**36,00,000**	**25,00,000**

[3 marks]

Solution:

Concept:

- A comparative balance sheet presents each balance sheet item for two dates, its absolute change and its percentage change. The earlier year, 31st March, 2020, is the base year.
- For each item, Absolute change = Amount in 2021 − Amount in 2020, and Percentage change =

$\frac{\text{Absolute change}}{\text{Amount in 2020}} \times 100$. A positive change represents an increase.

Step 1: Calculate changes using the earlier year as the base Share capital increased by Rs $30,00,000 -$ Rs $20,00,000 =$ Rs $10,00,000$; hence its percentage increase is $10,00,000/20,00,000 \times 100 = 50\%$. Trade payables increased by Rs 1,00,000, or $1,00,000/5,00,000 \times 100 = 20\%$. Fixed assets increased by Rs 9,00,000, or $9,00,000/15,00,000 \times 100 = 60\%$. Inventories increased by Rs 2,00,000, or $2,00,000/10,00,000 \times 100 = 20\%$. Total assets and total equity and liabilities each increased by Rs 11,00,000; the total percentage increase is $11,00,000/25,00,000 \times 100 = 44\%$.

Step 2: Prepare the comparative balance sheet **Avinash Ltd.**

Comparative Balance Sheet as at 31st March, 2020 and 2021

Particulars	31.3.2020 Rs	31.3.2021 Rs	Increase Rs	Increase %
I. Equity and Liabilities				
1. Shareholders' Funds				
Share capital	20,00,000	30,00,000	10,00,000	50
2. Non-Current Liabilities				
Long-term borrowings	—	—	—	—
3. Current Liabilities				
Trade payables	5,00,000	6,00,000	1,00,000	20
Total	**25,00,000**	**36,00,000**	**11,00,000**	**44**
II. Assets				
1. Non-Current Assets				
Fixed assets	15,00,000	24,00,000	9,00,000	60
2. Current Assets				
Inventories	10,00,000	12,00,000	2,00,000	20
Total	**25,00,000**	**36,00,000**	**11,00,000**	**44**

The dashes for long-term borrowings are retained from the given balance sheet; no percentage change is computed for that line. The changes also reconcile: Rs 10,00,000 plus Rs 1,00,000 on the financing side equals Rs 9,00,000 plus Rs 2,00,000 on the assets side.

Step 3: Conclusion The comparative balance sheet shows an increase of Rs 11,00,000, or 44%, in total assets and total equity and liabilities. Share capital rose by 50%, trade payables by 20%, fixed assets by 60% and inventories by 20%.

Quick Tip to Solve: Although the question lists 2021 first, divide every increase by the corresponding 2020 amount; calculate the total's percentage separately rather than adding item percentages.

12. Calculate 'Cash Flows from Operating Activities' for the year ended 31st March, 2021 from the following Balance Sheet of Raman Ltd. as at 31st March, 2021:

Balance Sheet of Raman Ltd. as at 31st March, 2021

Particulars	Note No.	31.3.2021 (Rs.)	31.3.2020 (Rs.)
I - Equity and Liabilities:			
1. Shareholders' Funds			
(a) Share Capital		7,50,000	7,00,000
(b) Reserves and Surplus	1	1,25,000	55,000
2. Non-Current Liabilities Long-term Borrowings		1,00,000	62,500
3. Current Liabilities			
(a) Short-term Borrowings	2	6,000	5,000
(b) Trade Payables		7,500	41,500
(c) Short-term Provisions	3	9,000	5,500
Total		9,97,500	8,69,500
II - Assets:			
1. Non-Current Assets Fixed Assets			
(a) Tangible Assets	4	9,30,000	8,05,000
(b) Intangible Assets	5	25,000	15,000
2. Current Assets			
(a) Current Investments		4,000	2,500
(b) Inventories		18,500	29,500
(c) Trade Receivables		13,000	11,500
(d) Cash and Cash Equivalents		7,000	6,000
Total		9,97,500	8,69,500

Notes to Accounts:

Note No.	Particulars	31.3.2021 (Rs.)	31.3.2020 (Rs.)
1	Reserves and Surplus (Balance in Statement of Profit and Loss)	1,25,000	55,000
2	Short-term Borrowings Bank Overdraft	6,000	5,000
3	Short-term Provisions Provision for Tax	9,000	5,500
4	Tangible Assets Machinery Accumulated Depreciation	 10,00,000 (70,000) 9,30,000	 8,50,000 (45,000) 8,05,000
5	Intangible Assets Patents	25,000	15,000

Additional Information:

Tax paid during the year amounted to Rs. 6,500. [5 marks]

Solution:

Concept:

- Under the indirect method, begin with net profit before tax, add non-cash expenses, adjust operating current assets and liabilities, and deduct income tax paid.
- Tax expense equals closing provision for tax plus tax paid minus opening provision. Add this expense to the increase in the Statement of Profit and Loss balance to obtain profit before tax when no other appropriation is given.
- A decrease in inventories releases operating cash; increases in trade receivables and decreases in trade payables absorb operating cash. Depreciation reduces profit without reducing cash, so it is added back.

Step 1: Calculate profit before tax **Working Notes**

The balance in the Statement of Profit and Loss increases from Rs 55,000 to Rs 1,25,000. No dividend or other appropriation is given, so this increase is the profit after tax for the year:

$$\text{Profit after tax} = 1,25,000 - 55,000 = \text{Rs } 70,000.$$

The tax provision must cover the tax paid and leave the closing balance. Thus the current year's tax charge is:

$$\begin{aligned} \text{Tax expense} &= 9,000 + 6,500 - 5,500 \\ &= \text{Rs } 10,000, \\ \text{Net profit before tax} &= 70,000 + 10,000 \\ &= \text{Rs } 80,000. \end{aligned}$$

Use the tax charge to reconstruct profit before tax, but deduct the actual tax payment later in the cash flow statement.

Step 2: Identify the non-cash and working-capital adjustments With no disposal of machinery stated, the increase in accumulated depreciation is the year's depreciation:

$$\text{Depreciation} = 70,000 - 45,000 = \text{Rs } 25,000.$$

Inventories decrease by Rs $29,500 - 18,500 = 11,000$, which is added. Trade receivables increase by Rs $13,000 - 11,500 = 1,500$, which is deducted. Trade payables decrease by Rs $41,500 - 7,500 = 34,000$, which is also deducted.

Share capital and borrowings are financing items; machinery and patents relate to investing activities. Current investments are excluded from operating working capital. Cash and cash equivalents are the cash balances being reconciled, so their change is not an operating adjustment. The bank overdraft is not a trade operating liability. No patent amortisation or other non-cash charge is stated.

Step 3: Prepare the operating activities section **Raman Ltd.**
Cash Flow Statement (Extract)
For the year ended 31st March, 2021

Particulars	Rs	Rs
A. Cash flows from operating activities		
Net profit before tax		80,000
Add: Depreciation on machinery		25,000
Operating profit before working-capital changes		1,05,000
Add: Decrease in inventories	11,000	
Less: Increase in trade receivables	(1,500)	
Less: Decrease in trade payables	(34,000)	(24,500)
Cash generated from operations		80,500
Less: Income tax paid		(6,500)
Net cash from operating activities		**74,000**

The net working-capital adjustment is Rs $11,000 - 1,500 - 34,000 = -24,500$. The tax payment is deducted once, after determining cash generated from operations.

Step 4: Conclusion Raman Ltd.'s net cash inflow from operating activities for the year ended 31st March, 2021 is $\boxed{\text{Rs } 74,000}$.

Quick Tip to Solve: Reconstruct the tax charge as $9,000 + 6,500 - 5,500$ before calculating profit before tax. Deduct only the actual Rs 6,500 tax payment from cash generated from operations.

OPTION 2 (Computerised Accounting)

10. State any two characteristics of Computerised Accounting System. [2 marks]

Solution:

Concept:

- A computerised accounting system records and processes accounting transactions using accounting software and produces reports from the stored data.
- Its characteristics describe how the system performs accounting work. Two characteristics are speed and accuracy.

Step 1: State speed of processing **Speed:** A computerised accounting system processes a large volume of transactions quickly. Once a transaction is entered, the software can update the related ledger accounts and generate reports such as a trial balance without repeatedly copying the same information by hand. This makes current accounting information available promptly.

Step 2: State accuracy of processing **Accuracy:** The system performs calculations and postings according to its programmed rules with a high degree of accuracy. It reduces errors arising from manual addition, subtraction and transfer of amounts. This does not mean that every output is automatically correct: correct input data, proper configuration and correct accounting instructions are necessary, since a computer will also process an incorrectly entered amount.

Step 3: Conclusion Any two characteristics of a computerised accounting system are **speed** and **accuracy**.

Quick Tip to Solve: State each characteristic by name and explain its accounting effect: speed means quicker processing, while accuracy depends on correct inputs and instructions.

11(a). List any three features of DBMS. [3 marks]

Solution:

Concept:

- A Database Management System (DBMS) is software used to create, store, organise, retrieve and update data in a database.
- It manages a common collection of related data and controls how users access that data. Its features help keep business records consistent, available and protected.

Step 1: Identify control over data redundancy **Reduced data redundancy:** A DBMS helps minimise unnecessary duplication of the same data in separate files. For example, a customer's name and address may be stored in a customer table and referred to by a customer code in transaction records. When the address changes, updating the customer record avoids having to change many independent copies. This reduces storage duplication and the risk of inconsistent records.

Step 2: Identify data sharing **Data sharing:** Authorised users and applications can use a common database. For example, both the sales department and the accounts department can use the same customer records for their respective work. The DBMS manages access to shared data, so the departments do not need to maintain unrelated copies of the entire database.

Step 3: Identify data security **Data security:** A DBMS restricts access through user authentication and access permissions. Different users may be allowed to view, enter or modify different records according to their responsibilities. For example, a user may be allowed to view a report but may not be permitted to change the underlying accounting records. This helps protect data from unauthorised access and alteration.

Step 4: Conclusion Three features of a DBMS are **reduced data redundancy, data sharing and data security**.

Quick Tip to Solve: Recall the three ideas as one reliable record, shared authorised use, and controlled access; then name each DBMS feature and give a short example.

OR

11(b). Define the following:

(i) Attribute

(ii) Database Design

(iii) Normalisation [3 marks]

Solution:

Concept:

- A database organises related data about entities, such as customers, accounts or employees. An entity is described through its attributes.
- Database design specifies how data will be stored and related. Normalisation improves the

organisation of relational tables by reducing unnecessary repetition and data anomalies.

Step 1: Define attribute (i) An **attribute** is a property or characteristic that describes an entity. In a relational database, an attribute is represented by a column or field of a table. For example, Employee ID, Employee Name and Basic Pay are attributes of the entity Employee. The value of an attribute describes a particular entity instance; thus, the name recorded for one employee is a value of the Employee Name attribute.

Step 2: Define database design (ii) **Database design** is the process of developing a suitable structure or schema for a database according to the user's information requirements. It involves identifying entities, their attributes, keys and relationships, and organising these into related tables. For example, an accounting database can have separate Customer and Invoice tables linked through Customer ID. A sound design allows the required data to be stored, accessed and maintained systematically.

Step 3: Define normalisation (iii) **Normalisation** is the systematic process of organising data in relational tables, using keys and functional dependencies, to minimise data redundancy and avoid insertion, deletion and update anomalies. It may involve decomposing a table into smaller, related tables without losing information. For example, customer details can be stored once in a Customer table, while invoices refer to the customer through Customer ID, avoiding repetition of the customer's address in every invoice record.

Step 4: Conclusion An attribute describes an entity; database design determines the database structure; normalisation organises relational tables to reduce redundancy and data anomalies.

Quick Tip to Solve: Remember the distinction: attribute means a characteristic, design means the overall database structure, and normalisation means organising tables to avoid repeated data and anomalies.

12. Explain the steps involved in installation of Computerised Accounting System. [5 marks]

Solution:

Concept:

- A Computerised Accounting System (CAS) records and processes accounting transactions through accounting software and produces the required financial reports.
- Installation includes planning, setting up the computer facilities and accounting records, and testing the system before regular use. The accounting principles remain the same as in a manual system.

Step 1: Identify the accounting requirements Study the nature and size of the organisation, the volume and types of transactions, the existing accounting procedures and the information required by users. Decide which activities, such as purchases, sales, inventory, payroll and general accounting, the system must handle. This determines the capacity and features required of the system.

Step 2: Select and install suitable hardware and software Select an appropriate accounting package and the computers, storage, printers and networking facilities needed to run it. The package may be ready-to-use, customised or tailor-made, depending on the organisation's requirements and resources. Install the software on compatible hardware and ensure that it operates correctly.

Step 3: Set up the company and the accounting structure Create the company's records and specify its name, accounting period and other basic details. Prepare the chart of accounts by grouping accounts under suitable heads, such as assets, liabilities, capital, income and expenses. Assign account codes and create the necessary ledger accounts and subsidiary records. This structure enables transactions to be classified consistently.

Step 4: Configure records, controls and reports Set up voucher types, the procedure for entering transactions and the required output reports. Enter and verify opening balances and relevant master data, such as customer, supplier and inventory details. Define user access rights and backup arrangements so that accounting data is protected and can be recovered when needed.

Step 5: Train staff and test the system Train the employees who will enter transactions, supervise processing and use the reports. Process representative transactions and check their posting to the ledgers. Compare the resulting trial balance and financial statements with independently checked records. Correct errors in account grouping, opening balances, configuration or data entry before the system is put into regular operation.

Step 6: Convert to regular operation and review performance Transfer verified records from the existing system and introduce the new system through a planned changeover. A parallel run can be used to compare the new results with the old system before relying on the new system fully. Thereafter, review the reports, take regular backups and maintain the system so that it continues to meet the organisation's needs.

Step 7: Conclusion Installation of CAS proceeds from identifying requirements to selecting facilities, creating and configuring accounting records, training and testing, and finally operating and maintaining the system. These steps make the system ready to produce reliable accounting information.

Quick Tip to Solve: Present the steps in working order: requirements, facilities, accounts and data, controls, testing, then operation. Explain what is done at each stage instead of merely naming software.