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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 Hours **Maximum Marks: 40**

General Instructions

(i) This question paper contains 12 questions. All questions are compulsory.

(ii) There is no overall choice. An internal choice is provided in 4 questions (Q4, Q6, Q8, Q11); attempt only one of the alternatives in such questions.

(iii) Questions 10 to 12 are given in two options, Option I and Option II; attempt only one of the options.

(iv) Marks for each question are indicated against it.

1. 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:

- An unrecorded liability has not appeared in the books. Its settlement on dissolution is debited to Realisation Account.
- When a partner settles a firm's liability personally, credit that partner's Capital Account with the amount actually paid; the firm does not pay cash.

Step 1: Calculate the amount actually paid The creditor's claim is Rs 40,000. The discount allowed is

$$40,000 \times \frac{10}{100} = \text{Rs } 4,000.$$

Therefore, Amar pays $40,000 - 4,000 = \text{Rs } 36,000$ on behalf of the firm. Only this settlement amount enters the books.

Step 2: Record settlement by Amar Journal of the Firm

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

No Bank Account is credited because the payment was made personally by Amar. No separate discount entry is required for an unrecorded creditor.

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 paid by a partner, use the actual settlement amount and credit the partner, not Bank.

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

(a) Nature

(b) Closing Balance [2 marks]

Solution:

Concept:

- Receipts and Payments Account summarises actual cash and bank receipts and payments; it is a real account prepared on the cash basis.
- Income and Expenditure Account measures the current period's revenue surplus or deficit; it is a nominal account prepared on the accrual basis.

Step 1: Distinguish their nature Receipts and Payments Account is a summary of the Cash Book and is therefore a real account. It includes cash receipts and payments of both capital and revenue nature, irrespective of the period to which they relate.

Income and Expenditure Account is a nominal account, similar to a Profit and Loss Account. It includes only revenue incomes and expenses belonging to the current accounting period, with adjustments for outstanding and prepaid items.

Step 2: Distinguish their closing balances The closing balance of Receipts and Payments Account represents cash in hand and cash at bank. If the bank is overdrawn, the relevant balance represents a bank overdraft. It does not represent the organisation's surplus or deficit.

The closing balance of Income and Expenditure Account represents surplus when income exceeds expenditure, or deficit when expenditure exceeds income. This balance is transferred to the Capital Fund in the Balance Sheet; it is not the cash available at the year end.

Step 3: Conclusion Receipts and Payments: real account, closing cash/bank balance or bank overdraft. Income and Expenditure: nominal account, closing surplus or deficit.

Quick Tip to Solve: Remember the basis: actual cash movements produce cash balance; current-year accrued income minus expenses produces surplus or deficit.

3. Pass the necessary journal entries for the treatment of 'Workmen Compensation Reserve' of Rs. 2,64,000 at the time of retirement of Abhimanyu when:

(a) there is no claim against it, and

(b) when a claim of Rs. 54,000 has been admitted against it.

At the time of retirement of Abhimanyu, the firm had three partners Aviral, Abhimanyu and Mayank.

[2 marks]

Solution:

Concept:

- Workmen Compensation Reserve is used first for an admitted workmen compensation claim. Only the excess reserve is distributed among all old partners in their old profit-sharing ratio.
- No profit-sharing ratio is specified. In the absence of an agreement to the contrary, partners share profits equally; hence Aviral, Abhimanyu and Mayank share the distributable reserve equally.

Step 1: Case (a): no claim against the reserve The entire reserve of Rs 2,64,000 is available for distribution among the three old partners, including the retiring partner Abhimanyu. Each partner receives

$$\frac{2,64,000}{3} = \text{Rs } 88,000.$$

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.		2,64,000	
	To Aviral's Capital A/c			88,000
	To Abhimanyu's Capital A/c			88,000
	To Mayank's Capital A/c			88,000
	(Being reserve distributed equally among old partners as there is no claim)			

Step 2: Case (b): admitted claim of Rs 54,000 The admitted liability is retained, and only the surplus

reserve is distributed:

$$2,64,000 - 54,000 = \text{Rs } 2,10,000, \qquad \frac{2,10,000}{3} = \text{Rs } 70,000.$$

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.		2,64,000	
	To Workmen Compensation Claim A/c			54,000
	To Aviral's Capital A/c			70,000
	To Abhimanyu's Capital A/c			70,000
	To Mayank's Capital A/c			70,000
	(Being admitted claim provided for and excess reserve distributed equally among old partners)			

The credit total is Rs 54,000 plus Rs 2,10,000, equal to the reserve debited. Admission of a claim creates a liability; it does not itself mean that cash has been paid.

Step 3: Conclusion Case (a): credit each old partner's Capital Account by Rs 88,000. Case (b): credit Workmen Compensation Claim by Rs 54,000 and each old partner's Capital Account by Rs 70,000.

Quick Tip to Solve: Deduct the admitted claim before sharing the reserve; include the retiring partner in the distribution of the excess.

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 follows accrual accounting: sports material consumed during the year is an expense, irrespective of when suppliers are paid.
- Purchases equal cash paid plus closing creditors less opening creditors. Consumption equals opening stock plus purchases less closing stock; unused closing stock remains an asset.

Step 1: Convert payments into purchases for 2020-21 The payment of Rs 90,000 includes settlement of the opening liability of Rs 8,000. Deduct that opening liability because it relates to purchases before this year. Add the closing liability of Rs 10,000 because it represents this year's purchases not yet paid

for.

$$\text{Purchases} = \text{Payments} + \text{Closing creditors} - \text{Opening creditors}$$
$$= 90,000 + 10,000 - 8,000 = \text{Rs } 92,000.$$

Step 2: Calculate the sports material actually consumed Opening stock of Rs 40,000 was available for use along with current purchases. The closing stock of Rs 20,000 remains unused and must be excluded from the expense. Thus the stock reduction of Rs 20,000 increases consumption above current purchases.

$$\text{Consumption} = \text{Opening stock} + \text{Purchases} - \text{Closing stock}$$
$$= 40,000 + 92,000 - 20,000$$
$$= \text{Rs } 1,12,000.$$

This adjustment charges only material used in the year ended 31st March, 2021, while retaining the unpaid supplier balance as a liability and unused material as stock.

Step 3: Conclusion Sports material of Rs 1,12,000 is to be debited to Kapoor Sports Club's Income and Expenditure Account for the year ended 31st March, 2021.

Quick Tip to Solve: First adjust the payment for creditors; then adjust purchases for stock. A fall in stock increases consumption.

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. Income attributable to that purpose is added to the fund, and expenditure on that purpose is deducted from it.
- The remaining fund appears on the liabilities side of the club's Balance Sheet. A donation specifically for the match fund cannot be treated as unrestricted general income.

Step 1: Determine the closing balance of the match fund Start with the existing match fund of Rs 70,000. The donation of Rs 20,000 is earmarked for the same purpose and therefore increases that fund. Ticket receipts of Rs 10,000 are income from the match and are also credited to this fund.

Match expenses of Rs 10,000 are met out of it.

$$\text{Closing match fund} = 70,000 + 20,000 + 10,000 - 10,000$$
$$= \text{Rs } 90,000.$$

The ticket receipts and match expenses cancel each other numerically, but both must still be shown so that the fund's movements are transparent.

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

Liabilities: Specific-purpose fund	Amount (Rs)
Match fund	70,000
Add: Donation for match fund	20,000
Add: Sale of match tickets	10,000
Sub-total	1,00,000
Less: Match expenses	(10,000)
Closing match fund	90,000

This is an extract showing only the information supplied; no unspecified asset balance is invented. Since the specific fund is sufficient to absorb the match expenses, neither these expenses nor the related match receipts enter the general Income and Expenditure Account.

Step 3: Conclusion Show the closing Match Fund of Rs 90,000 on the liabilities side of Royal Sports Club's Balance Sheet as at 31st March, 2021.

Quick Tip to Solve: Keep receipts and expenses linked to a specific fund together; transfer only the unspent balance to 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:

- The profit earned up to the date of death may be estimated using the preceding yearś profit-to-sales ratio when current-period sales are given.
- A deceased partner receives profit in the old profit-sharing ratio. Profit and Loss Suspense Account is debited and the deceased partnerś Capital Account is credited for this interim estimate.

Step 1: Calculate the profit rate and interim profit The previous accounting year ended on 31st March, 2021. Its sales were Rs 12,00,000 and profit was Rs 1,20,000. Therefore,

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

Sales from 1st April to 30th June, 2021 were Rs 4,00,000. Applying the same profit rate gives the estimated profit of the firm up to the date of death:

$$\text{Interim profit} = 4,00,000 \times \frac{10}{100} = \text{Rs } 40,000.$$

The sales already relate to the required three-month period; no further multiplication by $3/12$ is needed.

Step 2: Calculate Ramesh's share and record it The old ratio of Ramesh, Rajesh and Raman is $2:2:1$. Ramesh's fraction is $2/(2+2+1) = 2/5$. Thus,

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

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30-6-2021	Profit and Loss Suspense A/c Dr. To Ramesh's Capital A/c (Being Ramesh's share of estimated profit up to the date of death credited to his capital)		16,000	 16,000

The credit increases the amount due to Ramesh's estate. Suspense is used because the firm's final profit for the current accounting year has not yet been determined.

Step 3: Conclusion Ramesh's share of profit up to 30th June, 2021 is $\boxed{\text{Rs } 16,000}$. Debit Profit and Loss Suspense A/c and credit Ramesh's Capital A/c by Rs 16,000.

Quick Tip to Solve: Apply the old profit percentage to actual sales up to death, then multiply by the deceased partner's old share; do not time-apportion the result again.

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 equal assets acquired less liabilities assumed. Purchase consideration exceeding net assets is debited to Goodwill Account.
- The number of debentures issued is purchase consideration divided by issue price per debenture. Debentures Account is credited with nominal value; the discount is debited separately.

Step 1: Compute goodwill and the number of debentures The net assets acquired from Sharma Ltd. are

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

The agreed consideration exceeds these net assets, so goodwill is

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

Each Rs 100 debenture is issued at a discount of 10%, so its issue price is $100 - 10 = \text{Rs } 90$. Hence,

$$\begin{aligned} \text{Number issued} &= 27,00,000/90 = 30,000, \\ \text{Nominal value} &= 30,000 \times 100 = \text{Rs } 30,00,000, \\ \text{Discount} &= 30,000 \times 10 = \text{Rs } 3,00,000. \end{aligned}$$

The stated 10% coupon determines interest on the debentures, whereas the issue discount determines the price used to calculate their number.

Step 2: Record the acquisition and discharge the vendor 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 taken over for the agreed purchase consideration)			
	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 vendor)			

The acquisition entry balances at Rs 34,80,000 on either side. The settlement entry balances at Rs 30,00,000, and the debit to Sharma Ltd. fully clears the purchase consideration payable.

Step 3: Conclusion Goodwill is $\boxed{\text{Rs } 9,80,000}$. Issue $\boxed{30,000}$ 10% debentures of Rs 100 each at Rs 90, recording discount of Rs 3,00,000.

Quick Tip to Solve: Divide consideration by Rs 90, the issue price, to find the debenture count; credit Debentures Account with their full Rs 100 face value.

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 over and above the principal security for a loan.
- Debentures issued as collateral security secure repayment of an existing loan; the company receives no separate cash consideration for issuing these debentures.

- The lender can use the collateral only if the company fails to repay the loan according to its terms. On repayment, the collateral debentures are returned to the company or cancelled.

Step 1: Explain the purpose of collateral debentures A company may obtain a loan from a bank by offering an asset, such as its land and building, as the principal security. If the bank asks for additional protection, the company may also issue its own debentures to the bank as collateral security. These debentures provide a secondary safeguard for the same debt; their face value does not represent a further loan received by the company.

Step 2: Illustrate the issue with an example Suppose ABC Ltd. takes a loan of Rs 5,00,000 from a bank against the mortgage of its building. The bank also requires additional security, so ABC Ltd. issues 6,000 debentures of Rs 100 each, having a total face value of Rs 6,00,000, to the bank as collateral security. The company receives only the loan amount of Rs 5,00,000, with no additional receipt for the collateral debentures. Interest is payable on the loan under the loan agreement; no separate debenture interest is paid merely because the debentures are held as collateral.

Step 3: Explain repayment and default If ABC Ltd. repays its loan and the interest due, the bank releases the building and returns the collateral debentures for cancellation. If the company defaults, the bank may realise the principal security and use the collateral debentures to recover any amount still outstanding, subject to the loan agreement. The bank cannot recover the same debt twice or retain more than the amount legally due.

Step 4: Conclusion Issue of debentures as collateral security is the issue of debentures as additional security for a loan, without receiving separate consideration for those debentures. In the example, debentures of Rs 6,00,000 additionally secure the bank loan of Rs 5,00,000.

Quick Tip to Solve: Distinguish the cash loan from the face value of the collateral debentures: the latter provides extra security and creates no separate cash inflow.

7. 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 nominal value, equal to the number of debentures multiplied by face value. Bank A/c is debited with the actual issue proceeds.
- Issue premium is credited to Securities Premium A/c. Discount on issue is debited; when redemp-

tion premium also arises, the aggregate discount and redemption premium is debited to Loss on Issue of Debentures A/c.

- Premium on redemption is credited to a separate liability account at issue. The stated interest rate describes periodic interest and does not alter the issue entry.

Step 1: (a) Issue at a total discount of Rs 10,000, redeemable at a premium The face value issued is $7,500 \times 100 =$ Rs $7,50,000$. The question gives a total discount of Rs 10,000; hence bank receipts are $7,50,000 - 10,000 =$ Rs $7,40,000$. Redemption premium is $7,50,000 \times 5/100 =$ Rs $37,500$. Loss on issue includes both discount and redemption premium: $10,000 + 37,500 =$ Rs $47,500$.

Journal of Pankaj Limited

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 debentures issued at discount, redeemable at premium)			

Step 2: (b) Issue at 10% premium, redeemable at 10% premium Face value is $5,000 \times 100 =$ Rs $5,00,000$. Issue premium is Rs 50,000, so receipts are Rs 5,50,000. Redemption premium is also Rs 50,000 and is recognised as loss on issue. The two premiums are recorded separately: issue premium is credited to Securities Premium, while the future redemption obligation is credited to Premium on Redemption of Debentures.

Journal of Pankaj Limited

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 debentures issued at premium, redeemable at premium)			

Step 3: (c) Issue at par, redeemable at par The nominal amount is $1,000 \times 100 =$ Rs $1,00,000$. Since both issue and redemption are at par, bank receives the face value and no discount, securities premium or redemption premium arises.

Journal of Pankaj Limited

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

Step 4: (d) Issue at 10% discount, redeemable at par The nominal amount is Rs 2,00,000, representing $2,00,000/100 = 2,000$ debentures. Discount is $2,00,000 \times 10/100 =$ Rs $20,000$, so bank receives Rs 1,80,000. As redemption is at par, the only loss is the issue discount.

Journal of Pankaj Limited

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 debentures issued at discount, redeemable at par)			

Step 5: (e) Issue at 20% premium, redeemable at par Face value is $5,000 \times 100 = \text{Rs } 5,00,000$. Issue premium is $5,00,000 \times 20/100 = \text{Rs } 1,00,000$. Bank therefore receives Rs 6,00,000; the debenture liability is credited at face value and the excess is credited to Securities Premium. Redemption at par creates no additional premium liability.

Journal of Pankaj Limited

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 debentures issued at premium, redeemable at par)			

Step 6: Conclusion The five journal entries above record the bank receipts, nominal debenture liabilities, issue premiums or discounts, and redemption premiums in each independent case.

Quick Tip to Solve: First calculate face value, then bank receipts; record the redemption premium separately even when the issue itself is at a premium.

8(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 B 2,30,000	4,60,000	Plant and Machinery	1,00,000
		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 transfer of non-cash assets at book value on its debit side and outside liabilities at book value on its credit side. Cash or bank, partners' capitals and partners' loans are excluded from these transfers.
- 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. Expenses paid by a partner are also debited, with a credit to that partner's Capital Account.
- The final realisation profit or loss is transferred to partners' Capital Accounts in their existing profit-sharing ratio, here $1:1$.

Step 1: Transfer the assets and outside liabilities Transfer Stock Rs 2,40,000, Furniture Rs 2,00,000 and Plant and Machinery Rs 1,00,000 to the debit of Realisation Account, totalling Rs 5,40,000. Transfer Creditors Rs 3,00,000 and Mrs. A's Loan Rs 70,000 to its credit, totalling Rs 3,70,000. Mrs. A is an outside lender; her loan is distinct from A's own loan. The bank balance of Rs 3,00,000, A's loan of Rs 60,000 and partners' capital balances are not transferred to this account. The debit balance of Profit and Loss Account, Rs 50,000, is an accumulated loss and goes directly to the partners' Capital Accounts equally; it is excluded from the realisation result.

Step 2: Record settlement and realisation Creditors are paid Rs $3,00,000 \times 80\% =$ Rs $2,40,000$. Debit this bank payment to Realisation Account. Credit A's takeover of furniture at Rs 1,80,000, B's takeover of stock at Rs 1,80,000 and the bank proceeds of plant and machinery at Rs 80,000. A's assumption of Mrs. A's loan gives a debit of Rs 70,000 to Realisation and a credit to A's Capital Account; it is not a cash payment. The expenses paid by B, Rs 20,000, are debited to Realisation and credited to B's Capital Account.

Step 3: Prepare and balance the account Realisation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (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	1,80,000
To Bank A/c (creditors)	2,40,000	(Furniture taken over)	
To A's Capital A/c	70,000	By B's Capital A/c	1,80,000
(Mrs. A's loan assumed)		(Stock taken over)	
To B's Capital A/c	20,000	By Bank A/c (plant sold)	80,000
(Realisation expenses)		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

Before transferring the loss, debit entries total Rs 8,70,000 and credit entries total Rs 8,10,000. Thus the excess debit is Rs 60,000. Credit Realisation Account and debit A's and B's Capital Accounts by Rs 30,000 each. As this nominal account is closed by transfer, no balance is carried forward.

Step 4: Conclusion Realisation loss is Rs 60,000, borne equally by A and B at Rs 30,000 each. Both sides of the closed Realisation Account 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, and A's assumption of it is a debit to Realisation.

OR

8(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: Vidit 48,000 Vinay 16,000 Siya 32,000	96,000	Plant and Machinery	66,000
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:

- On retirement, decreases in assets are debited to Revaluation Account; increases in assets and reductions in liabilities are credited to it. The resulting profit or loss belongs to all partners in their old profit-sharing ratio.
- When no profit-sharing ratio is specified, partners share profits equally. The capital balances do not determine that ratio. Hence Vidit, Vinay and Siya share revaluation profit and general reserve in the ratio $1:1:1$.
- The retiring partner's capital is credited with his share of accumulated reserves and revaluation profit. When the amount due is left unpaid, transfer it to his Loan Account by debiting his Capital Account.

Step 1: Calculate the revaluation adjustments Stock decreases by Rs 10,000 and debtors decrease by $34,000 - 30,000 = \text{Rs } 4,000$. These losses total Rs 14,000. Plant and machinery increases by $80,000 - 66,000 = \text{Rs } 14,000$, while creditors not likely to be claimed produce a gain of Rs 4,500. Thus,

$$\text{Revaluation profit} = (14,000 + 4,500) - (10,000 + 4,000) = \text{Rs } 4,500.$$

Each partner's share is $4,500/3 = \text{Rs } 1,500$. The outstanding creditors after the adjustment are Rs 67,500. Cash, bank loan and building have no revaluation adjustment.

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

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	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 profit is transferred to the three partners' capital accounts, so the Revaluation Account closes with no balance carried down.

Step 3: Determine Vinay's final entitlement General reserve represents accumulated profits earned before retirement. Vinay receives one-third of Rs 18,000, that is Rs 6,000. His existing capital is Rs 16,000 and his share of revaluation profit is Rs 1,500. Consequently, the amount due to him is

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

There is no instruction to pay cash or to adjust goodwill, so no such entry is introduced. The entire entitlement is transferred to Vinay's Loan Account as required.

Step 4: Prepare Vinay's Capital Account Vinay's Capital Account as at 31st March, 2021

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	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	

Transferring Rs 23,500 to the loan account closes the capital account. Therefore there is no remaining capital balance to carry down; Vinay now has a loan claim against the firm for this amount.

Step 5: Conclusion Revaluation profit is Rs 4,500, shared equally at Rs 1,500 each. Vinay's final entitlement of Rs 23,500 is transferred to Vinay's Loan Account.

Quick Tip to Solve: With no ratio stated, share reserve and revaluation profit equally; do not infer a profit ratio from the partners' capital balances.

9. From the following Receipts and Payments Account and additional information of 'STU Welfare 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 STU Welfare Society for the year ended 31st March, 2021

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d	22,500	Salaries	10,500
Interest on Investments	2,900	Furniture	4,000
Subscriptions	30,000	Telephone Charges	800
Sale of old newspapers	740	Investments	10,000
		Computer	7,500
		Miscellaneous Expenses	300
		Balance c/d	23,040
Total	56,140	Total	56,140

Additional Information:

(i) Subscriptions received include Rs. 1,700 for the year 2021-22. Amount of subscriptions outstanding on 31st March, 2021 were Rs. 700.

(ii) Furniture was purchased on 1st February, 2021. Depreciation was to be charged @ 6% p.a.

[5 marks]

Solution:

Concept:

- The Income and Expenditure Account records revenue income earned and revenue expenses incurred during the accounting year on the accrual basis, irrespective of when cash is received or paid.
- Subscriptions received in advance are excluded from current income, while subscriptions outstanding for the current year are added. Opening and closing cash balances are assets, not income or expenditure.
- Purchases of furniture, investments and computer are capital payments. Depreciation on furniture is a revenue expense calculated for its period of use.

Step 1: Calculate subscription income for 2020-21 The receipt of Rs 30,000 includes Rs 1,700 belonging to 2021-22, which is a liability at the year end. The current year's outstanding subscription of Rs 700 is earned income, although it has not yet been received. Therefore,

$$\begin{aligned}\text{Subscription income} &= 30,000 - 1,700 + 700 \\ &= \text{Rs } 29,000.\end{aligned}$$

Step 2: Calculate depreciation and identify revenue items Furniture purchased on 1st February, 2021 was used for two months, February and March, before the accounting year ended. Hence,

$$\text{Depreciation} = 4,000 \times \frac{6}{100} \times \frac{2}{12} = \text{Rs } 40.$$

The furniture purchase of Rs 4,000, investment purchase of Rs 10,000 and computer purchase of Rs

7,500 create assets and are excluded from expenditure. Cash balances of Rs 22,500 and Rs 23,040 are also excluded. Interest on investments and sale of old newspapers are revenue receipts. Salaries, telephone charges and miscellaneous expenses are revenue expenses; no further accrual adjustments for these are given.

Step 3: Prepare the Income and Expenditure Account **STU Welfare Society**
Income and Expenditure Account for the year ended 31st March, 2021

Expenditure	Rs	Income	Rs
To Salaries	10,500	By Subscriptions	29,000
To Telephone Charges	800	By Interest on Investments	2,900
To Miscellaneous Expenses	300	By Sale of Old Newspapers	740
To Depreciation on Furniture	40		
To Surplus (transferred to Capital Fund)	21,000		
Total	32,640	Total	32,640

Total revenue expenditure before surplus is Rs 11,640, comprising Rs 10,500 + Rs 800 + Rs 300 + Rs 40. Total income is Rs 32,640, comprising Rs 29,000 + Rs 2,900 + Rs 740. The difference is transferred to the Capital Fund because income exceeds expenditure.

Step 4: Conclusion The society's surplus for the year ended 31st March, 2021 is Rs $32,640$ − Rs $11,640$ = $\boxed{\text{Rs } 21,000}$.

Quick Tip to Solve: Adjust subscriptions for advance and outstanding amounts first; charge only two months' furniture depreciation, and exclude the three asset purchases from expenditure.

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:

- Cash flow means an inflow or outflow of cash and cash equivalents. An actual payment reduces the cash available to the enterprise.
- Financing activities change the size or composition of owners' capital and borrowings. Debentures represent borrowed funds; their redemption repays those funds.

Step 1: Identify the transaction Redemption of debentures means repayment of the amount due to debentureholders on cancellation or discharge of the debenture liability. The company uses its bank balance to make this payment, so both the debenture liability and cash or bank balance decrease.

Step 2: Classify its cash-flow effect The repayment relates to a borrowing, so it is a financing activity. In the Cash Flow Statement, the cash paid for redemption is deducted under cash flows from financing activities. It is not an operating payment because it does not arise from the company's principal revenue-producing operations. A reduction in a liability here represents repayment, rather than a receipt of new borrowing.

Step 3: Conclusion Redemption of debentures results in an **outflow of cash from financing activities**, because cash is paid to debentureholders to repay borrowed funds.

Quick Tip to Solve: For debentures, issue for cash brings financing cash in; repayment on redemption takes financing cash out.

11(a). From the following information of Ajay Ltd., prepare a Comparative Statement of Profit and Loss for the year ended 31st March, 2022:

Particulars	2021-22 (Rs.)	2020-21 (Rs.)
Revenue from Operations	7,00,000	4,00,000
Other Income	3,00,000	1,00,000
Expenses	1,00,000	1,00,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A comparative statement shows the previous year's and current year's figures together, with the absolute and percentage change in each item.
- Absolute change equals current-year amount minus previous-year amount. Percentage change is $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$.
- Total income comprises revenue from operations plus other income. Profit before tax is total income less expenses; profit after tax is profit before tax less tax expense.

Step 1: Calculate income, profit and tax for each year For 2020-21, total income is Rs $4,00,000 + 1,00,000 = 5,00,000$. Deducting expenses of Rs 1,00,000 gives profit before tax of Rs 4,00,000. Tax at 50% is Rs 2,00,000, leaving profit after tax of Rs 2,00,000.

For 2021-22, total income is Rs $7,00,000 + 3,00,000 = 10,00,000$. Profit before tax is Rs $10,00,000 - 1,00,000 = 9,00,000$. Tax at 50% is Rs 4,50,000; hence profit after tax is Rs 4,50,000.

Step 2: Prepare the comparative statement **Ajay Ltd.**

Comparative Statement of Profit and Loss for the year ended 31st March, 2022

Particulars	2020-21 (Rs)	2021-22 (Rs)	Increase (Rs)	Change (%)
Revenue from operations	4,00,000	7,00,000	3,00,000	75
Other income	1,00,000	3,00,000	2,00,000	200
Total income	5,00,000	10,00,000	5,00,000	100
Less: Expenses	1,00,000	1,00,000	0	0
Profit before tax	4,00,000	9,00,000	5,00,000	125
Less: Tax expense (50%)	2,00,000	4,50,000	2,50,000	125
Profit after tax	2,00,000	4,50,000	2,50,000	125

Each percentage uses the corresponding 2020-21 figure as its base. For example, revenue increased by $\frac{3,00,000}{4,00,000} \times 100 = 75\%$, while profit after tax increased by $\frac{2,50,000}{2,00,000} \times 100 = 125\%$. Expenses remained constant, so their absolute and percentage changes are both zero.

Step 3: Conclusion Total income increased by Rs 5,00,000 (100%), and profit after tax increased from Rs 2,00,000 to Rs 4,50,000, an increase of Rs 2,50,000 (125%).

Quick Tip to Solve: Use the previous year's figure as the denominator for every row, including tax and profit; do not use revenue as the comparative base.

OR

11(b). From the following information of Sneha Ltd., prepare a Common Size Statement of Profit and Loss for the year ended 31st March, 2022:

Particulars	2021-22 (Rs.)	2020-21 (Rs.)
Revenue from Operations	20,00,000	10,00,000
Employee Benefit Expenses	8,00,000	4,00,000
Other Expenses	2,00,000	1,00,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A common size statement expresses each item as a percentage of revenue from operations of the same year. Thus, Common size percentage $= \dfrac{\text{Item amount}}{\text{Revenue from operations}} \times 100$.
- Revenue from operations is taken as 100%. Profit before tax equals revenue less employee benefit expenses and other expenses; tax is calculated on profit before tax, and profit after tax is the balance.

Step 1: Calculate expenses, profit and tax For 2021-22, total expenses are Rs $8,00,000 + 2,00,000 = 10,00,000$. Hence profit before tax is Rs $20,00,000 - 10,00,000 = 10,00,000$. Tax at 50% is Rs $5,00,000$, leaving profit after tax of Rs $5,00,000$. For 2020-21, total expenses are Rs $4,00,000 + 1,00,000 = 5,00,000$. Profit before tax is Rs $10,00,000 - 5,00,000 = 5,00,000$. Tax is Rs $2,50,000$ and profit after tax is Rs $2,50,000$. No other income is given, so total income equals revenue from operations.

Step 2: Prepare the common size statement Sneha Ltd. — Common Size Statement of Profit and Loss for the year ended 31st March, 2022, with comparative figures

Particulars	2021-22		2020-21	
	Amount (Rs)	%	Amount (Rs)	%
I. Revenue from operations	20,00,000	100	10,00,000	100
II. Other income	–	–	–	–
III. Total income (I + II)	20,00,000	100	10,00,000	100
IV. Expenses:				
Employee benefit expenses	8,00,000	40	4,00,000	40
Other expenses	2,00,000	10	1,00,000	10
Total expenses	10,00,000	50	5,00,000	50
V. Profit before tax (III - IV)	10,00,000	50	5,00,000	50
VI. Tax expense	5,00,000	25	2,50,000	25
VII. Profit after tax (V - VI)	5,00,000	25	2,50,000	25

For example, employee benefit expenses in 2021-22 are $\dfrac{8,00,000}{20,00,000} \times 100 = 40\%$. Tax is 50% of profit before tax, which itself is 50% of revenue; therefore tax represents 25% of revenue, not 50%.

Step 3: Conclusion Sneha Ltd.'s profit after tax is Rs $5,00,000$ in 2021-22 and Rs $2,50,000$ in 2020-21. In both years, the profit before tax ratio is 50% and the net profit after tax ratio is 25%, so the proportionate cost and profit structure is unchanged.

Quick Tip to Solve: Use each year's own revenue as the base; apply the tax rate to profit before tax before converting tax into a percentage of revenue.

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, net profit before tax is adjusted for non-cash expenses and changes in operating working capital. Tax actually paid is then deducted to obtain cash generated from operating activities.
- Tax expense equals closing provision plus tax paid less opening provision. Depreciation is a non-cash expense and is added back to profit; changes in inventories, trade receivables and trade payables adjust accrual profit to cash.

Step 1: Calculate tax provision and profit before tax The balance in the Statement of Profit and Loss increases from Rs 55,000 to Rs 1,25,000. With no dividend or other appropriation given, profit after tax is:

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

Tax charged during the year is obtained by reconciling the provision:

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

Thus tax expense is added to profit after tax before the actual tax payment is deducted in the operating statement.

Step 2: Determine depreciation and operating adjustments No disposal of machinery is stated. Depreciation for the year is the increase in accumulated depreciation, namely Rs $70,000 - 45,000 = 25,000$. Add this non-cash charge to profit before tax. Inventories decrease by Rs $29,500 - 18,500 = 11,000$, releasing cash; trade receivables increase by Rs $13,000 - 11,500 = 1,500$, absorbing cash; and trade payables decrease by Rs $41,500 - 7,500 = 34,000$, absorbing cash. Share capital, long-term borrowings and bank overdraft are financing items; purchases of machinery, patents and investments relate to investing activities. Their changes therefore do not enter operating working-capital adjustments. The increase in patents alone does not establish an amortisation expense, so no such charge is added.

Step 3: Prepare the operating activities statement **Raman Ltd.**
Cash Flow from Operating Activities
for the year ended 31st March, 2021

Particulars	Amount (Rs)
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)
Cash generated from operations	80,500
Less: Income tax paid	(6,500)
Net cash from operating activities	74,000

The provision's increase of Rs 3,500 is already incorporated in computing tax expense; it is not counted again as an operating current-liability adjustment.

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

Quick Tip to Solve: Reconcile the tax provision first: closing provision plus tax paid minus opening provision gives tax expense; deduct only the actual Rs 6,500 payment at the end.

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

Solution:

Concept:

- A Computerised Accounting System (CAS) uses accounting software and a computer to record, process and present financial transactions according to prescribed accounting rules.
- Its characteristics describe how it processes accounting data and produces useful accounting information.

Step 1: Speed A CAS processes a large volume of transactions rapidly. Once transaction data are entered, the software can post them to the relevant ledger accounts, calculate balances and generate reports in a short time. For example, a trial balance can be produced without manually adding and transferring every ledger balance.

Step 2: Accuracy A CAS performs arithmetic calculations and posting operations accurately according to the programmed instructions. This reduces errors arising from manual addition, calculation and transfer of figures. Accuracy nevertheless depends on correct input data and proper configuration: an incorrectly entered amount may still produce an incorrect report.

Step 3: Conclusion Two characteristics of a Computerised Accounting System are speed in processing transactions and accuracy in calculations and posting.

Quick Tip to Solve: State each characteristic by name and add one sentence explaining its effect on accounting work.

11(a). Explain any two security features of Computerised Accounting System. [3 marks]

Solution:

Concept:

- Security features of a Computerised Accounting System protect financial records from unauthorised access, disclosure and alteration.
- Access controls identify an authorised user and restrict the accounting data and functions that the user may use.

Step 1: Password security Each authorised user can be given a user identity and a confidential password. The software requires these credentials before allowing the user to access the accounting system or a protected company data file. This helps prevent unauthorised persons from viewing or changing financial records. For example, a person without valid login credentials cannot open the protected accounts. Passwords should be kept confidential and changed periodically to maintain the effectiveness of this control.

Step 2: Data access and user permissions The administrator can assign different access rights to different users according to their responsibilities. A data-entry operator may be permitted to enter vouchers but prevented from altering accounting masters, deleting transactions or changing security settings. A manager may be permitted to view reports, while administrative control remains with an authorised administrator. Such restrictions limit what even a logged-in user can do and help protect records against unauthorised changes or misuse.

Step 3: Conclusion Two security features are password protection, which controls entry into the system, and user access permissions, which restrict the data and operations available to each authorised user.

Quick Tip to Solve: Distinguish authentication by password from authorisation through permissions: one controls entry, the other controls actions.

OR

11(b). Briefly explain the components of 'payroll'. [3 marks]

Solution:

Concept:

- Payroll is the system used to compute employees' earnings, deductions and the net salary payable for a specified pay period.
- Its monetary components are basic pay, allowances and other earnings, and deductions. Employee and attendance records supply the data needed for these calculations.

Step 1: Basic pay and allowances Basic pay is the fixed salary attached to an employee's post or pay scale. It is the starting point for computing remuneration and may also be the base for calculating certain allowances or contributions. Allowances are amounts paid in addition to basic pay, such as dearness allowance, house rent allowance and transport allowance. Dearness allowance helps compensate for changes in the cost of living, while the other allowances meet specified employee

expenses. Overtime pay, bonus or incentives, where applicable, are added to determine total earnings or gross pay.

Step 2: Deductions and net salary Deductions are amounts withheld from gross pay, such as the employee's provident fund contribution, income tax deducted at source, insurance premium and recovery of an employee loan or advance. Their applicability depends on the employee and the organisation's rules. Net pay is the amount actually payable after these deductions:

$$\text{Net pay} = \text{Gross pay} - \text{Total deductions}.$$

Employee particulars identify the person to whom the payment belongs. Attendance, leave and overtime records determine the payable period and any related adjustments. A payroll statement or payslip records the earnings, deductions and resulting net pay for each employee.

Step 3: Conclusion The main payroll components are basic pay, allowances and other earnings, and deductions; together these determine the employee's net salary payable.

Quick Tip to Solve: Explain payroll in the order of the calculation: basic pay plus allowances and other earnings gives gross pay; subtract deductions to obtain net pay.

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

Solution:

Concept:

- Installing a Computerised Accounting System means selecting and implementing suitable accounting hardware, software and procedures so that business transactions produce reliable accounting information.
- Installation must match the organisation's information needs, size, transaction volume and internal controls. Conversion of existing data and testing are essential before regular operation begins.

Step 1: 1. Analyse accounting and information requirements Study the existing accounting system, the nature and volume of transactions, the number of users and the reports required by management. Identify requirements such as inventory accounting, payroll, taxation and branch accounting. Assess the weaknesses of the existing system, the budget and the controls needed. This analysis establishes what the proposed system must achieve.

Step 2: 2. Select suitable hardware and accounting software Choose computers, storage devices, printers, networking and backup facilities appropriate to the workload. Select a ready-to-use, customised or tailor-made accounting package according to the requirements identified. Consider cost, compatibility, ease of operation, security, scalability and the supplier's training and maintenance support. Acquire the necessary licensed software and equipment.

Step 3: 3. Install and configure the system Install the hardware, operating environment and accounting package. Create the company and specify its accounting period, account structure and relevant accounting policies. Set up the chart of accounts, ledger groups, voucher types and necessary inventory or other masters. Define user roles, passwords and access rights so that authorisation and

responsibility are clear.

Step 4: 4. Convert data and test the installation Transfer verified opening balances and relevant master data from the old records into the new system. Check that the opening trial balance agrees and that data are complete and correctly classified. Process sample transactions and compare the resulting ledgers, trial balance and financial statements with independently checked results. Correct configuration or data errors before accepting the system; a parallel run with the existing system can help establish reliability.

Step 5: 5. Train users, introduce the system and maintain it Train staff in entering vouchers, correcting errors, generating reports and following security and backup procedures. Provide operating instructions and assign responsibilities. After successful testing, put the system into regular use. Take periodic backups, monitor performance, review controls and arrange maintenance and updates so that accounting information remains accurate and accessible.

Step 6: Conclusion The installation process proceeds from requirement analysis and selection to configuration, data conversion, testing, user training and regular operation with continuing maintenance.

Quick Tip to Solve: Remember the sequence: identify needs, select resources, configure, convert and test data, then train users and operate the system.