CBSE Class 12 Accountancy Question Paper 2022 with Solution PDF-Set 67-5-3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) This question paper is divided into two Parts, **Part-A** and **B**.

(iii) **Part-A** is compulsory for all candidates.

(iv) **Part-B** has two options i.e. (i) Analysis of Financial Statements and (ii) Computerised Accounting. Students must attempt **only one** of the given options.

(v) Question nos. 1 to 3 and 10 are short-answer type-I questions carrying **2** marks each.

(vi) Question nos. 4 to 6 and 11 are short-answer type-II questions carrying **3** marks each.

(vii) Question nos. 7 to 9 and 12 are long-answer type questions carrying **5** marks each.

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

Part A (30 marks)

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

1. Present the following information in the Balance Sheet of Wisdom Club as at 31st March, 2021:

Particulars	Amount (Rs.)
Prize fund (1st April, 2020)	4,80,000
Prize fund Investment (1st April, 2020)	4,80,000
Prizes awarded	1,50,000

[2 marks]

Solution:

Concept:

- A specific fund is shown separately on the liabilities side. Expenses incurred for its stated purpose reduce that fund, rather than being charged again to general income and expenditure.
- The investment belonging to a specific fund is an asset. Its carrying amount remains unchanged unless a sale, redemption or other change in the investment is stated.

Step 1: Calculate the closing prize fund Prizes awarded are expenditure for the very purpose for which the prize fund exists. Therefore, deduct them from the opening prize fund:

$$\text{Closing prize fund} = \text{Rs } 4,80,000 - \text{Rs } 1,50,000 = \text{Rs } 3,30,000.$$

No interest income or further donation is given, so no addition is made to the fund.

Step 2: Present the Balance Sheet extract

Wisdom Club
Balance Sheet (Extract) as at 31st March, 2021

Liabilities	Rs	Assets	Rs
Prize fund	4,80,000	Prize fund investment	4,80,000
Less: Prizes awarded	(1,50,000)		
Closing prize fund	3,30,000		

This is an extract, so the two sides need not total equally. Payment of prizes does not by itself imply that the prize fund investment has been sold; the asset remains at its given amount.

Step 3: Conclusion The Balance Sheet shows prize fund of Rs $3,30,000$ as a specific fund on the liabilities side and prize fund investment of Rs $4,80,000$ on the assets side.

Quick Tip to Solve: Deduct prizes from the specific prize fund; reduce its investment only if a sale or redemption is stated.

2. Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of:

(i) Closure of books

(ii) Termination of business [2 marks]

Solution:

Concept:

- Dissolution of partnership means a change in the existing relationship among partners, such as on admission or retirement; the remaining or reconstituted firm can continue its business.
- Dissolution of the firm means dissolution of the partnership among all partners. The business is wound up and its assets and liabilities are settled.

Step 1: Compare closure of books In dissolution of partnership, the books of account are not closed: the continuing firm records the adjustments required by reconstitution and carries on with its accounts. In dissolution of a partnership firm, the books of account are closed after realisation of assets, settlement of liabilities and final settlement of partners' accounts.

Step 2: Compare termination of business Dissolution of partnership does not terminate the business. The old partnership agreement ends or changes, but the business continues under the new agreement. Dissolution of the partnership firm terminates the business of the firm; its affairs are wound up rather than continued by that firm.

Step 3: Conclusion (i) Closure of books: partnership dissolution—books remain open; firm dissolution—books are closed. (ii) Termination of business: partnership dissolution—business continues; firm dissolution—business terminates.

Quick Tip to Solve: Ask whether the business continues: reconstitution keeps the books open, whereas winding up the firm closes them.

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3. David, Dolly and Divya are partners in a firm sharing profits and losses in the ratio 3:2:1. Divya retired from the firm and David and Dolly decided to share future profits & losses in the ratio 3:2. At the time of Divya's retirement, the goodwill of the firm was valued at Rs. 90,000.

Pass the necessary journal entry for treatment of goodwill without opening goodwill account on Divya's retirement. [2 marks]

Solution:

Concept:

- When goodwill is adjusted without opening a goodwill account, gaining partners compensate the retiring partner through their capital accounts in their gaining ratio.
- The gain of each continuing partner equals the new profit share less the old profit share. The retiring partner is credited with her share of the firm's goodwill.

Step 1: Find the gaining ratio David's gain is $\frac{3}{5} - \frac{3}{6} = \frac{1}{10}$. Dolly's gain is $\frac{2}{5} - \frac{2}{6} = \frac{1}{15}$. Thus, their gaining ratio is $\frac{1}{10} : \frac{1}{15} = 3 : 2$. The total gain is $\frac{1}{6}$, equal to Divya's former share.

Step 2: Calculate the goodwill compensation Divya's share of goodwill is Rs $90,000 \times \frac{1}{6} =$ Rs $15,000$.

David bears Rs $15,000 \times \frac{3}{5}$ = Rs $9,000$ and Dolly bears Rs $15,000 \times \frac{2}{5}$ = Rs $6,000$. Their capital accounts are debited because they acquire Divya's profit share.

Step 3: Record the adjustment

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	David's Capital A/c Dr.		9,000	
	Dolly's Capital A/c Dr.		6,000	
	To Divya's Capital A/c			15,000
	(Being Divya's share of goodwill adjusted through the gaining partners' capital accounts in the ratio 3:2)			

The total debit of Rs 15,000 equals the credit to Divya. No goodwill asset account is opened.

Step 4: Conclusion Debit Davidś Capital A/c by Rs 9,000 and Dollyś Capital A/c by Rs 6,000; credit Divyaś Capital A/c by Rs 15,000.

Quick Tip to Solve: Calculate new share minus old share for each remaining partner before allocating the retiring partner's goodwill.

4(a). Radhey Ltd. took over assets of Rs. 14,00,000 and liabilities of Rs. 6,00,000 of Krishna Ltd. Radhey Ltd. paid the purchase consideration by issuing 10,000, 8% Debentures of Rs. 100 each at a premium of 10%.

Pass necessary journal entries in the books of Radhey Ltd. [3 marks]

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor for the business. When settled through debentures issued at a premium, it equals the number of debentures multiplied by their issue price.
- Net assets equal assets taken over less liabilities assumed. Excess purchase consideration over net assets is debited to Goodwill Account; the premium on issue is credited to Securities Premium Reserve Account.

Step 1: Calculate purchase consideration and goodwill Each debenture has a face value of Rs 100 and an issue premium of 10%, so its issue price is Rs 110. Therefore,

$$\text{Purchase consideration} = 10,000 \times 110 = \text{Rs } 11,00,000,$$
$$\text{Net assets acquired} = 14,00,000 - 6,00,000 = \text{Rs } 8,00,000,$$
$$\text{Goodwill} = 11,00,000 - 8,00,000 = \text{Rs } 3,00,000.$$

The liabilities taken over are credited separately; they do not reduce the amount payable to Krishna Ltd. after purchase consideration has been determined from the securities issued.

Step 2: Record acquisition and settlement Journal of Radhey Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To Krishna Ltd. A/c (Being assets and liabilities taken over and goodwill recognised)		14,00,000 3,00,000	 6,00,000 11,00,000
	Krishna Ltd. A/c Dr. To 8% Debentures A/c To Securities Premium Reserve A/c (Being purchase consideration settled by issuing 10,000 debentures of Rs 100 each at 10% premium)		11,00,000	 10,00,000 1,00,000

The acquisition entry balances at Rs 17,00,000 on each side. The settlement entry balances at Rs 11,00,000; only the nominal value is credited to Debentures Account.

Step 3: Conclusion Purchase consideration is Rs 11,00,000, including goodwill of Rs 3,00,000. Credit 8% Debentures with Rs 10,00,000 and Securities Premium Reserve with Rs 1,00,000.

Quick Tip to Solve: Find consideration using the issue price of Rs 110, then compare it with net assets to identify goodwill.

OR

4(b). Amay Ltd. invited applications for issuing 10,000, 8% debentures of Rs. 100 each. The amount was payable as follows:

Rs. 30 on application and Rs. 70 on allotment. The public applied for 12,000 debentures. Applications for 8,000 debentures were accepted in full; applications for 3,000 debentures were allotted 2,000 debentures and the remaining applications were rejected. All money was duly received.

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

Solution:

Concept:

- Application money received is first credited to Debenture Application Account. On allotment, the application money relating to debentures issued is transferred to Debentures Account.
- Excess application money from applicants receiving pro-rata allotment is adjusted against allotment dues. Money on rejected applications is refunded; only the remaining allotment balance is collected in cash.

Step 1: Analyse application money and allotment dues Applications for 12,000 debentures bring in $12,000 \times 30 = \text{Rs } 3,60,000$. Of these, 8,000 debentures are allotted in full and 2,000 debentures are

allotted against applications for 3,000. Thus all 10,000 debentures are issued.

$$\begin{aligned}\text{Application money transferred to capital} &= 10,000 \times 30 = \text{Rs } 3,00,000,\\ \text{Excess adjusted on pro-rata allotment} &= (3,000 - 2,000) \times 30 = \text{Rs } 30,000,\\ \text{Refund on rejected applications} &= (12,000 - 8,000 - 3,000) \times 30\\ &= \text{Rs } 30,000.\end{aligned}$$

Allotment due is $10,000 \times 70 = \text{Rs } 7,00,000$; cash collected on allotment is $7,00,000 - 30,000 = \text{Rs } 6,70,000$. The pro-rata group's excess is adjusted only against that group's allotment liability.

Step 2: Pass the journal entries Journal of Amay Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being application money received on 12,000 debentures at Rs 30 each)		3,60,000	 3,60,000
	Debenture Application A/c Dr. To 8% Debentures A/c To Debenture Allotment A/c To Bank A/c (Being application money adjusted on allotment and rejected application money refunded)		3,60,000	 3,00,000 30,000 30,000
	Debenture Allotment A/c Dr. To 8% Debentures A/c (Being allotment money due on 10,000 debentures at Rs 70 each)		7,00,000	 7,00,000
	Bank A/c Dr. To Debenture Allotment A/c (Being balance allotment money received after excess application adjustment)		6,70,000	 6,70,000

The total credited to Debentures Account is Rs 10,00,000. Net bank receipts are Rs 3,60,000 less Rs 30,000 plus Rs 6,70,000, also Rs 10,00,000; application and allotment accounts both close.

Step 3: Conclusion Application receipts are Rs 3,60,000; refund is Rs 30,000 and excess adjusted against allotment is Rs 30,000. Allotment cash received is Rs 6,70,000.

Quick Tip to Solve: Separate applicants into full-allotment, pro-rata and rejected groups before adjusting excess application money.

5(a). As per Receipts and Payments Account of Kala Club for the year ended 31st March, 2021, subscriptions received were Rs. 4,00,000.

Additional Information:

Particulars	Amount (Rs.)
Subscriptions outstanding on 1.4.2020	1,00,000
Subscriptions outstanding on 31.3.2021	70,000
Subscriptions received in advance on 1.4.2020	50,000
Subscriptions received in advance on 31.3.2021	80,000

Calculate the amount of subscriptions to be shown in Income and Expenditure Account for the year ended 31st March, 2021 as income from subscription. [3 marks]

Solution:

Concept:

- Income and Expenditure Account records subscription income on the accrual basis, including amounts earned during the current year irrespective of collection.
- Income equals receipts minus opening outstanding plus closing outstanding plus opening advances minus closing advances.

Step 1: Remove receipts belonging to other years Receipts of Rs 4,00,000 include the opening outstanding subscriptions of Rs 1,00,000, which were income of the preceding year. The closing advance subscriptions of Rs 80,000 relate to the following year. Deduct both amounts from current cash receipts; neither represents income earned during the year ended 31st March, 2021.

Step 2: Include income earned during the current year The opening advance of Rs 50,000 was received earlier but is earned during this year. The closing outstanding amount of Rs 70,000 is also income of this year even though it has not yet been collected. Add both to obtain the accrual-based subscription income:

$$\begin{aligned}\text{Subscription income} &= 4,00,000 - 1,00,000 - 80,000 \\ &\quad + 50,000 + 70,000 \\ &= \text{Rs } 3,40,000.\end{aligned}$$

Thus every adjustment follows the period to which the subscription belongs, rather than the period in which cash was received. The resulting amount is credited to the income side of the Income and Expenditure Account.

Step 3: Conclusion Kala Club should show $\boxed{\text{Rs } 3,40,000}$ as subscription income in the Income and Expenditure Account for the year ended 31st March, 2021.

Quick Tip to Solve: Add closing outstanding and opening advance; deduct opening outstanding and closing advance from subscription receipts.

OR

5(b). From the following information, calculate the amount of stationery to be shown in Income and Expenditure Account for the year ended 31st March, 2021:

Particulars	1st April, 2020 (Rs.)	31st March, 2021 (Rs.)
Creditors for Stationery	5,600	12,800
Stock of Stationery	25,000	35,000

During the year ended 31st March, 2021 payment made to Creditors amounted to Rs. 62,800. Stationery purchased during the year was Rs. 2,00,000. [3 marks]

Solution:

Concept:

- The Income and Expenditure Account records stationery consumed, rather than cash payments or purchases alone.
- Consumption equals opening stock plus total purchases minus closing stock. Payments to creditors are used to find credit purchases only when total purchases are not already given.

Step 1: Convert payments to creditors into credit purchases Payments of Rs 62,800 include settlement of the opening liability of Rs 5,600. Conversely, purchases represented by closing creditors of Rs 12,800 remain unpaid but belong to this year. Hence deduct the opening liability and add the closing liability:

$$\begin{aligned}\text{Credit purchases} &= 62,800 + 12,800 - 5,600 \\ &= \text{Rs } 70,000.\end{aligned}$$

As a check, opening creditors plus credit purchases minus payments give Rs 5,600 + Rs 70,000 - Rs 62,800 = Rs 12,800, agreeing with the closing creditors.

Step 2: Use the given total purchases and adjust stock The question gives total stationery purchases as Rs 2,00,000. This amount already includes cash and credit purchases; the payments to creditors must not be added to it. The credit purchases calculated above imply cash purchases of Rs 2,00,000 - Rs 70,000 = Rs 1,30,000, but this breakdown does not change total purchases. Opening stock is available for consumption and closing stock remains unused:

$$\begin{aligned}\text{Stationery consumed} &= 25,000 + 2,00,000 - 35,000 \\ &= \text{Rs } 1,90,000.\end{aligned}$$

The increase in stationery stock of Rs 10,000 means consumption is Rs 10,000 lower than purchases. Only consumption is charged to the Income and Expenditure Account, while closing stock is an asset.

Step 3: Conclusion Stationery expense to be debited to the Income and Expenditure Account for the year ended 31st March, 2021 is $\boxed{\text{Rs } 1,90,000}$.

Quick Tip to Solve: When total purchases are already given, do not add creditor payments again; adjust only opening and closing stationery stocks.

6. Madhu, Shilpi and Renuka were partners in a firm sharing profits in the ratio 2:2:1. The firm closes its books on 31st March every year. Shilpi died on 30th June, 2021. On Shilpi's death, the goodwill of the firm was valued at Rs. 30,000. On Shilpi's death, her share in the profits of the firm till the date of her death was to be calculated on the basis of previous year's profit which was Rs. 60,000.

(i) Calculate Shilpi's share in the profits of the firm till her death.

(ii) Pass necessary journal entries for the treatment of goodwill without opening goodwill account and Shilpi's share of profit till the date of her death. [3 marks]

Solution:

Concept:

- Profit up to a partner's death is estimated from the previous year's profit in proportion to the elapsed time; the deceased partner receives her old profit-sharing fraction of this estimate.
- Goodwill compensation equals the firm's goodwill multiplied by the deceased partner's old share. The continuing partners bear it in their gaining ratio, directly through their capital accounts when no goodwill account is opened.

Step 1: Calculate Shilpi's share of profit up to her death The last accounting year ended on 31st March, 2021. Thus the period from 1st April, 2021 to 30th June, 2021 is three months. Shilpi's old share is $2/5$. Therefore,

$$\text{Estimated profit for three months} = 60,000 \times \frac{3}{12} = \text{Rs } 15,000,$$
$$\text{Shilpi's share} = 15,000 \times \frac{2}{5} = \text{Rs } 6,000.$$

Since this profit is estimated before the year's final accounts are prepared, debit Profit and Loss Suspense Account and credit Shilpi's Capital Account.

Step 2: Calculate goodwill and its allocation Shilpi's share of goodwill is $30,000 \times 2/5 = \text{Rs } 12,000$. As no new ratio is specified, Madhu and Renuka continue in their old relative ratio $2:1$, which is also their gaining ratio. Their new shares are $2/3$ and $1/3$; their gains are $2/3 - 2/5 = 4/15$ and $1/3 - 1/5 = 2/15$. Hence Madhu bears $12,000 \times 2/3 = \text{Rs } 8,000$, and Renuka bears $12,000 \times 1/3 = \text{Rs } 4,000$.

Step 3: Record the necessary journal entries Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 June 2021	Madhu's Capital A/c Dr. Renuka's Capital A/c Dr. To Shilpi's Capital A/c (Being Shilpi's share of goodwill adjusted through the gaining partners' capital accounts in the ratio 2:1)		8,000 4,000	 12,000
30 June 2021	Profit and Loss Suspense A/c Dr. To Shilpi's Capital A/c (Being Shilpi's estimated share of profit up to the date of death credited to her capital account)		6,000	6,000

Step 4: Conclusion Shilpi's share of profit is Rs 6,000. Credit her Capital Account with goodwill of Rs 12,000, debiting Madhu by Rs 8,000 and Renuka by Rs 4,000; also credit her Capital Account with Rs

6,000 against Profit and Loss Suspense Account.

Quick Tip to Solve: Count the months from the last year-end first; apply the deceased partner's old share to profit and goodwill, but allocate goodwill compensation among survivors in their gaining ratio.

7. Following is the Receipts and Payments Account of Indian Youth Club for the year ended 31st March, 2021:

'Receipts and Payments Account' of Indian Youth Club for the year ended 31st March, 2021

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d: Cash 25,000 Bank 2,85,000	3,10,000	By Salaries	3,60,000
To Subscriptions (including Rs. 40,000 for year ending 31.3.2022)	4,00,000	By Printing & Stationery	19,000
To Interest on investments	1,000	By Printer	40,000
		By Investments	80,000
		By Balance c/d: Cash 12,000 Bank 2,00,000	2,12,000
	7,11,000		7,11,000

Additional Information:

(i) Investments were made on 1st October, 2020 @ 5% p.a.

(ii) Salaries for March, 2021 Rs. 5,000 are unpaid.

(iii) Rs. 3,000 are payable for stationery.

Prepare Income and Expenditure Account of the Club for the year ended 31st March, 2021. [5 marks]

Solution:

Concept:

- Income and Expenditure Account follows the accrual basis: include only revenue income and revenue expenses belonging to the year ended 31st March, 2021, whether received or paid during the year or not.
- Subscriptions received in advance are a liability, while accrued investment interest is an asset. Outstanding revenue expenses are added to the corresponding expenditure.
- A printer and investments are capital assets. Their purchase prices and opening or closing cash and bank balances do not enter the Income and Expenditure Account.

Step 1: Calculate income belonging to the current year The receipts of Rs 4,00,000 include Rs 40,000 for the year ending 31st March, 2022. This advance does not belong to the current accounting year. Therefore,

$$\text{Subscription income} = 4,00,000 - 40,000 = \text{Rs } 3,60,000.$$

Investments of Rs 80,000 were purchased on 1st October, 2020 and earn interest for six months up to 31st March, 2021:

$$\text{Interest earned} = 80,000 \times \frac{5}{100} \times \frac{6}{12} = \text{Rs } 2,000.$$

Since Rs 1,000 has been received, the remaining Rs 1,000 is accrued interest. Income includes the entire Rs 2,000 earned, rather than only the cash received.

Step 2: Adjust the revenue expenses and exclude capital payments Salaries paid are Rs 3,60,000. Add Rs 5,000 unpaid for March, because the expense belongs to this year:

$$\text{Salaries} = 3,60,000 + 5,000 = \text{Rs } 3,65,000.$$

Similarly, printing and stationery expenditure includes the amount still payable:

$$\text{Printing and stationery} = 19,000 + 3,000 = \text{Rs } 22,000.$$

The printer costing Rs 40,000 and investments costing Rs 80,000 are capital purchases, so neither payment is charged as an expense. No depreciation rate or amount is supplied. Cash and bank balances represent funds held and are also excluded.

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

Expenditure	Amount (Rs)	Income	Amount (Rs)
To Salaries	3,65,000	By Subscriptions	3,60,000
To Printing and stationery	22,000	By Interest on investments	2,000
		By Deficit (excess of expenditure over income)	25,000
Total	3,87,000	Total	3,87,000

Total revenue income is Rs 3,62,000, whereas total revenue expenditure is Rs 3,87,000. The balancing deficit is placed on the income side so that both sides agree. It reduces the club's capital fund.

Step 4: Conclusion The club has a deficit of Rs $25,000$ for the year ended 31st March, 2021, being expenditure of Rs 3,87,000 less income of Rs 3,62,000.

Quick Tip to Solve: First remove next year's subscriptions, then calculate the full six months' investment interest; capital purchases never become revenue expenses merely because cash was paid.

8(a). Give the necessary journal entries for the following transactions on dissolution of the firm of Sonu and Monu on 31st March, 2021, after transfer of various assets (other than cash and bank balance) and the third party liabilities to Realisation Account. They shared profits and losses in the ratio of 2:1.

(i) Sonu agreed to take over the firm's goodwill (not recorded in the books of the firm) at a valuation of Rs. 40,000.

(ii) Bills payable of Rs. 30,000 falling due on 30th April, 2021 were discharged at Rs. 29,550.

(iii) Stock worth Rs. 8,00,000 was taken over by partner, Sonu at 10% discount.

(iv) Creditors of Rs. 2,00,000; accepted machinery valued at Rs. 2,20,000 in full settlement of their claim.

(v) Expenses of realisation Rs. 10,000 were paid by partner, Sonu. [5 marks]

Solution:

Concept:

- After assets and third-party liabilities have been transferred to Realisation Account, receipts from disposal of assets are credited to Realisation Account, while payments to settle liabilities and realisation expenses are debited to it.
- An asset taken over by a partner is debited to that partner's Capital Account at the agreed value. Unrecorded goodwill taken over is also credited to Realisation Account because its agreed value is realised by the firm.
- When a creditor accepts an asset already transferred to Realisation Account in full settlement, no further journal entry is passed. Realisation expenses paid personally by a partner are credited to that partner's Capital Account.

Step 1: Determine the amounts and accounts Sonu takes over unrecorded goodwill for Rs 40,000, so his Capital Account is debited and Realisation Account is credited. Bills Payable has already been transferred to Realisation Account; therefore the actual payment of Rs 29,550 is debited to Realisation Account. The saving of Rs 450 is reflected automatically in the balance of that account, without a separate discount entry.

Stock is taken over at 10% below its value:

$$\text{Agreed value} = 8,00,000 \times \frac{90}{100} = \text{Rs } 7,20,000.$$

Sonu's Capital Account is debited with this amount. The profit-sharing ratio of 2:1 is relevant to distributing the final realisation profit or loss; it does not divide the individual entries requested here.

Step 2: Record the journal entries on dissolution Journal of Sonu and Monu, dated 31st March, 2021

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.3.2021	Sonu's Capital A/c Dr.		40,000	
	To Realisation A/c			40,000
	(Being unrecorded goodwill taken over by Sonu)			
31.3.2021	Realisation A/c Dr.		29,550	
	To Bank A/c			29,550
	(Being bills payable discharged for Rs 29,550)			
31.3.2021	Sonu's Capital A/c Dr.		7,20,000	
	To Realisation A/c			7,20,000
	(Being stock taken over by Sonu at a discount of 10%)			
31.3.2021	Realisation A/c Dr.		10,000	
	To Sonu's Capital A/c			10,000
	(Being realisation expenses paid by Sonu personally)			

Step 3: Explain the settlement with creditors No journal entry is required for transaction (iv). Creditors of Rs 2,00,000 and machinery valued at Rs 2,20,000 have both already been transferred to Realisation Account. Handing over that machinery in full settlement involves no cash payment, no partner's capital adjustment and no further entry. The difference is included automatically in the final realisation result; it must not be recorded again as a separate loss.

Step 4: Conclusion The four entries above record transactions (i), (ii), (iii) and (v). For transaction

(iv), no journal entry is passed because both the creditors and the machinery have already been transferred to Realisation Account.

Quick Tip to Solve: After the initial transfers, use the agreed takeover value and actual settlement payment; an asset handed directly to a creditor needs no additional entry.

OR

8(b). Anu, Bhanu and Charu were partners in a firm sharing profits in the ratio of 2:2:1. Anu decided to retire from the firm on 31st March, 2021. The balance sheet of the firm on that date was as follows:

Balance Sheet of Anu, Bhanu and Charu as on 31st March, 2021

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	24,000	Bank	10,000
Profit & Loss A/c	5,000	Debtors 20,000 Less Provision for Doubtful Debts 400	19,600
Capitals: Anu 31,000 Bhanu 30,000 Charu 22,000	83,000	Stock	27,000
		Investments	10,000
		Patents	2,400
		Premises	43,000
	1,12,000		1,12,000

On retirement of Anu, following terms were agreed upon:

(i) Anu sold her share of premium for goodwill to Bhanu for Rs. 6,000 and to Charu for Rs. 3,000.

(ii) Provision for doubtful debts was to be raised to 5% on debtors.

(iii) Patents were considered as valueless.

(iv) Anu was paid Rs. 9,600 through a cheque and balance was transferred to her loan A/c.

Prepare Revaluation Account and Anu's Capital Account on her retirement. [5 marks]

Solution:

Concept:

- On retirement, the increase in a liability or provision and the decrease in an asset are debited to Revaluation Account. The resulting profit or loss is distributed among all the old partners in their old profit-sharing ratio.
- Accumulated profit belongs to the old partners. Here, both the revaluation loss and the credit balance of Profit and Loss Account are distributed in Anu, Bhanu and Charu's old ratio of $2 : 2 : 1$.
- Anu's goodwill entitlement is credited to her capital by debiting the benefiting partners' capitals with the amounts agreed. After payment by cheque, the unpaid capital balance is transferred to

the retiring partner's loan account.

Step 1: Calculate the loss on revaluation The required provision is calculated on the gross debtors of Rs 20,000, not on their net book value of Rs 19,600:

$$\text{Required provision} = 20,000 \times 5\% = \text{Rs } 1,000,$$
$$\text{Additional provision} = 1,000 - 400 = \text{Rs } 600.$$

Only the increase of Rs 600 is a fresh loss because the existing provision of Rs 400 is already reflected in the balance sheet. Patents of Rs 2,400 are written off completely. Thus the total loss is Rs 3,000, allocated as Anu Rs 1,200, Bhanu Rs 1,200 and Charu Rs 600.

Step 2: Prepare Revaluation Account **Revaluation Account**

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Provision for Doubtful Debts	600	By Anu's Capital A/c	1,200
To Patents A/c	2,400	By Bhanu's Capital A/c	1,200
		By Charu's Capital A/c	600
Total	3,000	Total	3,000

The capital accounts are debited with the loss; therefore the corresponding transfers appear on the credit side of Revaluation Account. No balance is carried down because the entire loss has been transferred.

Step 3: Determine Anu's capital entitlement Anu's share of accumulated profit is $5,000 \times 2/5 =$ Rs $2,000$. Her agreed goodwill premium is $6,000 + 3,000 =$ Rs $9,000$, credited by debiting Bhanu's capital with Rs 6,000 and Charu's capital with Rs 3,000. A separate goodwill asset is not opened.

$$\text{Amount due to Anu} = 31,000 + 2,000 + 9,000 - 1,200$$
$$= \text{Rs } 40,800,$$
$$\text{Loan transferred} = 40,800 - 9,600 = \text{Rs } 31,200.$$

The cheque payment reduces the amount due; it is not a revaluation expense.

Step 4: Prepare Anu's Capital Account **Anu's Capital Account**

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation A/c	1,200	By Balance b/d	31,000
To Bank A/c	9,600	By Profit and Loss A/c	2,000
To Anu's Loan A/c	31,200	By Bhanu's Capital A/c	6,000
		By Charu's Capital A/c	3,000
Total	42,000	Total	42,000

Anu's capital account closes after transfer of the unpaid amount to her loan account, so there is no closing capital balance to carry down. Its equal totals of Rs 42,000 verify that all credits have been settled through the loss adjustment, cheque and loan transfer.

Step 5: Conclusion Revaluation loss is Rs 3,000, of which Anu bears Rs 1,200. Anu's total retirement entitlement is Rs 40,800; after payment of Rs 9,600, Rs 31,200 is transferred to Anu's Loan Account.

Quick Tip to Solve: Increase only the existing provision by the shortfall; credit the retiring partner with accumulated profit and goodwill before deducting the cheque payment.

9. Pass journal entries relating to issue of debentures for the following transactions:

(a) Issued 8,000, 10% debentures of Rs. 100 each at a discount of 10%, redeemable at 5% premium.

(b) Issued 4,000, 12% debentures of Rs. 100 each at 10% premium, redeemable at 6% premium.

(c) Issued Rs. 1,00,000, 9% debentures of Rs. 100 each at par redeemable at par.

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

(e) Issued 6,000, 9% debentures of Rs. 100 each at a discount of 10% redeemable at par. [5 marks]

Solution:

Concept:

- Debentures are credited with their nominal value. Bank is debited with the actual issue proceeds; the interest rate identifies the debenture account and does not determine these proceeds.
- Issue premium is credited to Securities Premium Reserve. Discount on issue and premium payable on redemption together constitute Loss on Issue of Debentures, debited when the debentures are issued.

Step 1: Issue at discount, redeemable at premium (a) Face value $= 8,000 \times 100 =$ Rs $8,00,000$. Issue discount $= 10\% \times 8,00,000 =$ Rs $80,000$; bank proceeds $=$ Rs $7,20,000$. Redemption premium $= 5\% \times 8,00,000 =$ Rs $40,000$. Thus total loss on issue is $80,000 + 40,000 =$ Rs $1,20,000$.

Journal (amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,20,000	
	Loss on Issue of Debentures A/c Dr.		1,20,000	
	To 10% Debentures A/c			8,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 8,000 debentures issued at 10% discount, redeemable at 5% premium.)			

Step 2: Issue at premium, redeemable at premium (b) Face value $= 4,000 \times 100 =$ Rs $4,00,000$. Issue premium $= 10\% \times 4,00,000 =$ Rs $40,000$, so bank proceeds are Rs 4,40,000. Redemption premium $= 6\% \times 4,00,000 =$ Rs $24,000$, recorded as loss on issue. Issue premium and redemption premium are recorded separately.

Journal (amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,40,000	
	Loss on Issue of Debentures A/c Dr.		24,000	
	To 12% Debentures A/c			4,00,000
	To Securities Premium Reserve A/c			40,000
	To Premium on Redemption of Debentures A/c			24,000
	(Being 4,000 debentures issued at 10% premium, redeemable at 6% premium.)			

Step 3: Issue and redemption at par (c) The total nominal value given is Rs 1,00,000, comprising $1,00,000/100 = 1,000$ debentures. Both issue and redemption are at par, so proceeds equal nominal value and there is no discount, premium or loss on issue.

Journal (amounts in Rs)

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

Step 4: Issue at premium, redeemable at par (d) Face value is Rs 5,00,000. Issue premium $= 10\% \times 5,00,000 =$ Rs $50,000$. Bank receives Rs 5,50,000. Redemption at par creates no premium-on-redemption liability and no loss on issue.

Journal (amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		5,50,000	
	To 9% Debentures A/c			5,00,000
	To Securities Premium Reserve A/c			50,000
	(Being 9% debentures issued at 10% premium, redeemable at par.)			

Step 5: Issue at discount, redeemable at par (e) Face value $= 6,000 \times 100 =$ Rs $6,00,000$. Discount $= 10\% \times 6,00,000 =$ Rs $60,000$, giving bank proceeds of Rs 5,40,000. Since redemption is at par, the issue discount is the entire loss; no redemption premium is credited.

Journal (amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		5,40,000	
	Discount on Issue of Debentures A/c Dr.		60,000	
	To 9% Debentures A/c			6,00,000
	(Being 6,000 debentures issued at 10% discount, redeemable at par.)			

Step 6: Conclusion The five issue entries above record debentures at face value, bank receipts at the issue price, and each issue or redemption premium in its appropriate account.

Quick Tip to Solve: Calculate face value first, then issue proceeds and redemption premium separately; verify that each journal entry has equal debit and credit totals.

Part B (10 marks)

(Option-I)
(Analysis of Financial Statements)

10. State whether the following transactions will result in inflow, outflow or no flow of cash while preparing cash flow statement:

(i) Issued bonus shares Rs. 5,00,000.

(ii) Interest received in cash from loans and advances Rs. 80,000. [2 marks]

Solution:

Concept:

- A cash flow is an actual inflow or outflow of cash and cash equivalents. A transfer between equity accounts does not create a cash flow.
- Interest received in cash increases cash. For a non-financial enterprise, interest received is an investing cash inflow.

Step 1: (i) Issue of bonus shares Bonus shares of Rs 5,00,000 are issued by capitalising reserves. The company transfers this amount from reserves to share capital; shareholders do not pay cash for these shares. Share capital increases and reserves decrease by the same amount, while cash and cash equivalents remain unchanged. Hence this is no flow of cash and is excluded from the cash flow statement.

Step 2: (ii) Interest received from loans and advances Interest of Rs 80,000 is expressly received in cash. This increases the cash balance by Rs 80,000, so it is an inflow of cash. For a non-financial enterprise it is shown under investing activities, since it is a return on loans and advances made. Unlike accrued interest, this transaction involves an actual receipt, and therefore qualifies for inclusion in the cash flow statement.

Step 3: Conclusion (i) Bonus shares of Rs 5,00,000: no flow of cash. (ii) Interest received in cash of Rs 80,000: inflow of cash (investing activity for a non-financial enterprise).

Quick Tip to Solve: Check whether cash actually changes: capitalisation of reserves brings no cash, whereas interest expressly received in cash increases cash.

11(a). From the following information, prepare a Comparative Statement of Profit & Loss for the year ended 31st March, 2021.

Particulars	2019-20 (Rs.)	2020-21 (Rs.)
Revenue from operations	10,00,000	15,00,000
Expenses	5,00,000	6,00,000
Tax Rate 40%		

[3 marks]

Solution:

Concept:

- A comparative statement shows the previous year's amount, current year's amount, absolute change and percentage change for each item.
- Absolute change equals current year minus previous year. Percentage change equals absolute change divided by the previous year's amount, multiplied by 100.
- Profit before tax equals revenue from operations less expenses. Tax is 40% of profit before tax, and profit after tax is the balance after deducting tax.

Step 1: Calculate profit and tax for both years For 2019-20, profit before tax is Rs 10,00,000 less Rs 5,00,000 = Rs 5,00,000. Tax is $5,00,000 \times 40/100 =$ Rs $2,00,000$, leaving profit after tax of Rs 3,00,000. For 2020-21, profit before tax is Rs 15,00,000 less Rs 6,00,000 = Rs 9,00,000. Tax is $9,00,000 \times 40/100 =$ Rs $3,60,000$, leaving profit after tax of Rs 5,40,000.

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

Particulars	2019-20 (Rs)	2020-21 (Rs)	Increase (Rs)	Change (%)
Revenue from operations	10,00,000	15,00,000	5,00,000	50
Less: Expenses	5,00,000	6,00,000	1,00,000	20
Profit before tax	5,00,000	9,00,000	4,00,000	80
Less: Tax at 40%	2,00,000	3,60,000	1,60,000	80
Profit after tax	3,00,000	5,40,000	2,40,000	80

Each percentage uses the corresponding 2019-20 amount as the base. For example, revenue rises by $5,00,000/10,00,000 \times 100 = 50\%$, while expenses rise by $1,00,000/5,00,000 \times 100 = 20\%$. Profit after tax rises by $2,40,000/3,00,000 \times 100 = 80\%$.

Step 3: Conclusion Revenue increased by 50%, while expenses increased by 20%. Profit after tax increased from Rs 3,00,000 to Rs 5,40,000, an increase of Rs 2,40,000 or 80%.

Quick Tip to Solve: Use the previous year's amount as the denominator for every comparative percentage; apply the tax rate to profit, never to revenue.

OR

11(b). Prepare a Common Size Balance Sheet of Ayush Ltd. from the following information:

Particulars	Note No.	31st March, 2021 (Rs.)	31st March, 2020 (Rs.)
I. Equity and Liabilities			
1. Shareholders' Funds		18,00,000	6,00,000
2. Non-Current Liabilities		2,00,000	4,00,000
Total		20,00,000	10,00,000
II. Assets			
1. Non-Current Assets		12,00,000	7,00,000
2. Current Assets		8,00,000	3,00,000
Total		20,00,000	10,00,000

[3 marks]

Solution:

Concept:

- A common size balance sheet expresses each balance sheet item as a percentage of total assets, or equivalently total equity and liabilities, of the same year.
- Common size percentage $= \dfrac{\text{Amount of the item}}{\text{Balance sheet total}} \times 100$. Each year's total is taken as 100%, so the bases must be calculated separately.

Step 1: Calculate the percentages for each year For 31st March, 2021, the base is Rs 20,00,000. Shareholders' funds are $18,00,000/20,00,000 \times 100 = 90\%$; non-current liabilities are $2,00,000/20,00,000 \times 100 = 10\%$. Non-current assets are 60%, while current assets are 40%.

For 31st March, 2020, the base is Rs 10,00,000. Shareholders' funds are $6,00,000/10,00,000 \times 100 = 60\%$; non-current liabilities are 40%. Non-current assets are 70%, while current assets are 30%.

Step 2: Present the common size balance sheet Common Size Balance Sheet of Ayush Ltd. as at 31st March, 2021 and 2020

Particulars	2021 Rs	2020 Rs	2021 %	2020 %
I. Equity and Liabilities				
Shareholders' Funds	18,00,000	6,00,000	90	60
Non-Current Liabilities	2,00,000	4,00,000	10	40
Total	20,00,000	10,00,000	100	100
II. Assets				
Non-Current Assets	12,00,000	7,00,000	60	70
Current Assets	8,00,000	3,00,000	40	30
Total	20,00,000	10,00,000	100	100

Both sides total 100% in each year. Percentages describe the composition within each year's total; the increase in the absolute total does not change this basis.

Step 3: Conclusion Shareholders' funds constitute 90% in 2021 and 60% in 2020; non-current liabilities constitute 10% and 40%. The asset composition is 60% non-current and 40% current in 2021, compared with 70% and 30% in 2020.

Quick Tip to Solve: Divide each amount by its own year's balance sheet total; check that the percentages on each side add to 100.

12. Calculate 'Cash Flows from Investing Activities' and 'Cash Flows from Financing Activities' for the year ended 31st March, 2021 from the following Balance Sheet of Kamna Ltd. as at 31st March, 2021 showing your workings clearly:

Kamna Ltd.

Balance Sheet

as at 31st March, 2021

Particulars	Note No.	31st March, 2021 (Rs.)	31st March, 2020 (Rs.)
I. Equity and Liabilities			
1. Shareholders' funds			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves and surplus	1	3,00,000	2,00,000
2. Non-Current Liabilities			
Long-term borrowings		2,40,000	1,70,000
3. Current Liabilities			
Trade payables		2,20,000	2,81,000
Total		19,60,000	17,51,000
II. Assets			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	2	10,70,000	8,50,000
(ii) Intangible Assets	3	40,000	1,12,000
2. Current Assets			
(a) Current Investments		2,40,000	1,50,000
(b) Inventories		1,20,000	1,21,000
(c) Trade Receivables		1,70,000	1,43,000
(d) Cash and Cash Equivalents		3,20,000	3,75,000
Total		19,60,000	17,51,000

Notes to Accounts:

Note No.	Particulars	31st March, 2021 (Rs.)	31st March, 2020 (Rs.)
1.	Reserve and Surplus Surplus i.e. Balance in Statement of Profit & Loss	3,00,000	2,00,000
2.	Tangible Assets: Machinery Accumulated Depreciation	 12,70,000 (2,00,000) 10,70,000	 10,00,000 (1,50,000) 8,50,000
3.	Intangible Assets: Goodwill	 40,000	 1,12,000

Additional Information:

A piece of Machinery costing Rs. 24,000 on which accumulated depreciation was Rs. 16,000, was sold for Rs. 6,000. [5 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire machinery and investments and cash received on sale of machinery. The gross machinery account identifies purchases; net book values alone do not.
- Financing activities include cash proceeds from issue of share capital and additional long-term borrowings. Non-cash write-offs and operating working-capital changes do not enter these two sections.

Step 1: Calculate machinery purchased during the year Machinery at cost increased from Rs 10,00,000 to Rs 12,70,000 despite disposal of machinery costing Rs 24,000. Therefore, purchases equal closing cost plus cost of machinery sold minus opening cost:

$$12,70,000 + 24,000 - 10,00,000 = \text{Rs } 2,94,000.$$

The calculation is supported by the following account.

Machinery Account (at cost)

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Balance b/d	10,00,000	By Disposal A/c	24,000	
	To Bank A/c	2,94,000	By Balance c/d	12,70,000	
	Total	12,94,000	Total	12,94,000	

Step 2: Identify investing cash receipts and other adjustments Cash proceeds from sale of machinery are Rs 6,000. Its carrying amount is Rs 24,000 minus Rs 16,000, or Rs 8,000, so the loss on sale is Rs 2,000. Only the actual receipt of Rs 6,000 is included in investing cash flows; the loss itself is not a further cash outflow.

Current investments increased by Rs 2,40,000 minus Rs 1,50,000, or Rs 90,000. This is a cash purchase of investments. These are shown separately from cash and cash equivalents in the balance sheet. Goodwill decreased by Rs 72,000, which is a non-cash write-off in the absence of any information about a sale; it is therefore excluded from investing cash flows. Similarly, depreciation is non-cash and does not enter this section.

Step 3: Prepare the investing activities section **Kamna Ltd.: Cash Flow Statement (Extract)**

For the year ended 31st March, 2021

Particulars	Amount (Rs)
Cash flows from investing activities	
Proceeds from sale of machinery	6,000
Purchase of machinery	(2,94,000)
Purchase of current investments	(90,000)
Net cash used in investing activities	(3,78,000)

Thus, the investing section reports a net cash outflow, since cash spent on machinery and investments exceeds cash received from disposal.

Step 4: Calculate financing cash flows and prepare the section Share capital increased by Rs 12,00,000 minus Rs 11,00,000, giving cash proceeds of Rs 1,00,000. Long-term borrowings increased by Rs 2,40,000 minus Rs 1,70,000, giving additional cash proceeds of Rs 70,000. No non-cash issue, repayment or dividend payment is stated. The increase in the balance of profit and loss is retained profit, not a financing cash receipt.

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

Particulars	Amount (Rs)
Cash flows from financing activities	
Proceeds from issue of share capital	1,00,000
Proceeds from long-term borrowings	70,000
Net cash generated from financing activities	1,70,000

Inventories, trade receivables and trade payables relate to operating activities and are excluded from both requested sections.

Step 5: Conclusion Net cash used in investing activities is Rs 3,78,000; net cash generated from financing activities is Rs 1,70,000.

Quick Tip to Solve: Reconstruct gross machinery purchases by adding the original cost of machinery sold to the increase in gross machinery, then use actual sale proceeds separately.

PART B

(Option-II)

(Computerised Accounting)

10. Explain the meaning of the term 'Normalisation' and 'Relational database'. [2 marks]

Solution:

Concept:

- A database organises related data so that it can be stored, retrieved and updated systematically.
- Normalisation concerns the design of tables; a relational database concerns the organisation of data in related tables.

Step 1: Meaning of normalisation Normalisation is the systematic process of organising the fields and tables of a database to minimise unnecessary duplication of data and undesirable dependencies. A large table is divided into smaller, logically related tables and relationships are established between them. This helps prevent insertion, deletion and update anomalies and improves data integrity. For example, customer details can be stored once in a Customer table instead of being repeated in every invoice record.

Step 2: Meaning of relational database A relational database stores data in tables, also called relations. Each row represents a record and each column represents a field or attribute. Related tables are linked through common fields, usually a primary key in one table and a corresponding foreign key in another. For example, Customer ID identifies a customer in the Customer table and links that customer to invoices in an Invoice table.

Step 3: Conclusion Normalisation organises database tables to reduce redundancy and anomalies; a relational database stores data in tables connected through common key fields.

Quick Tip to Solve: Remember the distinction: normalisation is a table-design process, while a relational database is a system of related tables.

11(a). What is meant by 'Data Validation'? Give two examples, when cell will give error, if the value does not meet the condition. [3 marks]

Solution:

Concept:

- Data validation is a spreadsheet facility that checks an entry against a rule specified for a cell or range of cells.
- Rules may restrict the data type, numerical range, text length, date or membership of an approved list. An invalid entry produces the configured error alert.

Step 1: Explain data validation Data validation means defining conditions for the data that a user may enter in a worksheet cell. When a value is entered, the spreadsheet checks whether it satisfies those conditions. If it does not, an error message can be displayed and, with the Stop error-alert setting, the invalid entry is rejected. This helps reduce input errors and makes accounting data more consistent. Validation tests compliance with the rule; it does not establish that an otherwise permitted value is factually correct.

Step 2: Example 1: whole-number range Suppose a cell for the number of units sold is validated to allow only whole numbers between 1 and 100, inclusive. Entering 125 produces an error because it exceeds the upper limit of 100. The condition is that the entry must be a whole number within the permitted range; merely being a number is insufficient.

Step 3: Example 2: permitted text length Suppose a cell for a five-character account code is validated with the rule Text length equal to 5. Entering ABCD produces an error because it contains only four characters, so it does not satisfy the specified length. By contrast, ABCDE meets this particular validation rule. In both examples, enable the error alert and select Stop to prevent acceptance of the invalid value.

Step 4: Conclusion Data validation checks cell entries against specified conditions. An entry of 125 in a whole-number range of 1 to 100, and ABCD in a cell requiring exactly five characters, each triggers an error alert.

Quick Tip to Solve: For each validation example, state the exact rule, give an invalid entry, and explain precisely which condition it violates.

OR

11(b). Explain three components of Account group 'Current Assets'. [3 marks]

Solution:

Concept:

- In computerised accounting, an account group brings together ledgers of a similar nature so that balances can be classified consistently in reports.
- Current Assets is the group for assets expected to be realised, sold or consumed in the normal operating cycle, and cash and other short-term resources. In Tally, it contains subgroups such as Stock-in-Hand, Sundry Debtors and Cash-in-Hand.

Step 1: Stock-in-Hand This component records the value of inventory held by the business, such as raw materials, work-in-progress and finished goods. These resources are intended for use in production or sale in the normal course of business. For example, goods purchased for resale and remaining unsold at the end of the period form closing stock. They are assets because their sale or use is expected to bring future economic benefits.

Step 2: Sundry Debtors This component contains the personal ledger accounts of customers to whom goods or services have been sold on credit. The balances represent amounts receivable from those customers. For example, an unpaid credit sale to a customer is included under Sundry Debtors until the customer settles it. It is a current asset because collection is expected in the ordinary operating cycle.

Step 3: Cash-in-Hand This component records physical cash held by the business, including the cash account and petty cash account. The amount is immediately available for making payments such as small office expenses. For example, currency retained in the cash box is Cash-in-Hand. It is classified under Current Assets because cash is already in a liquid form and is available for current business needs.

Step 4: Conclusion Three components of the account group Current Assets are Stock-in-Hand, Sundry Debtors and Cash-in-Hand, representing inventory, amounts due from credit customers and physical cash respectively.

Quick Tip to Solve: For each component, name the subgroup and explain the resource it holds: stock, customer dues or physical cash.

12. State the steps to construct Bank-Reconciliation statement using Tally. [5 marks]

Solution:

Concept:

- A Bank Reconciliation Statement explains the difference between the balance of the bank ledger in the books and the balance shown by the bank statement on a specified date.
- In Tally, the bank date is the date on which a transaction is cleared by the bank. Enter this date from the bank statement; the original voucher date continues to represent the date recorded in the books.

Step 1: Open the company and its bank ledger Select the required company in Tally and ensure that its bank transactions have been recorded. From Gateway of Tally, choose Display, then Account Books, then Cash/Bank Book(s). Select the relevant bank account and open its monthly summary. Select the month to display the bank ledger vouchers. The account must be the particular bank account whose statement is being reconciled.

Step 2: Set the period and open reconciliation mode Use F2: Period to select the required reconciliation period. In the bank ledger voucher display, press F5: Reconcile to open the Bank Reconciliation screen. This screen provides the Bank Date field against the transactions so that the entries recorded in the books can be matched with the entries cleared by the bank.

Step 3: Match each voucher with the bank statement Compare the receipts and payments in the bank

ledger with the bank statement, using the amount, cheque number and other transaction details. For each matching transaction, enter its actual clearing date from the bank statement in the Bank Date column. Leave the Bank Date blank for cheques issued but not yet presented and deposits that the bank has not yet credited. Do not use the voucher date merely because it appears in the books.

Step 4: Record omissions and complete the reconciliation If the bank statement contains bank charges, interest, direct credits or other entries absent from the books, first record the appropriate vouchers in Tally and then reconcile them using their bank dates. Check errors in amounts or duplicate entries and correct the underlying records where necessary. Accept and save the completed reconciliation screen. Transactions without a bank date remain outstanding and explain the timing differences between the two balances.

Step 5: Review and print the statement Review the balance as per the company's books, the outstanding transactions and the balance as per the bank calculated by Tally. Compare the resulting balance with the bank statement balance for the same date. Once the balances agree after the reconciliation adjustments, use the Print command, normally Alt+P, to print the Bank Reconciliation Statement, or retain the report for later reference.

Step 6: Conclusion Thus, open the bank ledger, select the period, press F5: Reconcile, enter the actual bank dates for cleared transactions, record omitted bank entries, and save and print the reconciled statement.

Quick Tip to Solve: Enter a Bank Date only after matching the transaction with the bank statement; leave uncleared cheques and deposits without a bank date.