CBSE Class 12 Accountancy Question Paper 2022 with Solution PDF-Set 67-6-2 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper comprises of **two** parts – **Part A** and **Part B**. There are **12** questions in the question paper. **All** questions are compulsory.

(ii) **Part A is compulsory** for all candidates.

(iii) **Part B** has two options i.e. (1) Analysis of Financial Statements and (2) Computerised Accounting. Students must attempt only **one** of the given options.

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

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

(vi) Questions no. **7** to **9** and **12** are Long Answer Type Questions carrying **5** marks each.

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

Part A (30 marks)

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

1. State any two features of 'Receipts and Payments Account'. [2 marks]

Solution:

Concept:

- A Receipts and Payments Account summarises cash and bank transactions of a not-for-profit organisation during an accounting period.
- It follows the cash basis: the actual receipt or payment determines inclusion, rather than the period to which income or expenditure relates.

Step 1: Feature 1: Summary of cash and bank transactions It is a summarised cash book. All cash and bank receipts appear on its debit side, and all cash and bank payments appear on its credit side. It begins with opening cash and bank balances and ordinarily ends with closing cash and bank balances.

Step 2: Feature 2: Includes all actual receipts and payments It records receipts and payments of both capital and revenue nature, irrespective of whether they relate to the past, current or future accounting period. Thus, a subscription received in advance and cash paid to purchase equipment are both included; outstanding expenses and depreciation are excluded because no cash is paid for them during the period.

Step 3: Conclusion Two features are: (i) it summarises all cash and bank receipts and payments, and (ii) it includes both capital and revenue transactions actually received or paid, irrespective of the period to which they relate.

Quick Tip to Solve: Test inclusion by asking whether cash or bank actually moved during the period, not whether the item is income or expense.

2. P, Q, R and S were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2 : 1. On 31st March, 2022, P retired from the firm. P's share was taken over by Q, R and S in the ratio of 1 : 2 : 3. Calculate the new profit sharing ratio of Q, R and S. [2 marks]

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share acquired from the retiring partner.
- The ratio in which the continuing partners acquire the retiring partner's share is the gaining ratio; it is not itself their new profit-sharing ratio.

Step 1: Find the share acquired by each continuing partner The old shares of P, Q, R and S are respectively $4/10, 3/10, 2/10, 1/10$. P retires with $4/10$, which Q, R and S acquire in the ratio $1 : 2 : 3$,

whose total is 6. Hence their gains are

$$Q = \frac{4}{10}\frac{1}{6} = \frac{4}{60}, \quad R = \frac{4}{10}\frac{2}{6} = \frac{8}{60}, \quad S = \frac{4}{10}\frac{3}{6} = \frac{12}{60}.$$

Step 2: Add each gain to the corresponding old share Using a common denominator,

$$Q_{\text{new}} = \frac{3}{10} + \frac{4}{60} = \frac{22}{60},$$
$$R_{\text{new}} = \frac{2}{10} + \frac{8}{60} = \frac{20}{60},$$
$$S_{\text{new}} = \frac{1}{10} + \frac{12}{60} = \frac{18}{60}.$$

These shares sum to $(22 + 20 + 18)/60 = 1$, confirming that the entire future profit is allocated.

Step 3: Conclusion The new profit-sharing ratio of Q, R and S is $22 : 20 : 18 = \boxed{11 : 10 : 9}$.

Quick Tip to Solve: First divide only P's share in the gaining ratio, then add the gains to Q, R and S's old shares.

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3. Geeta, Seeta and Meeta were partners a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2022, Meeta retired from the firm. On Meeta's retirement the goodwill of the firm was valued at 3 years' purchase of average profits of the last 5 years. The profits of the last 5 years were :

Year	Profit (Rs.)
2017 – 2018	70,000
2018 – 2019	80,000
2019 – 2020	90,000
2020 – 2021	1,00,000
2021 – 2022	1,10,000

Calculate Meeta's share of goodwill and pass necessary journal entry for the same without opening goodwill account. [2 marks]

Solution:

Concept:

- Goodwill by the average-profit method equals average annual profit multiplied by the agreed number of years' purchase.
- Without opening a goodwill account, debit the gaining partners' capital accounts in their gaining ratio and credit the retiring partner's capital account with her share of goodwill.

Step 1: Calculate goodwill and Meeta's entitlement All five years' profits have equal weight.

$$\begin{aligned}\text{Total profits} &= 70,000 + 80,000 + 90,000 + 1,00,000 + 1,10,000\\ &= \text{Rs } 4,50,000,\\ \text{Average profit} &= 4,50,000/5 = \text{Rs } 90,000,\\ \text{Goodwill} &= 90,000 \times 3 = \text{Rs } 2,70,000.\end{aligned}$$

Meeta's old share is $1/(2+2+1) = 1/5$. Her goodwill entitlement is therefore $2,70,000 \times 1/5 = \text{Rs } 54,000$.

Step 2: Adjust goodwill through the capital accounts No new ratio is stated, so Geeta and Seeta continue in their old relative ratio $2:2 = 1:1$. They gain Meeta's share equally and each bears $54,000/2 = \text{Rs } 27,000$. The goodwill account is not opened.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2022	Geeta's Capital A/c Dr. Seeta's Capital A/c Dr. To Meeta's Capital A/c (Being Meeta's share of goodwill adjusted through the gaining partners' capital accounts in the ratio 1:1)		27,000 27,000	 54,000

Step 3: Conclusion Meeta's share of goodwill is $\boxed{\text{Rs } 54,000}$. Debit Geeta's and Seeta's capital accounts by Rs 27,000 each and credit Meeta's capital account by Rs 54,000.

Quick Tip to Solve: When no new ratio is given, continuing partners retain their relative old ratio; use that ratio to distribute the goodwill debit.

4(a). Receipts and Payments Account of Asha Health Club showed Rs. 70,000 as subscriptions received for the year ended 31st March, 2022. The additional information was as under :

(i) Subscriptions received in advance as on 31st March, 2022 were Rs. 7,000.

(ii) Subscriptions received in advance as on 31st March, 2021 were Rs. 4,000.

(iii) Outstanding subscriptions as on 31st March, 2022 were Rs. 8,000.

(iv) Outstanding subscriptions as on 31st March, 2021 were Rs. 3,000.

Calculate the amount of subscriptions to be credited to the Income and Expenditure Account for the year ended 31st March, 2022. [3 marks]

Solution:

Concept:

- Subscriptions are recognised on the accrual basis. Income belongs to the year in which it is earned, irrespective of when the cash is collected.
- To cash subscriptions, add opening advance and closing outstanding subscriptions, and deduct closing advance and opening outstanding subscriptions.

Step 1: Adjust subscriptions received in advance Cash subscriptions of Rs 70,000 include Rs 7,000 received for a future period; this closing advance must be deducted. The opening advance of Rs 4,000 was received before the year began but belongs to the current year, so it must be added. Receipts attributable to the current year before outstanding adjustments are $70,000 - 7,000 + 4,000 = \text{Rs } 67,000$. The adjustment ensures that collection dates do not determine the income recognised.

Step 2: Adjust outstanding subscriptions and calculate income Closing outstanding subscriptions of Rs 8,000 are due for the current year and are added although they have not been collected. Opening outstanding subscriptions of Rs 3,000 relate to the preceding year and are deducted from receipts. The complete calculation is:

Particulars	Amount (Rs)
Subscriptions received	70,000
Add: Advance at beginning	4,000
Add: Outstanding at end	8,000
Less: Advance at end	(7,000)
Less: Outstanding at beginning	(3,000)
Subscriptions for the current year	72,000

Step 3: Conclusion Subscriptions of $\boxed{\text{Rs } 72,000}$ are to be credited to Asha Health Club's Income and Expenditure Account for the year ended 31st March, 2022.

Quick Tip to Solve: Add opening advance and closing outstanding; subtract closing advance and opening outstanding from subscriptions received.

OR

4(b). From the following particulars taken out from the Cash Book of Gem Club, prepare a Receipts and Payments Account for the year ended 31st March, 2022 :

Particulars	Amount (Rs.)
Opening Balance :	
Cash in Hand	15,000
Cash at Bank	12,000
Subscriptions	1,02,000
Investments Purchased	15,000
Rent Outstanding	6,000
Entrance Fees Collected(including Rs. 10,000 for the previous year)	36,000
Closing Balance :	
Cash in Hand	15,000

[3 marks]

Solution:

Concept:

- A Receipts and Payments Account summarises actual cash and bank transactions, irrespective of the year to which they relate or their revenue or capital nature.
- Opening cash and bank balances appear on the receipts side; closing balances appear on the payments side. Outstanding expenses involve no cash movement and are excluded.

Step 1: Identify the cash transactions Record the entire subscriptions of Rs 1,02,000 and entrance fees of Rs 36,000 as receipts. The Rs 10,000 entrance fees relating to the previous year remain included because they were actually collected during this year. Investments purchased for Rs 15,000 are a payment, even though the purchase is capital in nature. Rent outstanding of Rs 6,000 is excluded because it has not been paid.

Step 2: Find the closing bank balance Total funds available are $15,000+12,000+1,02,000+36,000 =$ Rs $1,65,000$. After the investment payment of Rs 15,000, cash and bank together must be Rs 1,50,000. Since closing cash in hand is Rs 15,000, closing cash at bank is $1,50,000 - 15,000 =$ Rs $1,35,000$.

Step 3: Prepare the Receipts and Payments Account Gem Club: Receipts and Payments Account for the year ended 31st March, 2022

Receipts (Dr.)	Amount (Rs)	Payments (Cr.)	Amount (Rs)
To Balance b/d:		By Investments	15,000
Cash in hand	15,000	By Balance c/d:	
Cash at bank	12,000	Cash in hand	15,000
To Subscriptions	1,02,000	Cash at bank	1,35,000
To Entrance fees	36,000		
Total	1,65,000	Total	1,65,000

Both sides balance at Rs 1,65,000.

Step 4: Conclusion The Receipts and Payments Account totals $\boxed{\text{Rs } 1,65,000}$ on each side, with closing cash at bank of $\boxed{\text{Rs } 1,35,000}$.

Quick Tip to Solve: Include all entrance fees actually collected, even those for a previous year; leave unpaid rent out of a cash account.

5. L, M and R were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31st August, 2021, L died. The partnership deed provided that a deceased partner's share in the profits of the firm in the year of his death will be calculated on the basis of average profits of the previous two years. The profits for the years ended 31st March, 2020 and 31st March, 2021 were Rs. 5,00,000 and Rs. 7,00,000 respectively.

Calculate L's share of profit till the date of his death and pass necessary journal entry on the same date in the books of the firm. [3 marks]

Solution:

Concept:

- When the deed prescribes the average-profit method, estimated annual profit is the arithmetic mean of the specified previous years' profits. The current year's actual profit is not needed for this estimate.
- Profit up to death equals estimated annual profit multiplied by the fraction of the year elapsed. The deceased partner receives this amount in the old profit-sharing ratio; Profit and Loss Suspense Account is debited because final annual profit is not yet determined.

Step 1: Calculate average annual profit The two completed accounting years specified in the deed have profits of Rs 5,00,000 and Rs 7,00,000. Therefore,

$$\text{Average annual profit} = \frac{5,00,000 + 7,00,000}{2} = \text{Rs } 6,00,000.$$

Step 2: Determine L's entitlement for five months The current accounting year starts on 1st April, 2021. From that date to 31st August, 2021, five months have elapsed. L's old share is $2/(2+2+1) = 2/5$. Hence,

$$\text{Firm's estimated profit up to death} = 6,00,000 \times \frac{5}{12} = \text{Rs } 2,50,000,$$

$$\text{L's share} = 2,50,000 \times \frac{2}{5} = \text{Rs } 1,00,000.$$

Apply the time fraction before allocating the partner's share; the two fractions serve different purposes.

Step 3: Record the profit due to L Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Aug. 2021	Profit and Loss Suspense A/c Dr.		1,00,000	
	To L's Capital A/c			1,00,000
	(Being L's estimated share of profit up to the date of death credited to his capital account)			

The debit records the interim estimate and the credit increases the amount payable in respect of L's capital. No bank entry is required because the question asks for recognition of the entitlement, not its payment.

Step 4: Conclusion L's share of profit up to 31st August, 2021 is Rs 1,00,000. Debit Profit and Loss Suspense Account and credit L's Capital Account by Rs 1,00,000 each.

Quick Tip to Solve: Count April to August as five months, then multiply the two-year average by 5/12 and L's old share of 2/5.

6(a). BX Ltd. took over a building worth Rs. 3,00,000, machinery worth Rs. 2,00,000, furniture worth Rs. 30,000 and its liabilities of Rs. 40,000 from PQ & Company for a purchase consideration of Rs. 6,00,000. BX Ltd. paid the purchase consideration by issuing 11% debentures of Rs. 100 each at a premium of 20%.

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

Solution:

Concept:

- Assets taken over are debited at their agreed values and liabilities assumed are credited. Purchase consideration in excess of net assets is recognised as goodwill.
- Debentures issued at a premium settle the vendor's claim at their issue price. Their face value is credited to Debentures Account and the premium to Securities Premium Reserve.

Step 1: Calculate net assets and goodwill

$$\text{Total assets} = 3,00,000 + 2,00,000 + 30,000 = \text{Rs } 5,30,000,$$
$$\text{Net assets} = 5,30,000 - 40,000 = \text{Rs } 4,90,000,$$
$$\text{Goodwill} = 6,00,000 - 4,90,000 = \text{Rs } 1,10,000.$$

Step 2: Determine the number of debentures The issue price per debenture is $100 + 20\% \times 100 = \text{Rs } 120$. Thus,

$$\text{Number issued} = \frac{6,00,000}{120} = 5,000.$$

Face value credited to 11% Debentures Account is $5,000 \times 100 = \text{Rs } 5,00,000$; premium is $5,000 \times 20 = \text{Rs } 1,00,000$.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Building A/c Dr.		3,00,000	
	Machinery A/c Dr.		2,00,000	
	Furniture A/c Dr.		30,000	
	Goodwill A/c Dr.		1,10,000	
	To Liabilities A/c			40,000
	To PQ & Company			6,00,000
	(Being assets and liabilities taken over for an agreed consideration of Rs 6,00,000)			
	PQ & Company Dr.		6,00,000	
	To 11% Debentures A/c			5,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Being purchase consideration discharged by issuing 5,000 debentures of Rs 100 each at a premium of 20%)			

The entries balance at Rs 6,40,000 and Rs 6,00,000 respectively.

Step 4: Conclusion Goodwill is Rs 1,10,000; 5,000 debentures settle the vendor's Rs 6,00,000 claim.

Quick Tip to Solve: Divide the vendor's Rs 6,00,000 claim by the Rs 120 issue price, then separate face value and premium in the entry.

OR

6(b). XZ Ltd. invited applications for issuing 5000, 9% debentures of Rs. 100 each. The amount was payable as follows :

On application — Rs. 40 per debenture

On allotment — Balance

Applications for 10,000 debentures were received. Applications for 2000 debentures were rejected and the application money of these applicants was refunded to them. Pro-rata allotment was made to the remaining applicants. Excess application money received with those applications against which pro-rata allotment was made was adjusted towards amount due on allotment.

Pass the necessary journal entries for the issue of debentures in the books of XZ Ltd. [3 marks]

Solution:

Concept:

- Debentures issued at par are credited with their face value. Here the application instalment is Rs 40 and the allotment instalment is $100 - 40 =$ Rs 60 per debenture.
- Application money on rejected applications is refunded. For pro-rata applicants, the excess of money received over the application money due on debentures allotted is transferred to Debenture Allotment Account.

Step 1: Calculate the application money and its disposal Application money received is $10,000 \times 40 =$ Rs $4,00,000$. Rejected applicants receive $2,000 \times 40 =$ Rs $80,000$. The remaining applicants applied for $10,000 - 2,000 = 8,000$ debentures and receive 5,000 debentures, so the allotment ratio is $5 : 8$. Their application money is Rs 3,20,000, of which $5,000 \times 40 =$ Rs $2,00,000$ is transferred to the debentures account. The excess $3,20,000 - 2,00,000 =$ Rs $1,20,000$ is adjusted against allotment.

Step 2: Calculate the allotment balance and record the journal entries Allotment due is $5,000 \times 60 =$ Rs $3,00,000$. After adjusting the excess application money of Rs 1,20,000, the cash received on allotment is $3,00,000 - 1,20,000 =$ Rs $1,80,000$.

Journal of XZ Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To 9% Debenture Application A/c (Being application money received on 10,000 debentures at Rs 40 each)		4,00,000	 4,00,000
	9% Debenture Application A/c Dr. To Bank A/c To 9% Debentures A/c To 9% Debenture Allotment A/c (Being application money refunded on 2,000 rejected applications, money due on 5,000 allotted debentures transferred and excess adjusted towards allotment)		4,00,000	 80,000 2,00,000 1,20,000
	9% Debenture Allotment A/c Dr. To 9% Debentures A/c (Being allotment money due on 5,000 debentures at Rs 60 each)		3,00,000	 3,00,000
	Bank A/c Dr. To 9% Debenture Allotment A/c (Being balance allotment money received after adjustment of Rs 1,20,000)		1,80,000	 1,80,000

Step 3: Conclusion XZ Ltd. credits 9% Debentures Account with Rs 5,00,000 in total. It refunds Rs 80,000 and receives Rs 1,80,000 as the balance on allotment; net bank receipts are Rs 5,00,000.

Quick Tip to Solve: Exclude rejected applications before calculating the excess: compare Rs 3,20,000 retained with Rs 2,00,000 application money due.

7. From the following Receipts and Payments Account of Laxmi Club, prepare Income and Expenditure Account for the year ended 31st March, 2022 :

Receipts and Payments Account of Laxmi Club

for the year ended 31st March, 2022

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d Cash 40,000 Bank 70,000	1,10,000	By Printing and Stationery	65,000
To Subscriptions	5,30,000	By Electricity Bill	54,000
To Entrance Fee	46,000	By Municipal Tax	35,000
To Life Membership Fee	40,000	By Insurance Premium	10,000
To Interest on Fixed Deposit	13,500	By Furniture	2,00,000
To Donations	1,20,000	By Fixed Deposits	3,00,000
To Locker Rent	28,000	By Balance c/d Cash 1,03,500 Bank 1,20,000	2,23,500
	8,87,500		8,87,500

Additional Information :

The club has 500 members, each paying an annual subscription of Rs. 1,000. [5 marks]

Solution:

Concept:

- The Income and Expenditure Account records revenue incomes and revenue expenses relating to the current accounting year on the accrual basis. Opening and closing cash or bank balances are excluded.
- Subscription income equals the number of members multiplied by the annual subscription per member. Cash subscriptions received may differ from the income earned for the year.
- Life membership fees are capital receipts. Furniture and fixed deposits are assets, so their purchase is excluded from revenue expenditure. General donations and entrance fees are revenue incomes when no specific capital purpose or contrary treatment is stated.

Step 1: Calculate subscription income for the year The club has 500 members, and each member pays an annual subscription of Rs 1,000. Therefore the subscription income belonging to the year ended 31st March, 2022 is

$$500 \times 1,000 = \text{Rs } 5,00,000.$$

The Receipts and Payments Account shows subscription cash receipts of Rs 5,30,000. The excess of Rs 30,000 over the current year's entitlement is not additional subscription income for this year. The Income and Expenditure Account therefore credits Rs 5,00,000, irrespective of the larger cash collection.

Step 2: Separate revenue items from capital items Printing and stationery, electricity, municipal tax and insurance premium are revenue expenses. No outstanding, prepaid or stock adjustments are given for these items, so the stated amounts are charged to the year. Their total is

$$65,000 + 54,000 + 35,000 + 10,000 = \text{Rs } 1,64,000.$$

Entrance fee of Rs 46,000, interest on fixed deposit of Rs 13,500, general donations of Rs 1,20,000 and locker rent of Rs 28,000 are credited as revenue income. The donations have no specified restricted purpose. Life membership fee of Rs 40,000 is capitalised; furniture of Rs 2,00,000 and fixed deposits of Rs 3,00,000 represent asset purchases. Neither these capital items nor cash and bank balances enter this account. No depreciation rate or amount is supplied, so no depreciation adjustment is made.

Step 3: Prepare the Income and Expenditure Account **Laxmi Club: Income and Expenditure Account for the year ended 31st March, 2022**

Dr.			Cr.
Expenditure	Amount (Rs)	Income	Amount (Rs)
To Printing and stationery	65,000	By Subscriptions	5,00,000
To Electricity bill	54,000	By Entrance fee	46,000
To Municipal tax	35,000	By Interest on fixed deposit	13,500
To Insurance premium	10,000	By Donations	1,20,000
To Surplus (excess of income over expenditure)	5,43,500	By Locker rent	28,000
Total	7,07,500	Total	7,07,500

Total revenue income is Rs 7,07,500. Deducting revenue expenditure of Rs 1,64,000 gives the surplus

shown on the expenditure side to balance the account. This surplus is added to the club's capital fund.

Step 4: Conclusion Laxmi Club's surplus for the year ended 31st March, 2022 is $\boxed{\text{Rs } 5,43,500}$. The Income and Expenditure Account totals Rs 7,07,500 on each side.

Quick Tip to Solve: Compute subscriptions from 500 members at Rs 1,000 each before classifying the cash account; exclude life membership fees and both asset purchases.

8(a). Ravi, Mohan and Pandey were partners in a firm sharing profits and losses in the ratio of 7 : 8 : 9. On 31st March, 2022, their Balance Sheet was as follows :

Balance Sheet of Ravi, Mohan and Pandey as at 31st March, 2022

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	1,41,000	Bank	27,000
		Stock	91,000
General Reserve	24,000	Debtors 2,10,000 Less : Provision for doubtful debts 10,000	2,00,000
Capitals : Ravi 3,00,000 Mohan 4,00,000 Pandey 8,43,000	15,43,000	Machinery	3,00,000
		Land and Building	10,00,000
		Profit and Loss Account (Loss of 2021 – 22)	90,000
	17,08,000		17,08,000

On 31st March, 2022, Mohan retired from the firm on the following terms :

(i) Goodwill of the firm was valued at Rs. 4,80,000.

(ii) Mohan's share of goodwill will be credited to his capital account without opening goodwill account.

(iii) Debtors of Rs. 10,000 will be written off and a provision of 10% for bad and doubtful debts will be created on debtors.

(iv) Machinery will be depreciated by 10% and land and building will be appreciated by 5%.

(v) The balance in Mohan's Capital Account will be transferred to his loan account.

Prepare Revaluation Account and Mohan's Capital Account on Mohan's retirement, in the books of the firm. [5 marks]

Solution:

Concept:

- Revaluation Account records changes in assets and liabilities at retirement. Any profit or loss belongs to all old partners in the old ratio, here $7 : 8 : 9$.

- The retiring partner receives his old share of goodwill, accumulated reserve and revaluation profit, and bears his share of accumulated losses. Goodwill adjusted through capital accounts does not enter Revaluation Account.

Step 1: Calculate the debtor adjustment and asset revaluation Gross debtors after the write-off are Rs $2,10,000 -$ Rs $10,000 =$ Rs $2,00,000$. The required closing provision is $10\% \times$ Rs $2,00,000 =$ Rs $20,000$. As the existing provision is Rs 10,000, the additional provision is Rs 10,000. Thus the write-off and increase in provision together cause a loss of Rs 20,000. Net debtors fall from Rs 2,00,000 to Rs 1,80,000.

$$\text{Machinery depreciation} = 3,00,000 \times 10\% = \text{Rs } 30,000,$$
$$\text{Appreciation of land and building} = 10,00,000 \times 5\% = \text{Rs } 50,000,$$
$$\text{Net revaluation result} = 50,000 - 10,000 - 10,000 - 30,000 = 0.$$

The existing provision is retained and increased by Rs 10,000; hence only that increase appears separately below. There is no revaluation profit or loss to transfer to partners' capital accounts.

Step 2: Prepare Revaluation Account Revaluation Account as at 31st March, 2022

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Bad Debts A/c	10,000	By Land and Building A/c	50,000	
	To Provision for Doubtful Debts A/c	10,000			
	To Machinery A/c	30,000			
	Total	50,000	Total	50,000	

The account balances without a transfer to capital accounts because the asset appreciation exactly equals the revaluation losses.

Step 3: Determine Mohan's capital adjustments Mohan's share is $8/24 = 1/3$. His share of goodwill is Rs $4,80,000 \times 1/3 =$ Rs $1,60,000$. With no change in the continuing partners' relative shares specified, Ravi and Pandey continue in the ratio $7 : 9$. They bear this goodwill in that gaining ratio: Ravi Rs 70,000 and Pandey Rs 90,000. Mohan is credited with the total Rs 1,60,000 without opening a Goodwill Account.

$$\text{Share of general reserve} = 24,000 \times \frac{8}{24} = \text{Rs } 8,000,$$
$$\text{Share of accumulated loss} = 90,000 \times \frac{8}{24} = \text{Rs } 30,000.$$

The general reserve increases Mohan's entitlement, whereas the debit balance of Profit and Loss Account reduces it. Both are distributed in the old profit-sharing ratio, independently of revaluation.

Step 4: Prepare Mohan's Capital Account Mohan's Capital Account as at 31st March, 2022

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Profit and Loss A/c	30,000	By Balance b/d	4,00,000	
	To Mohan's Loan A/c	5,38,000	By General Reserve A/c	8,000	
			By Ravi's Capital A/c	70,000	
			By Pandey's Capital A/c	90,000	
	Total	5,68,000	Total	5,68,000	

The amount due is transferred to Mohan's Loan Account as required, so his Capital Account closes with no balance carried down. The loan is a liability of the firm; it is not a bank payment at retirement.

Step 5: Conclusion Revaluation yields neither profit nor loss. The amount transferred from Mohan's Capital Account to his Loan Account is $\boxed{\text{Rs } 5,38,000}$.

Quick Tip to Solve: Calculate the new provision on debtors remaining after the write-off; then charge only its increase over the old provision to revaluation.

OR

8(b). B, C and D were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2022 their Balance Sheet was as follows :

Balance Sheet of B, C and D as at 31st March, 2022

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	1,20,000	Bank	17,000
Profit and Loss A/c	2,000	Debtors 2,00,000 Less : Provision for bad debts 5,000	1,95,000
Capitals : B 13,00,000 C 2,00,000 D 2,00,000	17,00,000	Stock	4,50,000
		Furniture	60,000
		Land and Building	11,00,000
	18,22,000		18,22,000

On the above date the firm was dissolved. The Assets were realised and the Liabilities were paid off as follows :

(i) Debtors were sold to a debt collection agency at 10% less than the book value.

(ii) Stock Rs. 2,00,000 was taken over by B at Rs. 90,000 less than its book value and the remaining stock realised Rs. 1,80,000.

(iii) Furniture was taken over by C for Rs. 65,000.

(iv) Creditors were paid 10% less in full settlement of their amount.

(v) Land and Building realised Rs. 18,00,000.

(vi) B was assigned the work of dissolution for which he was to be paid Rs. 40,000.

Prepare Realisation Account. [5 marks]

Solution:

Concept:

- Realisation Account records the transfer and disposal of non-cash assets and the settlement of outside liabilities. Assets are transferred at their gross ledger balances; the provision for bad debts is transferred separately to the credit side.
- An asset taken over by a partner is credited to Realisation Account and debited to that partner's

Capital Account at the agreed value. Remuneration payable to a partner for dissolution work is debited to Realisation Account.

- The resulting realisation profit is transferred to the partners' Capital Accounts in their profit-sharing ratio of $2:2:1$. Bank, partners' capitals and the credit balance of Profit and Loss Account are not transferred to Realisation Account.

Step 1: Calculate the disposal proceeds and settlement amounts Debtors have a gross book balance of Rs 2,00,000. The provision of Rs 5,000 is transferred separately, so the sale proceeds are calculated on the gross debtor balance:

$$\text{Debtors realised} = 2,00,000 \times 90\% = \text{Rs } 1,80,000.$$

B takes over stock with book value Rs 2,00,000 at Rs 90,000 below that value, giving an agreed takeover value of Rs 1,10,000. The rest of the stock realises Rs 1,80,000. C takes furniture for Rs 65,000 and land and building realises Rs 18,00,000. Creditors are settled for $1,20,000 \times 90\% =$ Rs $1,08,000$. B's remuneration of Rs 40,000 is credited to his Capital Account; it is an expense of realisation even though it is payable to a partner.

Step 2: Prepare the Realisation Account Realisation Account in the books of B, C and D

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Debtors A/c	2,00,000	By Sundry Creditors A/c	1,20,000
To Stock A/c	4,50,000	By Provision for Bad Debts A/c	5,000
To Furniture A/c	60,000	By Bank A/c (Debtors)	1,80,000
To Land and Building A/c	11,00,000	By B's Capital A/c (Stock)	1,10,000
To Bank A/c (Creditors)	1,08,000	By Bank A/c (Stock)	1,80,000
To B's Capital A/c (Remuneration)	40,000	By C's Capital A/c (Furniture)	65,000
		By Bank A/c (Land and Building)	18,00,000
To Partners' Capital A/cs (Profit transferred):			
B	2,00,800		
C	2,00,800		
D	1,00,400		
Total	24,60,000	Total	24,60,000

Step 3: Verify and distribute the realisation profit Before transferring profit, the debit side totals Rs 19,58,000 and the credit side totals Rs 24,60,000. Therefore:

$$\text{Realisation profit} = 24,60,000 - 19,58,000 = \text{Rs } 5,02,000,$$

$$\text{B's share} = 5,02,000 \times \frac{2}{5} = \text{Rs } 2,00,800,$$

$$\text{C's share} = 5,02,000 \times \frac{2}{5} = \text{Rs } 2,00,800,$$

$$\text{D's share} = 5,02,000 \times \frac{1}{5} = \text{Rs } 1,00,400.$$

These transfers close Realisation Account, so there is no balance carried down. The existing Rs 2,000 credit balance of Profit and Loss Account is distributed directly through partners' Capital Accounts and does not enter this account.

Step 4: Conclusion Realisation profit is Rs 5,02,000, transferred to B, C and D as Rs 2,00,800, Rs 2,00,800 and Rs 1,00,400 respectively. Both sides of Realisation Account total Rs 24,60,000.

Quick Tip to Solve: Transfer debtors gross and credit their provision separately; record stock taken by B at Rs 1,10,000, not at its Rs 2,00,000 book value.

9. Pass the necessary journal entries for the issue of 9% debentures in the following cases :

(a) Issued Rs. 5,00,000, 9% debentures of Rs. 100 each at par, redeemable at par, after three years.

(b) Issued 4,000, 9% debentures of Rs. 100 each at a discount of 3%, redeemable at a premium of 10% after five years.

(c) Issued 10,000, 9% debentures of Rs. 100 each issued at a premium of 20%, redeemable at a premium of 10% after five years. [5 marks]

Solution:

Concept:

- Debentures are credited at their face value. Bank is debited with the actual issue proceeds; a discount on issue is part of Loss on Issue of Debentures Account.
- A premium payable on redemption is a loss recognised when debentures are issued, with a corresponding credit to Premium on Redemption of Debentures Account. A premium received on issue is credited separately to Securities Premium Reserve Account.

Step 1: (a) Issue at par, redeemable at par The face value and cash received are both Rs 5,00,000. Since redemption is also at par, there is neither a discount nor a redemption premium to recognise.

Journal entries

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To 9% Debentures A/c (Being debentures issued at par, redeemable at par after three years)		5,00,000	 5,00,000

Step 2: (b) Issue at a discount and redemption at a premium Face value $= 4,000 \times 100 =$ Rs $4,00,000$. The discount is $4,00,000 \times 3/100 =$ Rs $12,000$, so cash received is Rs 3,88,000. The redemption premium is $4,00,000 \times 10/100 =$ Rs $40,000$. Total loss on issue is therefore $12,000 + 40,000 =$ Rs $52,000$.

Journal entries

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Loss on Issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Being 4,000 debentures issued at a discount of 3%, redeemable at a premium of 10% after five years)		3,88,000 52,000	 4,00,000 40,000

Both sides total Rs 4,40,000; the discount does not reduce the liability credited to Debentures Account.

Step 3: (c) Issue at a premium and redemption at a premium Face value $= 10,000 \times 100 =$

Rs $10,00,000$. Issue premium $= 10,00,000 \times 20/100 =$ Rs $2,00,000$, making the bank receipt Rs 12,00,000. Redemption premium $= 10,00,000 \times 10/100 =$ Rs $1,00,000$, recognised as loss on issue.

Journal entries

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		12,00,000	
	Loss on Issue of Debentures A/c Dr.		1,00,000	
	To 9% Debentures A/c			10,00,000
	To Securities Premium Reserve A/c			2,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(Being 10,000 debentures issued at a premium of 20%, redeemable at a premium of 10% after five years)			

The debit and credit totals are both Rs 13,00,000. The issue premium and redemption premium are recorded separately; the 9% rate determines interest and does not change the issue proceeds.

Step 4: Conclusion The issue entries recognise bank receipts of Rs 5,00,000, Rs 3,88,000 and Rs 12,00,000 in (a), (b) and (c), respectively. Loss on issue is nil, Rs 52,000 and Rs 1,00,000, respectively.

Quick Tip to Solve: Compute both premiums on face value: add issue premium to bank receipts, but credit redemption premium separately and debit it as loss on issue.

Part B (10 marks)

OPTION 1 (Analysis of Financial Statements)

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

Solution:

Concept:

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

Step 1: State the primary objective The primary objective of preparing a Cash Flow Statement is to provide useful information about the cash receipts and cash payments of an enterprise during a particular period. It explains how cash and cash equivalents were generated and how they were utilised during that period.

Step 2: Explain the information provided By classifying these flows into operating, investing and financing activities, the statement explains the change between opening and closing cash and cash equivalents. This information helps users assess the enterprise's ability to generate cash and its requirements for using cash, including meeting obligations. The focus is therefore on actual cash movements during the period, rather than merely the profit earned on an accrual basis.

Step 3: Conclusion The primary objective is to report the cash inflows and outflows during a period and explain the resulting change in cash and cash equivalents.

Quick Tip to Solve: In an objective question on cash flow, centre the answer on sources and uses of cash during the period, then mention the three activity classifications.

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

Particulars	Note No.	2021 – 22 (Rs.)	2020 – 21 (Rs.)
Revenue from Operations		52,00,000	40,00,000
Employee Benefit Expenses		12,00,000	8,00,000
Other Expenses		24,00,000	20,00,000
Tax Rate 50%			

[3 marks]

Solution:

Concept:

- A comparative statement shows the amounts for two years, the absolute change and the percentage change. The earlier year is the base year.
- Absolute change = current-year amount minus previous-year amount; percentage change = absolute change divided by previous-year amount, multiplied by 100.
- Profit before tax equals revenue from operations minus total expenses here; tax is 50% of profit before tax and profit after tax is the balance.

Step 1: Calculate expenses, profit and tax for each year For 2020–21, total expenses are Rs $8,00,000 + 20,00,000 = 28,00,000$. Profit before tax is Rs $40,00,000 - 28,00,000 = 12,00,000$. Tax at 50% is Rs 6,00,000, leaving profit after tax of Rs 6,00,000.

For 2021–22, total expenses are Rs $12,00,000 + 24,00,000 = 36,00,000$. Profit before tax is Rs $52,00,000 - 36,00,000 = 16,00,000$. Tax at 50% is Rs 8,00,000, leaving profit after tax of Rs 8,00,000. No other income or expenses are given.

Step 2: Prepare the comparative statement Kalyan 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	40,00,000	52,00,000	12,00,000	30.00
Expenses:				
Employee benefit expenses	8,00,000	12,00,000	4,00,000	50.00
Other expenses	20,00,000	24,00,000	4,00,000	20.00
Total expenses	28,00,000	36,00,000	8,00,000	28.57
Profit before tax	12,00,000	16,00,000	4,00,000	33.33
Less: Tax at 50%	6,00,000	8,00,000	2,00,000	33.33
Profit after tax	6,00,000	8,00,000	2,00,000	33.33

For example, revenue increased by Rs 12,00,000, so its percentage change is $\frac{12,00,000}{40,00,000} \times 100 = 30\%$. Similarly, the increase in profit after tax is $\frac{2,00,000}{6,00,000} \times 100 = 33.33\%$, rounded to two decimal places. Each percentage uses that row's own previous-year amount.

Step 3: Conclusion Revenue from operations increased by 30%, while profit after tax increased from Rs 6,00,000 to Rs 8,00,000, an increase of Rs 2,00,000 or 33.33%.

Quick Tip to Solve: Use 2020–21 as the denominator for every percentage change; the 50% tax rate applies to profit before tax, not revenue.

OR

11(b). From the following information, prepare a Common Size Statement of Profit and Loss for the year ended 31st March, 2021 and 31st March, 2022 :

Particulars	Note No.	2021 – 22 (Rs.)	2020 – 21 (Rs.)
Revenue from Operations		10,00,000	4,00,000
Employee Benefit Expenses		4,00,000	1,60,000
Other Expenses		20,000	20,000
Tax Rate 50%			

[3 marks]

Solution:

Concept:

- A common size statement expresses each item as a percentage of revenue from operations for the same accounting year. Revenue from operations is the base and is therefore shown as 100% in each year.
- With no other income given, total income equals revenue from operations. Profit before tax equals total income less employee benefit expenses and other expenses; tax is 50% of profit before tax, and profit after tax is the balance.

Step 1: Calculate expenses, profit and tax for each year For 2021–22, total expenses are Rs $4,00,000 + 20,000 = 4,20,000$. Profit before tax is Rs $10,00,000 - 4,20,000 = 5,80,000$. Tax is Rs $5,80,000 \times 50/100 = 2,90,000$, leaving profit after tax of Rs $2,90,000$.

For 2020–21, total expenses are Rs $1,60,000 + 20,000 = 1,80,000$. Profit before tax is Rs $4,00,000 - 1,80,000 = 2,20,000$. Tax is Rs $2,20,000 \times 50/100 = 1,10,000$, leaving profit after tax of Rs $1,10,000$.

Step 2: Prepare the common size statement For each year, let A be the item amount and R be revenue from operations. Apply the formula Percentage $= (A/R) \times 100$. Thus, employee benefit expenses are 40% in both years. Other expenses are $20,000/10,00,000 \times 100 = 2\%$ in 2021–22 and $20,000/4,00,000 \times 100 = 5\%$ in 2020–21.

Common Size Statement of Profit and Loss
For the years ended 31st March, 2022 and 31st March, 2021

Particulars	2021–22 Rs	2020–21 Rs	2021–22 %	2020–21 %
Revenue from operations	10,00,000	4,00,000	100	100
Total income	10,00,000	4,00,000	100	100
Expenses:				
Employee benefit expenses	4,00,000	1,60,000	40	40
Other expenses	20,000	20,000	2	5
Total expenses	4,20,000	1,80,000	42	45
Profit before tax	5,80,000	2,20,000	58	55
Less: Tax at 50%	2,90,000	1,10,000	29	27.5
Profit after tax	2,90,000	1,10,000	29	27.5

Step 3: Conclusion Profit after tax is 29% of revenue from operations in 2021–22 and 27.5% in 2020–21. The profit margin increased by 1.5 percentage points because other expenses fell from 5% to 2% of revenue, while the employee benefit expense ratio remained constant.

Quick Tip to Solve: Divide every item by that year's revenue from operations; the 50 percent tax rate is applied to profit before tax, not to revenue.

12. From the following Balance Sheet of PP Ltd. as at 31st March, 2022, calculate Cash Flows from Operating Activities :

PP Ltd.

Balance Sheet as at 31st March, 2022

Particulars	Note No.	31st March, 2022 (Rs.)	31st March, 2021 (Rs.)
I – Equity and Liabilities :			
1. Shareholder's Funds			
(a) Share Capital	1	70,00,000	50,00,000
(b) Reserves and Surplus	2	10,00,000	8,00,000
2. Non-Current Liabilities Long-term Borrowings	3	20,00,000	15,00,000
3. Current Liabilities			
(a) Trade Payables		2,00,000	1,00,000
(b) Short-term Provisions	4	50,000	80,000
Total		1,02,50,000	74,80,000
II – Assets :			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	5	65,00,000	40,00,000
(ii) Intangible Assets	6	2,00,000	3,00,000
(b) Long-term Loans and Advances		10,00,000	15,00,000
2. Current Assets			
(a) Inventories		6,00,000	7,00,000
(b) Trade Receivables		5,00,000	3,00,000
(c) Cash and Cash Equivalents		14,50,000	6,80,000
Total		1,02,50,000	74,80,000

Notes to Accounts :

Note No.	Particulars	31st March, 2022 (Rs.)	31st March, 2021 (Rs.)
1	Share Capital Equity Share Capital	70,00,000	50,00,000
2	Reserves and Surplus (Surplus i.e., Balance in the Statement of Profit and Loss)	10,00,000	8,00,000
3	Long-term Borrowings 6% Debentures	20,00,000	15,00,000
4	Short-term Provisions Provision for Tax	50,000	80,000
5	Tangible Assets Land and Building	65,00,000	40,00,000
6	Intangible Assets Goodwill	2,00,000	3,00,000

Additional Information :

Rs. 90,000 interest was paid on 6% debentures. [5 marks]

Solution:

Concept:

- Under the indirect method, begin with net profit before tax, add back non-cash expenses and financing expenses, and adjust changes in operating current assets and liabilities.
- Goodwill written off reduces accounting profit without using cash. Debenture interest is added back because, for this non-financial company, its cash payment is a financing activity.
- Tax provision for the current year is added to profit after tax; actual tax paid is deducted separately. An increase in trade payables and a decrease in inventories release operating cash, while an increase in receivables absorbs it.

Step 1: Calculate profit before tax and the non-cash adjustment The surplus in the Statement of Profit and Loss increases from Rs 8,00,000 to Rs 10,00,000. No dividend or transfer to reserve is given, so profit after tax is Rs 2,00,000. Using the current year's tax provision of Rs 50,000,

$$\text{Net profit before tax} = 2,00,000 + 50,000 = \text{Rs } 2,50,000.$$

Goodwill decreases from Rs 3,00,000 to Rs 2,00,000. With no other transaction in goodwill given, goodwill written off is Rs 1,00,000. Add this back as a non-cash expense. Also add back the debenture interest of Rs 90,000. Thus operating profit before working-capital changes is Rs 4,40,000.

Step 2: Determine operating working-capital changes and tax paid Inventories decrease by Rs 1,00,000, trade receivables increase by Rs 2,00,000 and trade payables increase by Rs 1,00,000. Their net adjustment is therefore zero. Cash and cash equivalents themselves are excluded from working-capital adjustments. With no separate tax-payment information, the opening tax provision is taken as paid during the year, while the closing provision represents the current year's charge:

$$\begin{aligned}\text{Tax paid} &= \text{Opening provision} + \text{Current provision} \\ &\quad - \text{Closing provision} \\ &= 80,000 + 50,000 - 50,000 = \text{Rs } 80,000.\end{aligned}$$

Step 3: Prepare the operating activities section PP Ltd.
Cash Flow Statement (extract) for the year ended 31st March, 2022

Particulars	Amount (Rs)
Cash flows from operating activities	
Net profit before tax	2,50,000
Add: Goodwill written off	1,00,000
Add: Interest on debentures	90,000
Operating profit before working-capital changes	4,40,000
Add: Decrease in inventories	1,00,000
Less: Increase in trade receivables	(2,00,000)
Add: Increase in trade payables	1,00,000
Cash generated from operations	4,40,000
Less: Income tax paid	(80,000)
Net cash from operating activities	3,60,000

Changes in share capital and debentures relate to financing activities. Changes in land and building and long-term loans and advances relate to investing activities, so they are excluded from this operating activities extract.

Step 4: Conclusion Net cash flow from operating activities for the year ended 31st March, 2022 is $\boxed{\text{Rs } 3,60,000}$, an inflow.

Quick Tip to Solve: Keep tax provision outside operating working capital: add the current tax charge to profit, then deduct tax actually paid separately.

OPTION 2 (Computerised Accounting)

10. Give the meaning of 'Group of Account' as per Tally software. [2 marks]

Solution:

Concept:

- A ledger account records transactions relating to a particular person, asset, liability, income or expense.
- In Tally, accounts having similar characteristics are classified under a common group so that their balances can be summarised together.

Step 1: Meaning of Group of Account A Group of Account in Tally is a collection of ledger accounts of the same nature. It is a classification head under which similar ledger accounts are placed. Grouping identifies the nature of the accounts and determines where their balances appear in the financial statements.

Step 2: Explain with an example For example, the individual accounts of credit customers are placed under Sundry Debtors. Tally can then display the balance of each customer as well as the total amount receivable from all such customers. Similarly, cash and bank accounts belong to their appropriate groups under current assets. Thus, a group summarises related ledgers; it is not a separate transaction or an individual customer's ledger.

Step 3: Conclusion A Group of Account is a collection of ledger accounts of a similar nature, used in Tally to classify and summarise accounting information for reporting.

Quick Tip to Solve: Define a group as a collection of similar ledgers, then give Sundry Debtors as a simple example.

11(a). What is provided under Payroll accounting while preparation of a Salary Bill ? State any two points. [3 marks]

Solution:

Concept:

- Payroll accounting records employees' remuneration and the deductions from it, and determines the salary payable for a pay period.
- A salary bill brings together the earnings and deductions of employees. Net salary payable equals

gross earnings less total deductions.

Step 1: Provision for calculating earnings Payroll accounting provides for calculation of an employee's earnings under the different salary heads. These include basic pay, dearness allowance, house rent allowance and other admissible allowances. Where applicable, overtime and attendance or leave information are also considered according to the employee's pay structure. The earnings are added to arrive at gross salary for the salary period. The salary bill therefore shows the components of remuneration rather than only a single undivided amount.

Step 2: Provision for deductions and net salary Payroll accounting also provides for calculation and recording of deductions, such as the employee's provident fund contribution, income tax deducted at source and recovery of loans or advances, wherever applicable. Total deductions are subtracted from gross earnings to calculate the net salary payable to each employee:

$$\text{Net salary payable} = \text{Gross earnings} - \text{Total deductions}.$$

These details make it possible to prepare the salary bill and pay slips, showing both the amount earned and the amount actually payable. The deductions are separately identified so that recoveries and amounts payable to the relevant authorities can be accounted for correctly.

Step 3: Conclusion Any two provisions are: calculation of earnings under the various pay and allowance heads, and calculation of deductions together with the resulting net salary payable.

Quick Tip to Solve: Organise the answer under two clear heads: earnings first, then deductions and net salary.

OR

11(b). What is 'Gateway of Tally' ? State any four components of Gateway. [3 marks]

Solution:

Concept:

- Gateway of Tally is the principal entry screen and menu from which the user accesses the accounting facilities of Tally.
- Its screen components organise the workspace, available commands and information about the company and the software.

Step 1: Meaning of Gateway of Tally Gateway of Tally is the main screen or central menu of Tally. It provides access to facilities such as creating accounting masters, entering transactions through vouchers and viewing accounts and financial reports. After selecting a company, the user uses this screen to choose the accounting operation to perform.

Step 2: Four components of the Gateway **1. Horizontal Button Bar:** The bar at the top provides common commands such as printing, exporting, e-mailing and accessing help.

2. Vertical Button Bar: The bar on the right provides buttons and keyboard shortcuts for available functions. Its commands change according to the screen being used.

3. Main Area: This is the central working area. Its left side displays company and date information;

its right side shows the Gateway menu for selecting accounting operations and reports.

4. Information Panel: This panel displays information about the software, its version, licence and configuration, helping the user identify the installed product and its settings.

Step 3: Conclusion Gateway of Tally is Tally's main entry screen for accounting work. Four components are the Horizontal Button Bar, Vertical Button Bar, Main Area and Information Panel.

Quick Tip to Solve: Recall the four components by their locations: top bar, right bar, central workspace and information panel.

12. Explain three types of vouchers and two methods of voucher numbering used in Tally software.

[5 marks]

Solution:

Concept:

- A voucher is the document or entry form used to record a business transaction in the accounting software. The voucher type identifies the nature of the transaction and provides suitable fields for entering it.
- Voucher numbering gives each voucher an identifying number, so that transactions can be traced, checked and referred to later. Tally allows numbering to be generated by the software or entered by the user.

Step 1: Receipt voucher A receipt voucher records money received by the business in cash or through a bank. It is used, for example, when a customer pays an outstanding amount or when the business receives commission. If a customer pays Rs 10,000 into the bank, Bank Account is debited and the customer's account is credited. The receipt voucher captures the receiving cash or bank account, the account from which the amount is received, the amount and the narration.

Step 2: Payment voucher A payment voucher records money paid by the business in cash or through a bank. Examples include payment of rent, salaries or an amount due to a supplier. If rent of Rs 5,000 is paid by cheque, Rent Account is debited and Bank Account is credited. The voucher identifies the expense or other account being debited and the cash or bank account from which payment is made.

Step 3: Contra voucher A contra voucher records transfers between the business's own cash and bank accounts. It is used for depositing cash into a bank, withdrawing cash from a bank for office use, or transferring funds from one business bank account to another. For a cash deposit of Rs 8,000, Bank Account is debited and Cash Account is credited. Such a transaction changes the location of funds; it does not itself create income or expense.

Step 4: Automatic voucher numbering Under the automatic method, Tally assigns voucher numbers sequentially according to the numbering settings for the voucher type. The user does not have to type the next number for each entry. For example, successive vouchers may receive numbers 1, 2 and 3. This saves entry time and helps maintain an orderly sequence for reference and checking.

Step 5: Manual voucher numbering Under the manual method, the user enters the voucher number while recording the transaction. This is useful when the accounting entry must carry the number already printed on an external or pre-numbered document. For example, a receipt may be entered

with the number R-105 appearing on the business's receipt book. The user must take care to enter the intended number correctly and follow the business's numbering system.

Step 6: Conclusion Three voucher types are receipt vouchers for money received, payment vouchers for money paid and contra vouchers for transfers between cash and bank accounts. Two methods of voucher numbering are automatic numbering by Tally and manual numbering by the user.

Quick Tip to Solve: Classify the movement of funds first: money in means receipt, money out means payment, and a transfer between the business's own cash and bank accounts means contra.