CBSE Class 12 Accountancy Question Paper 2022 with Solution PDF-Set 67-6-3 - 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 characteristics of Income and Expenditure Account. [2 marks]

Solution:

Concept:

- An Income and Expenditure Account measures the surplus or deficit of a not-for-profit organisation for an accounting period.
- Its preparation follows the accrual basis and distinguishes revenue items from capital items.

Step 1: State the accrual-basis characteristic It records income earned and expenditure incurred during the current accounting year, irrespective of whether the related cash has been received or paid. Therefore, outstanding expenses and accrued income are included, while prepaid expenses and income received in advance relating to a later year are excluded.

Step 2: State the revenue-item characteristic It includes only revenue incomes and revenue expenditures of the current year. Capital receipts and capital expenditures are excluded. For example, purchase of equipment is not charged as an expense in this account, whereas depreciation on equipment for the year is charged because it is a revenue expense.

Step 3: Conclusion Two characteristics are: it is prepared on the accrual basis, and it records only revenue items relating to the current accounting year.

Quick Tip to Solve: Before including an item, check both its nature (revenue or capital) and the accounting year to which it relates.

2. Sharad, Sharma, Singh and Shree were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2 : 1. The firm closes its books on 31st March every year. On 31st March, 2022 Shree retired and his share was taken over by Sharad, Sharma and Singh in the ratio of 2 : 3 : 4.

Calculate the new profit sharing ratio of the remaining partners after Shree's retirement. [2 marks]

Solution:

Concept:

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

Step 1: Calculate the shares acquired from Shree **Working Notes:** The old ratio is $4 : 3 : 2 : 1$, so Shree's share is $1/10$. Sharad, Sharma and Singh acquire this share in the ratio $2 : 3 : 4$, whose total is

9.

$$\text{Sharad's gain} = \frac{1}{10} \times \frac{2}{9} = \frac{2}{90},$$
$$\text{Sharma's gain} = \frac{1}{10} \times \frac{3}{9} = \frac{3}{90},$$
$$\text{Singh's gain} = \frac{1}{10} \times \frac{4}{9} = \frac{4}{90}.$$

Step 2: Add each gain to the old share Use a common denominator of 90 so that each acquired share can be added directly to the corresponding old share.

$$\text{Sharad's new share} = \frac{4}{10} + \frac{2}{90} = \frac{38}{90},$$
$$\text{Sharma's new share} = \frac{3}{10} + \frac{3}{90} = \frac{30}{90},$$
$$\text{Singh's new share} = \frac{2}{10} + \frac{4}{90} = \frac{22}{90}.$$

The shares total $(38 + 30 + 22)/90 = 1$, confirming that all the firm's future profits are allocated. Divide the three numerators by their common factor 2.

Step 3: Conclusion The new profit-sharing ratio of Sharad, Sharma and Singh is $38 : 30 : 22 = \boxed{19 : 15 : 11}$.

Quick Tip to Solve: Multiply only Shree's $1/10$ share by the gaining ratio; then add the gains to the continuing partners' old shares.

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3. Verma, Dharma and Karma were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. The firm closes its books on 31st March every year. On 31st March, 2022, Verma retired. On Verma's retirement the goodwill of the firm was valued at Rs. 2,70,000.

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

Solution:

Concept:

- Without opening a Goodwill Account, the retiring partner is compensated by crediting that partner's Capital Account with the share of the firm's goodwill.
- The gaining partners' Capital Accounts are debited in the gaining ratio. When no new ratio is specified, the continuing partners retain their relative old profit-sharing ratio.

Step 1: Calculate Verma's goodwill entitlement and the gains **Working Notes:** Verma's old share is $4/10$. Therefore, his goodwill entitlement is

$$\text{Rs } 2,70,000 \times \frac{4}{10} = \text{Rs } 1,08,000.$$

Dharma and Karma continue in their old relative ratio $3 : 3 = 1 : 1$. Their new shares are $1/2$ each, and each gains $1/2 - 3/10 = 2/10$. Thus their gaining ratio is $1 : 1$, and each bears Rs $1,08,000 \times 1/2 =$

Rs $54,000$.

Step 2: Record the capital adjustment Debit the two gaining partners and credit Verma directly. No goodwill asset is created.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 March 2022	Dharma's Capital A/c Dr.		54,000	
	Karma's Capital A/c Dr.		54,000	
	To Verma's Capital A/c			1,08,000
	(Being Verma's share of goodwill adjusted through the gaining partners' Capital Accounts in their gaining ratio of $1:1$)			

Total debits and total credits both equal Rs 1,08,000.

Step 3: Conclusion Debit Dharma's and Karma's Capital Accounts by Rs 54,000 each and credit Verma's Capital Account by Rs 1,08,000.

Quick Tip to Solve: First calculate the retiring partner's share of goodwill; charge that amount to the continuing partners in their gaining ratio.

4(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:

- Debit assets taken over and credit liabilities at agreed values; credit the vendor with the purchase consideration.
- Goodwill equals purchase consideration less net assets. Credit debentures at face value and the issue premium to Securities Premium Reserve.

Step 1: Calculate net assets, goodwill and debentures issued The assets acquired total Rs $3,00,000 + 2,00,000 + 30,000 = 5,30,000$. After deducting liabilities of Rs 40,000, the net assets are Rs 4,90,000. Hence,

$$\text{Goodwill} = 6,00,000 - 4,90,000 = \text{Rs } 1,10,000.$$

The issue price per debenture is Rs $100 + 20 = 120$. Therefore, $6,00,000/120 = 5,000$ debentures are issued. Their face value is Rs $5,000 \times 100 = 5,00,000$, and premium is Rs $5,000 \times 20 = 1,00,000$. The 11% rate determines interest, not the issue price.

Step 2: Record the acquisition and settlement Journal of BX Ltd.

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

The first entry balances at Rs 6,40,000 on each side and the second at Rs 6,00,000. The vendor's balance is fully discharged without a cash payment.

Step 3: Conclusion Goodwill is Rs 1,10,000. BX Ltd. issues 5,000 debentures, crediting 11% Debentures Account with Rs 5,00,000 and Securities Premium Reserve with Rs 1,00,000.

Quick Tip to Solve: Divide purchase consideration by the issue price of Rs 120, not the face value of Rs 100; calculate goodwill from net assets separately.

OR

4(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:

- Application money on rejected applications is refunded. Excess application money from successful applicants is transferred to Debenture Allotment Account when the question requires its adjustment.
- Debentures are credited at face value: the application portion and the allotment portion together equal Rs 100 per debenture. Cash collected on allotment equals allotment due less application money adjusted.

Step 1: Separate the refund and the pro-rata adjustment Application money received is Rs $10,000 \times 40 = 4,00,000$. Applications for 2,000 debentures are rejected, so Rs $2,000 \times 40 = 80,000$ is refunded. The remaining applicants applied for 8,000 debentures and receive 5,000, giving an allotment-to-application ratio of $5 : 8$.

Their application money is Rs $8,000 \times 40 = 3,20,000$, whereas only Rs $5,000 \times 40 = 2,00,000$ is required on the debentures allotted. The excess transferred to allotment is therefore Rs 1,20,000. Allotment is due at Rs $100 - 40 = 60$ per debenture:

$$\begin{aligned} \text{Allotment due} &= 5,000 \times 60 = \text{Rs } 3,00,000, \\ \text{Cash due on allotment} &= 3,00,000 - 1,20,000 \\ &= \text{Rs } 1,80,000. \end{aligned}$$

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

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

Debenture Application Account is cleared by credits totalling Rs 4,00,000. Debenture Allotment Account is cleared by Rs 1,20,000 adjusted and Rs 1,80,000 received against its debit of Rs 3,00,000.

Step 3: Conclusion Application money refunded is Rs 80,000, excess adjusted towards allotment is Rs 1,20,000 and allotment cash received is Rs 1,80,000. Total 9% Debentures issued are Rs 5,00,000, equal to net bank receipts of Rs $4,00,000 - 80,000 + 1,80,000$.

Quick Tip to Solve: Remove the rejected 2,000 applications before calculating excess application money: the pro-rata group is 8,000 applications for 5,000 debentures.

5. A, B and C were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm closes its books on 31st March every year. On 30th June, 2021 A died. The partnership deed provided that on the death of a partner, his share in the profits of the firm in the year of his death will be calculated on the basis of the average profits of the past two years. The profits of the firm for the last two years were as follows :

Year	Profit (Rs.)
2019 – 2020	70,000 (loss)
2020 – 2021	2,70,000

Calculate A's share in the profits of the firm till the date of his death and pass necessary journal entry for this on the same date. [3 marks]

Solution:

Concept:

- When the deed bases a deceased partner's profit share on past results, calculate the average annual profit by treating every loss as a negative amount.
- The deceased partner's share equals average annual profit multiplied by the fraction of the current year completed and the partner's profit-sharing fraction.
- An estimated profit share is credited to the deceased partner's Capital Account and debited to Profit and Loss Suspense Account, since the current year's actual profit has not yet been determined.

Step 1: Calculate the average annual profit **Working Notes**

The loss for 2019–2020 reduces the profit for 2020–2021; it must not be added as a positive amount. Therefore,

$$\text{Average annual profit} = \frac{-70,000 + 2,70,000}{2} = \text{Rs } 1,00,000.$$

Both years are included in the denominator because the deed specifies the average of the past two years.

Step 2: Apportion profit up to the date of death The books closed on 31st March, 2021, so the current accounting year began on 1st April, 2021. A lived for three months of that year, up to 30th June, 2021. His share in the ratio $5 : 3 : 2$ is $5/10$.

$$\text{Estimated firm profit for three months} = 1,00,000 \times \frac{3}{12} = \text{Rs } 25,000,$$

$$\text{A's share} = 25,000 \times \frac{5}{10} = \text{Rs } 12,500.$$

Step 3: Record the estimated profit share **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 June 2021	Profit and Loss Suspense A/c Dr.		12,500	
	To A's Capital A/c			12,500
	(Being A's estimated share of profit up to the date of death credited to his Capital Account)			

The credit increases the amount due to A. The equal debit to Profit and Loss Suspense records this estimate pending determination of the year's actual profit.

Step 4: Conclusion A's share of profit till 30th June, 2021 is $\boxed{\text{Rs } 12,500}$. Debit Profit and Loss Suspense Account and credit A's Capital Account with Rs 12,500 each.

Quick Tip to Solve: Take the Rs 70,000 loss with a minus sign, then apply both fractions: three months out of twelve and A's share of five out of ten.

6(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:

- The Receipts and Payments Account records cash received, irrespective of the year to which it relates. The Income and Expenditure Account records only the income earned during the current accounting year.
- Subscription income equals cash subscriptions received plus closing outstanding subscriptions plus opening advance subscriptions, less opening outstanding subscriptions and closing advance subscriptions.

Step 1: Identify the current-year adjustments Rs 70,000 is the cash collected during the year ended 31st March, 2022. The opening outstanding amount of Rs 3,000 relates to the previous year and must be deducted. The closing advance amount of Rs 7,000 relates to the following year and must also be deducted.

Add the opening advance of Rs 4,000, because it was received previously but is earned during 2021–2022. Add the closing outstanding amount of Rs 8,000 because it is due for the current year even though it has not yet been received. These adjustments convert cash receipts into income on the accrual basis.

Step 2: Calculate subscriptions earned during the year **Asha Health Club: Calculation of Subscription Income**

For the year ended 31st March, 2022

Particulars	Amount (Rs)
Subscriptions received during the year	70,000
Add: Outstanding subscriptions on 31st March, 2022	8,000
Add: Advance subscriptions on 31st March, 2021	4,000
Sub-total	82,000
Less: Outstanding subscriptions on 31st March, 2021	3,000
Less: Advance subscriptions on 31st March, 2022	7,000
Subscriptions credited to Income and Expenditure Account	72,000

As a cross-check, the net increase in outstanding subscriptions is Rs 5,000, whereas the net increase in advance subscriptions is Rs 3,000. Hence income exceeds the cash received by Rs 2,000.

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

Quick Tip to Solve: Starting with cash receipts, add closing arrears and opening advances; subtract opening arrears and closing advances. Apply the dates before choosing the signs.

OR

6(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. Opening cash and bank balances appear on the receipts side; actual payments and closing balances appear on the payments side.
- It includes capital and revenue transactions, irrespective of the accounting year to which they relate. An outstanding expense is excluded because it has not been paid.

Step 1: Identify the cash receipts and payments Opening cash and bank balances together are Rs $15,000 + 12,000 = 27,000$. Record subscriptions received of Rs 1,02,000 and the entire entrance fees collected of Rs 36,000 as receipts. The Rs 10,000 relating to the previous year remains included: it was collected during the current year, and this account follows the cash basis. Purchase of investments, Rs 15,000, is an actual payment even though it is a capital transaction. Rent outstanding of Rs 6,000 is not a cash payment and therefore does not appear in this account.

Step 2: Calculate the closing bank balance Total funds available are the opening balances plus receipts during the year:

$$15,000 + 12,000 + 1,02,000 + 36,000 = \text{Rs } 1,65,000.$$

After payment for investments, total closing cash and bank balances are Rs $1,65,000 - 15,000 = 1,50,000$. The given closing cash in hand is Rs 15,000, so the balancing closing bank balance is:

$$1,50,000 - 15,000 = \text{Rs } 1,35,000.$$

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

Dr. Receipts	Rs	Payments Cr.	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; the account reconciles the cash and bank funds available with the actual payment and closing balances.

Step 4: Conclusion The Receipts and Payments Account totals Rs 1,65,000 on each side. Closing cash at bank is Rs 1,35,000, in addition to closing cash in hand of Rs 15,000.

Quick Tip to Solve: Include all Rs 36,000 of entrance fees because they were collected this year; omit the unpaid rent and find closing bank as the balancing figure.

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:

- An Income and Expenditure Account records revenue income and revenue expenditure relating to the current accounting year on the accrual basis. Its balance is the surplus or deficit for that year.
- Subscription income equals the number of members multiplied by the annual subscription per member. Cash received is not automatically the income earned during the year.
- Capital receipts, purchases of assets and opening or closing cash and bank balances are excluded. General donations and entrance fees are revenue income when no specific purpose or capitalisation instruction is given.

Step 1: Calculate the subscription income Working Notes: The club has 500 members and each member pays an annual subscription of Rs 1,000. Therefore, the subscription attributable to the year is

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

The Receipts and Payments Account shows cash subscriptions of Rs 5,30,000. Use Rs 5,00,000 in the Income and Expenditure Account because this is the current year's entitlement. The Rs 30,000 excess of cash receipts over the current year's subscription does not increase the current year's income; the question gives no further opening or closing subscription balances to analyse that difference.

Step 2: Separate revenue items from capital and cash balances Printing and stationery, electricity, municipal tax and insurance premium are revenue expenses. No outstanding or prepaid expense adjustments are supplied, so their paid amounts are charged to this year. Their total is

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

Entrance fee of Rs 46,000 and general donations of Rs 1,20,000 are included as revenue income. Add interest on fixed deposits of Rs 13,500 and locker rent of Rs 28,000. Life membership fee of Rs 40,000 is a capital receipt and is excluded. Furniture purchased for Rs 2,00,000 and fixed deposits made for Rs 3,00,000 are assets, not expenses. No depreciation information is supplied. The opening and closing cash and bank balances are also excluded because they represent funds held, not income or expenditure.

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

Dr. Expenditure	Rs	Cr. Income	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 (transferred to Capital Fund)	5,43,500	By Locker Rent	28,000
Total	**7,07,500**	**Total**	**7,07,500**

Total revenue income is Rs 7,07,500. The balancing surplus is determined by deducting total revenue expenditure of Rs 1,64,000 from this income, and is transferred to the Capital Fund.

Step 4: Conclusion Laxmi Club earns a surplus of Rs $7,07,500$ − Rs $1,64,000$ = $\boxed{\text{Rs } 5,43,500}$ for the year ended 31st March, 2022. The Income and Expenditure Account totals Rs 7,07,500 on each side.

Quick Tip to Solve: First replace cash subscriptions of Rs 5,30,000 with 500 times Rs 1,000. Then remove life membership fees, asset purchases and all cash/bank balances before finding the surplus.

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 decreases in assets on its debit side and increases in assets on its credit side. Any resulting profit or loss belongs to all old partners in their old profit-sharing ratio, here $7 : 8 : 9$.
- Accumulated reserves and losses are transferred to partners' capital accounts in the old ratio. Mohan's fraction is $8/24 = 1/3$.

- When goodwill is adjusted without opening Goodwill Account, gaining partners' capital accounts are debited and the retiring partner's capital account is credited. The amount remaining due to Mohan is transferred to his Loan Account.

Step 1: Calculate the asset adjustments **Working Notes**

Write off the bad debts before calculating the new provision. The debtors remaining are

$$\text{Rs } 2,10,000 - \text{Rs } 10,000 = \text{Rs } 2,00,000.$$

Hence the required provision is $10\% \times \text{Rs } 2,00,000 = \text{Rs } 20,000$. In the account below, the old provision of Rs 10,000 is credited and the full new provision of Rs 20,000 is debited. Together with the bad debts, this gives a net loss on debtors of Rs 20,000; it must not be charged twice.

$$\text{Machinery depreciation} = 10\% \times \text{Rs } 3,00,000 = \text{Rs } 30,000,$$
$$\text{Increase in land and building} = 5\% \times \text{Rs } 10,00,000 = \text{Rs } 50,000.$$

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

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Bad Debts A/c	10,000	By Provision for Doubtful Debts A/c (old)	10,000
To Provision for Doubtful Debts A/c (new)	20,000	By Land and Building A/c	50,000
To Machinery A/c	30,000		
Total	**60,000**	**Total**	**60,000**

Both sides are equal, so there is no revaluation profit or loss to transfer to the partners' capital accounts. A revaluation account is closed after adjustment; no balance is carried forward.

Step 3: Calculate Mohan's reserve, loss and goodwill shares **Working Notes**

Mohan's share of General Reserve is Rs $24,000 \times 8/24 = \text{Rs } 8,000$, credited to his capital account. The debit balance of Profit and Loss Account is an accumulated loss, so his share, Rs $90,000 \times 8/24 = \text{Rs } 30,000$, is debited to his capital account.

$$\text{Mohan's goodwill share} = \text{Rs } 4,80,000 \times \frac{8}{24} = \text{Rs } 1,60,000.$$

No new ratio is specified, so Ravi and Pandey continue in their relative old ratio $7:9$. Their gains are

$$\frac{7}{16} - \frac{7}{24} = \frac{7}{48}, \qquad \frac{9}{16} - \frac{9}{24} = \frac{9}{48}.$$

Thus, Ravi and Pandey bear Mohan's goodwill in the gaining ratio $7:9$. Ravi's capital is debited by Rs $1,60,000 \times 7/16 = \text{Rs } 70,000$, and Pandey's by Rs $1,60,000 \times 9/16 = \text{Rs } 90,000$. The corresponding credits appear in Mohan's capital account; no goodwill asset is raised.

Step 4: Prepare Mohan's Capital Account and transfer the amount due **Mohan's Capital Account**

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
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 (goodwill)	70,000
		By Pandey's Capital A/c (goodwill)	90,000
Total	**5,68,000**	**Total**	**5,68,000**

The amount due is obtained by deducting the accumulated loss from the total credits:

$$\text{Rs } 5,68,000 - \text{Rs } 30,000 = \text{Rs } 5,38,000.$$

This amount is debited to Mohan's Capital Account and credited to Mohan's Loan Account, closing his capital account. It is not paid through Bank Account because the retirement terms require a loan transfer.

Step 5: Conclusion Revaluation yields **neither profit nor loss**, with equal totals of **Rs 60,000**. Mohan's Capital Account totals **Rs 5,68,000** on each side, and **Rs 5,38,000** is transferred to his Loan Account.

Quick Tip to Solve: Calculate the new provision on debtors after the Rs 10,000 write-off. Adjust the old provision once, then remember to debit Mohan's share of the existing Rs 90,000 loss before transferring his capital to loan.

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 disposal of non-cash assets and settlement of outside liabilities. Transfer assets at their gross book values to its debit and the related provision and outside liabilities to its credit.
- Assets taken over by partners are credited to Realisation Account at the agreed values. Remuneration due to a partner for dissolution is a realisation expense, debited to Realisation Account and credited to that partner's Capital Account.
- The balance is transferred to partners' Capital Accounts in their profit-sharing ratio, here $B : C : D = 2 : 2 : 1$. Bank, partners' capitals and accumulated profits are not transferred to Realisation Account.

Step 1: Calculate the realisation and settlement amounts The Debtors Account has a gross balance of Rs 2,00,000; the separate provision of Rs 5,000 is transferred to the credit of Realisation Account. The sale proceeds of debtors are therefore

$$2,00,000 \times \frac{90}{100} = \text{Rs } 1,80,000.$$

B takes over stock at $2,00,000 - 90,000 = \text{Rs } 1,10,000$. The remaining stock, with a book value of $4,50,000 - 2,00,000 = \text{Rs } 2,50,000$, realises Rs 1,80,000. Creditors are settled for $1,20,000 \times 90\% = \text{Rs } 1,08,000$. C takes furniture at Rs 65,000; land and building yield Rs 18,00,000. Credit B's Capital Account with his dissolution remuneration of Rs 40,000, while debiting Realisation Account.

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

Dr. Particulars	**Rs**	**Particulars Cr.**	**Rs**
To Debtors A/c	2,00,000	By Provision for bad debts A/c	5,000
To Stock A/c	4,50,000	By Sundry Creditors A/c	1,20,000
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
To Partners' Capital A/cs (Profit):		By Bank A/c (Land and Building)	18,00,000
B	2,00,800		
C	2,00,800		
D	1,00,400		
Total	**24,60,000**	**Total**	**24,60,000**

Step 3: Check the transfer of the balancing profit Total credits are Rs 24,60,000. Debits before profit transfer are

$$18,10,000 + 1,08,000 + 40,000 = \text{Rs } 19,58,000.$$

Their difference is $24,60,000 - 19,58,000 =$ Rs $5,02,000$. B and C each receive $5,02,000 \times 2/5 =$ Rs $2,00,800$, and D receives $5,02,000 \times 1/5 =$ Rs $1,00,400$. These transfers close the Realisation Account with equal totals. The existing Profit and Loss Account credit balance of Rs 2,000 is an accumulated profit, transferred separately to partners' capitals; it is excluded from the profit earned on realisation.

Step 4: Conclusion Realisation profit is $\boxed{\text{Rs } 5,02,000}$, credited to B, C and D's Capital Accounts as Rs 2,00,800, Rs 2,00,800 and Rs 1,00,400 respectively. The Realisation Account totals Rs 24,60,000 on each side.

Quick Tip to Solve: Transfer gross debtors and their provision separately; distinguish B's Rs 1,10,000 stock takeover from his Rs 40,000 dissolution remuneration, which goes on the opposite side.

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, while any premium received on issue is credited to Securities Premium Account.
- A discount on issue and a premium payable on redemption together constitute the loss on issue of debentures. The future redemption premium is recognised as a liability when the debentures are issued.
- The 9% rate specifies annual interest on face value; it does not change the issue price. These entries record only the issue, so interest and the later repayment are not journalised here.

Step 1: Record case (a): issue and redemption at par **Working Notes.** The nominal amount is Rs 5,00,000, comprising $5,00,000/100 = 5,000$ debentures. Since both the issue and redemption are at par, the amount received equals the face value and there is no loss or redemption premium. The three-year term does not alter the entry at issue.

Journal — case (a)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		5,00,000	
	To 9% Debentures A/c			5,00,000
	(Being 5,000 debentures of Rs 100 each issued at par, redeemable at par after three years)			

Step 2: Record case (b): discount on issue and premium on redemption **Working Notes.** Calculate

the amounts using the face value of Rs 100 per debenture:

$$\begin{aligned}\text{Face value} &= 4,000 \times 100 = \text{Rs } 4,00,000,\\ \text{Issue discount} &= 4,00,000 \times 3\% = \text{Rs } 12,000,\\ \text{Bank receipt} &= 4,00,000 - 12,000 = \text{Rs } 3,88,000,\\ \text{Redemption premium} &= 4,00,000 \times 10\% = \text{Rs } 40,000,\\ \text{Loss on issue} &= 12,000 + 40,000 = \text{Rs } 52,000.\end{aligned}$$

The loss debit includes both the shortfall in proceeds and the additional amount payable on redemption. The premium liability is recorded now even though repayment occurs after five years.

Journal — case (b)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,88,000	
	Loss on Issue of Debentures A/c Dr.		52,000	
	To 9% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 4,000 debentures of Rs 100 each issued at 3% discount, redeemable at 10% premium after five years)			

Debits and credits both total Rs 4,40,000.

Step 3: Record case (c): premium on both issue and redemption **Working Notes.** Keep the premium received on issue separate from the premium payable on redemption:

$$\begin{aligned}\text{Face value} &= 10,000 \times 100 = \text{Rs } 10,00,000,\\ \text{Issue premium} &= 10,00,000 \times 20\% = \text{Rs } 2,00,000,\\ \text{Bank receipt} &= 10,00,000 + 2,00,000 = \text{Rs } 12,00,000,\\ \text{Redemption premium} &= 10,00,000 \times 10\% = \text{Rs } 1,00,000.\end{aligned}$$

There is no issue discount, so the loss on issue equals only the redemption premium, Rs 1,00,000. The issue premium is shown in Securities Premium Account in full.

Journal — case (c)

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 A/c			2,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(Being 10,000 debentures of Rs 100 each issued at 20% premium, redeemable at 10% premium after five years)			

Debits and credits both total Rs 13,00,000.

Step 4: Conclusion The issue entries record Bank receipts of Rs 5,00,000, Rs 3,88,000 and Rs 12,00,000 in cases (a), (b) and (c), respectively. The corresponding losses on issue are nil, Rs 52,000

and Rs 1,00,000; case (c) also credits Securities Premium by Rs 2,00,000.

Quick Tip to Solve: First credit debentures at face value; then calculate Bank from the issue price. Add any issue discount to the redemption premium to obtain the loss debit.

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

Step 1: Identify the information to be provided The statement explains how cash and cash equivalents have been generated and used during the period. It records cash movements, including receipts and payments relating to the business's operating, investing and financing activities.

Step 2: Explain the change in the cash position The net cash flow from these three activities reconciles the opening balance of cash and cash equivalents with their closing balance. Thus, the statement supplies information about the historical changes in cash and cash equivalents and helps users understand the enterprise's ability to generate cash and its need to use cash.

Step 3: Conclusion The primary objective of preparing a Cash Flow Statement is to provide information about the cash inflows and cash outflows of an enterprise during a particular period, classified into operating, investing and financing activities.

Quick Tip to Solve: State the objective in terms of cash inflows and outflows during a period, and name all three activity classes.

11(a). From the following information, prepare a Common Size Balance Sheet of XL Ltd., as at 31st March, 2021 and 31st March, 2022 :

XL 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) Equity Share Capital		**10,00,000**	**6,00,000**
(b) Reserves and Surplus		**2,00,000**	**1,00,000**
2. Non-Current Liabilities			
8% Debentures		**5,00,000**	**2,00,000**
3. Current Liabilities			
Trade Payables		**3,00,000**	**1,00,000**
Total		**20,00,000**	**10,00,000**
II – Assets :			
1. Non-Current Assets			
Fixed Assets		**12,00,000**	**8,00,000**
2. Current Assets		**8,00,000**	**2,00,000**
Total		**20,00,000**	**10,00,000**

[3 marks]

Solution:

Concept:

- A Common Size Balance Sheet expresses each asset as a percentage of total assets and each equity or liability item as a percentage of total equity and liabilities for the same year.
- The common-size percentage is $\frac{\text{Individual item}}{\text{Total for that year}} \times 100$. The base is independently taken as 100% for each year.

Step 1: Establish the base and calculate percentages The base total is Rs 10,00,000 for 31st March, 2021 and Rs 20,00,000 for 31st March, 2022. Thus, equity share capital is $6,00,000/10,00,000 \times 100 = 60\%$ in 2021 and $10,00,000/20,00,000 \times 100 = 50\%$ in 2022. In the same way, fixed assets are 80% and 60%, respectively. Each amount is divided by its own year's total; the previous year's total is not used to find the current year's common-size percentage.

Step 2: Prepare the Common Size Balance Sheet **XL Ltd.**

Common Size Balance Sheet as at 31st March, 2021 and 2022

Particulars	2021 Rs	2022 Rs	2021 %	2022 %
I. Equity and Liabilities				
1. Shareholders' Funds				
(a) Equity Share Capital	6,00,000	10,00,000	60	50
(b) Reserves and Surplus	1,00,000	2,00,000	10	10
Total Shareholders' Funds	**7,00,000**	**12,00,000**	**70**	**60**
2. Non-Current Liabilities				
8% Debentures	2,00,000	5,00,000	20	25
3. Current Liabilities				
Trade Payables	1,00,000	3,00,000	10	15
Total Equity and Liabilities	**10,00,000**	**20,00,000**	**100**	**100**
II. Assets				
1. Non-Current Assets				
Fixed Assets	8,00,000	12,00,000	80	60
2. Current Assets	2,00,000	8,00,000	20	40
Total Assets	**10,00,000**	**20,00,000**	**100**	**100**

The components on each side total 100% for both years. The shareholders' funds subtotal is shown for clarity and is not added a second time when computing the total.

Step 3: Conclusion The Common Size Balance Sheet shows that current assets increased from 20% of total assets in 2021 to 40% in 2022, while shareholders' funds decreased from 70% to 60% of total equity and liabilities.

Quick Tip to Solve: Use Rs 10,00,000 as the 2021 base and Rs 20,00,000 as the 2022 base; check that each side totals 100% in each year.

OR

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

RJ Ltd.

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

Particulars	Note No.	2021 – 22 (Rs.)	2020 – 21 (Rs.)
Revenue from Operations		20,00,000	15,00,000
Employee Benefit Expenses		8,00,000	4,00,000
Other Expenses		2,00,000	1,00,000
Tax Rate 50%			

[3 marks]

Solution:

Concept:

- A comparative statement shows each year's amount, its absolute change and its percentage change. Use 2020–21 as the base year and 2021–22 as the current year.
- Absolute change = current-year amount minus previous-year amount. Percentage change = $\frac{\text{absolute change}}{\text{previous-year amount}} \times 100$.
- Profit before tax equals revenue from operations less total expenses here; tax is 50% of profit before tax. Profit after tax equals profit before tax less tax.

Step 1: Calculate the missing profit and tax figures **Working Notes**

For 2020–21, total expenses are Rs $4,00,000 + 1,00,000 = 5,00,000$. Therefore, profit before tax is Rs $15,00,000 - 5,00,000 = 10,00,000$. Tax at 50% is Rs 5,00,000, leaving profit after tax of Rs 5,00,000.

For 2021–22, total expenses are Rs $8,00,000 + 2,00,000 = 10,00,000$. Profit before tax is Rs $20,00,000 - 10,00,000 = 10,00,000$. Tax at 50% is again Rs 5,00,000 and profit after tax is Rs 5,00,000. Apply the tax rate to profit, rather than to revenue.

Step 2: Compute the changes and prepare the comparative statement Revenue has increased by Rs $20,00,000 - 15,00,000 = 5,00,000$, or $\frac{5,00,000}{15,00,000} \times 100 = 33.33\%$. Employee benefit expenses and other expenses have each doubled, so each increases by 100%. Total expenses increase by Rs 5,00,000, which is 100% of the base-year total. Profit before tax, tax and profit after tax show no change.

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

Particulars	2020–21 (Rs)	2021–22 (Rs)	Increase (Rs)	Change (%)
I. Revenue from operations	15,00,000	20,00,000	5,00,000	33.33
II. Expenses:				
Employee benefit expenses	4,00,000	8,00,000	4,00,000	100.00
Other expenses	1,00,000	2,00,000	1,00,000	100.00
Total expenses	**5,00,000**	**10,00,000**	**5,00,000**	**100.00**
III. Profit before tax (I–II)	10,00,000	10,00,000	0	0.00
IV. Tax expense (50%)	5,00,000	5,00,000	0	0.00
V. Profit after tax (III–IV)	5,00,000	5,00,000	0	0.00

Step 3: Conclusion RJ Ltd.'s revenue rose by Rs 5,00,000 (33.33%), while total expenses rose by the same amount (100%). Consequently, profit before tax remained Rs 10,00,000 and profit after tax remained Rs 5,00,000 in both years.

Quick Tip to Solve: Put 2020–21 in the base-year column even though the question prints it last. Divide every change by its own base-year amount; equal rises in revenue and expenses leave profit unchanged.

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, cash flow from operating activities starts with net profit before tax, adds back non-cash expenses and financing expenses, adjusts operating working capital, and deducts income tax paid.
- A decrease in an operating current asset increases operating cash flow; an increase decreases it. An increase in an operating current liability increases operating cash flow.
- Goodwill written off is a non-cash expense. Debenture interest is added back to profit because its payment is classified as a financing activity for a non-financial company.

Step 1: Determine profit before tax **Working Notes** The surplus in the Statement of Profit and Loss has risen from Rs 8,00,000 to Rs 10,00,000. No dividend or other appropriation is given, so the increase represents profit after tax for the year:

$$\text{Profit after tax} = 10,00,000 - 8,00,000 = \text{Rs } 2,00,000.$$

In the absence of other tax information, the closing provision of Rs 50,000 is treated as the current year's tax provision and the opening provision of Rs 80,000 as tax paid during the year. Hence:

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

The tax provision reconciliation is Rs $80,000 + 50,000 - 80,000 = 50,000$. Therefore the decrease of Rs 30,000 in the tax provision must not also be included among operating working-capital changes.

Step 2: Identify non-cash and financing adjustments Goodwill has decreased from Rs 3,00,000 to Rs 2,00,000. With no disposal or other adjustment given, goodwill written off is Rs 1,00,000. It reduced accounting profit without using cash and is added back. Debenture interest of Rs 90,000 is also added back, using the interest amount actually stated in the question; the timing of the increase in debentures is not given, so interest is not calculated on the closing balance.

$$\text{Operating profit before working-capital changes} = \text{Rs } (2,50,000+1,00,000+90,000) = \text{Rs } 4,40,000.$$

No depreciation amount or rate is supplied, so no separate depreciation adjustment is introduced. Changes in share capital and debentures belong to financing activities, while changes in land and building and long-term loans and advances belong to investing activities.

Step 3: Prepare cash flow from operating activities Inventory decreases by Rs 1,00,000, trade receivables increase by Rs 2,00,000 and trade payables increase by Rs 1,00,000. Their net operating working-capital adjustment is zero. Cash and cash equivalents themselves are excluded from working capital in this calculation.

PP Ltd.
Cash Flow Statement (Extract)
For the year ended 31st March, 2022

Particulars	Amount (Rs)
A. 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**

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

Quick Tip to Solve: Keep the tax provision separate from trade working capital: add the current year's provision to profit and deduct tax paid once. Here the three trade working-capital adjustments cancel each other.

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.
- Accounts of the same nature are classified under a common group so that their balances can be summarised in financial reports.

Step 1: Define a group of accounts In Tally, a **group of accounts is a collection of ledger accounts of the same nature**. It is a classification head under which related individual ledgers are placed. The group combines their balances for reporting; it is not itself an individual transaction or voucher.

Step 2: Explain its use with an example For example, the individual ledger accounts of credit customers are placed under **Sundry Debtors**. Their balances are summarised under that group. Likewise, bank ledger accounts are placed under **Bank Accounts**. Grouping helps Tally place amounts under the appropriate heads in the Profit and Loss Account and Balance Sheet.

Step 3: Conclusion A group of accounts in Tally is a common classification of similar ledger accounts used to consolidate their balances and present accounting information systematically.

Quick Tip to Solve: Remember the distinction: a customer's name identifies a ledger; Sundry Debtors identifies the group containing similar customer ledgers.

11(a). State the steps in constructing Bank Reconciliation Statement in Tally software. [3 marks]

Solution:

Concept:

- Bank reconciliation explains the difference between the balance in the bank ledger maintained in the books and the balance in the bank statement on a specified date.
- In Tally, the bank date records when the bank actually clears a transaction. Transactions without a bank date remain unreconciled.

Step 1: Open the bank ledger and select the period Select the required company. From **Gateway of Tally**, choose **Display**, then **Account Books**, then **Cash/Bank Book(s)**. Select the required bank account and open its ledger vouchers. Select the period for which reconciliation is required, using **F2: Period** where available. Keep the corresponding bank statement ready for comparison.

Step 2: Open reconciliation and enter bank dates Press **F5: Reconcile** to display the Bank Reconciliation screen. Compare each receipt and payment in the bank ledger with the bank statement. For a matching transaction, enter its actual clearance date from the bank statement in the **Bank Date** column. Leave this column blank for cheques not yet presented or deposits not yet credited by the bank.

Step 3: Save and review the statement Accept or save the bank dates entered. Tally uses these dates to distinguish reconciled and unreconciled transactions and displays the reconciliation, including the book balance, outstanding entries and the resulting bank balance. Check this against the bank statement. If bank charges, interest or other transactions shown in the statement have not been recorded in the books, enter the appropriate vouchers and reconcile them as well.

Step 4: Conclusion The sequence is to open the bank ledger, select the period, use F5: Reconcile, enter the clearance dates from the bank statement, and save and verify the resulting Bank Reconciliation Statement.

Quick Tip to Solve: In the Bank Date column, use the date of clearance in the bank statement, not merely the date on which the voucher was entered in the books.

OR

11(b). Explain 'Password Security' and 'Data Audit' as security features of accounting software. [3 marks]

Solution:

Concept:

- Accounting software stores confidential business records, so access to those records and changes made to them must be controlled.
- Password security controls who can enter the system and use its functions; data audit provides a means of checking the accounting data entered or altered by users.

Step 1: Password Security Password security requires a user to supply the correct password, normally with a user name, before accessing the accounting software or company data. A password is a

confidential code used to verify the user's identity. It helps prevent unauthorised persons from viewing or changing financial information. The administrator can assign different access rights to different users: for example, an operator may be allowed to enter vouchers while only an authorised supervisor may alter specified records. Passwords should be kept secret and changed periodically so that the access control remains effective.

Step 2: Data Audit Data audit enables an authorised person to examine accounting entries and changes made to existing records. An audit trail records relevant user activity, such as who entered or altered a voucher and when the action occurred. This helps the auditor or administrator identify errors and unauthorised alterations and trace responsibility for them. Entries can be checked against supporting documents and changes can be investigated before the information is relied upon. Thus, data audit supports the accuracy, integrity and accountability of the accounting records; it does not by itself guarantee that every entry is correct.

Step 3: Conclusion Password Security protects accounting data by restricting access to authorised users, while Data Audit helps verify entries and trace alterations to the records.

Quick Tip to Solve: Link Password Security to access control and Data Audit to checking entries and tracing changes; explain both functions separately.

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

[5 marks]

Solution:

Concept:

- A voucher is the electronic document used to record a business transaction in Tally. The voucher type is chosen according to the nature of the transaction.
- Voucher numbering gives each recorded voucher a reference for identification, retrieval and checking. Automatic and manual numbering differ in who supplies the voucher number.

Step 1: Explain a payment voucher A **payment voucher** records payments made by the business through cash or bank. Examples include paying rent in cash, paying salaries by cheque and settling a supplier's account through the bank. The expense, liability or other relevant account is debited and the cash or bank account from which payment is made is credited. Thus, its use is identified by an outflow of cash or bank funds to another party.

Step 2: Explain a receipt voucher A **receipt voucher** records money received by the business in cash or through its bank account. Examples include receiving cash from a debtor, receiving commission and introducing capital into the business. The receiving cash or bank account is debited and the account explaining the receipt is credited. It therefore records an inflow from another party, unlike a payment voucher, which records an outflow.

Step 3: Explain a contra voucher A **contra voucher** records a transfer between the business's own cash and bank accounts, or between its own bank accounts. Examples are depositing cash into the bank, withdrawing cash from the bank for office use and transferring funds from one bank account to

another. The receiving account is debited and the giving account is credited. Such transfers do not by themselves create income or expenditure; they change the place or form in which the business holds its money.

Step 4: Explain automatic numbering Under **automatic numbering**, Tally supplies the voucher number in sequence according to the numbering configuration for the voucher type. The user need not enter a fresh number for every transaction. For example, successive vouchers in a series may be numbered 1, 2 and 3. This method reduces routine data entry and helps maintain an orderly sequence for locating and checking vouchers.

Step 5: Explain manual numbering Under **manual numbering**, the user enters the voucher number while recording the transaction. This permits the business to follow its own reference system, for example entering a number already assigned to a paper voucher. The user must maintain the intended numbering sequence and take care to avoid unwanted duplicate references. Unlike automatic numbering, the reference is supplied by the operator rather than generated in sequence by Tally.

Step 6: Conclusion Three types are **payment, receipt and contra vouchers**. Two methods of voucher numbering are **automatic numbering** and **manual numbering**.

Quick Tip to Solve: Classify the flow first: money paid to a party uses Payment, money received from a party uses Receipt, and a transfer within the business's cash and bank accounts uses Contra. For numbering, ask whether Tally or the user supplies the number.