CBSE Class 12 Accountancy Question Paper 2023 with Solution PDF-Set 67-2-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions

(i) This question paper contains **34** questions. **All** questions are compulsory.

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

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

(iv) **Part – B** has **two** options i.e. (I) Analysis of Financial Statements and (II) Computerised Accounting. Candidates must attempt only **one** of the given options as per the subject opted.

(v) Question number **1 to 16** and **27 to 30** carries **1** mark each.

(vi) Question number **17 to 20, 31 and 32** carries **3** marks each.

(vii) Question number **21, 22 and 33** carries **4** marks each.

(viii) Question number **23 to 26** and **34** carries **6** marks each.

(ix) There is no overall choice. However, an internal choice has been provided in **7** questions of **one** mark, **2** questions of **three** marks, **1** question of **4** marks and **2** questions of **six** marks.

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(A). Ram and Mohan were partners with fixed capitals of Rs. 3,00,000 and Rs. 2,00,000 respectively. As per their partnership deed, interest on capital was allowed @ 10% p.a. Net profit for the year ended 31st March, 2022 was Rs. 30,000. The amount of interest on capital was credited to each partner's current account for the year ended 31st March, 2022 was: [1 mark]

(A) Ram Rs. 30,000 and Mohan Rs. 20,000

(B) Ram Rs. 20,000 and Mohan Rs. 10,000

(C) Ram Rs. 18,000 and Mohan Rs. 12,000

(D) Ram Rs. 30,000 and Mohan Nil

Correct Answer: (C) Ram Rs. 18,000 and Mohan Rs. 12,000

Solution:

Concept:

- Interest on capital is an appropriation of profit unless the deed makes it a charge. When available profit is insufficient, distribute it in the ratio of the interest entitlements.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Calculate the full interest entitlement Ram: $3,00,000 \times 10\% = \text{Rs } 30,000$; Mohan: $2,00,000 \times 10\% = \text{Rs } 20,000$. The combined entitlement is Rs 50,000, exceeding the available profit of Rs 30,000.

Step 2: Allocate the available profit The entitlement ratio is $30,000 : 20,000 = 3 : 2$. Hence Ram receives $30,000 \times 3/5 = \text{Rs } 18,000$, and Mohan receives $30,000 \times 2/5 = \text{Rs } 12,000$. Option (A) exceeds available profit, (B) uses an incorrect ratio, and (D) wrongly excludes Mohan.

Step 3: Conclusion Ram: Rs 18,000; Mohan: Rs 12,000. The correct option is (C).

Quick Tip to Solve: When profit cannot cover capital interest, scale each entitlement by the same factor.

OR

1(B). Anu, Bindu and Siya were partners in a firm sharing profits and losses in the ratio of 2:2:1. Siya was guaranteed that her share of profit will not be less than Rs. 50,000. The firm's profit for the year ended 31st March, 2022 was Rs. 2,00,000. The amount of deficiency to be borne by Anu was: [1 mark]

(A) Rs. 10,000

(B) Rs. 2,500

(C) Rs. 75,000

(D) Rs. 5,000

Correct Answer: (D) Rs. 5,000

Solution:

Concept:

- A guaranteed partner first receives the normal profit share. The excess of the guaranteed amount over that share is the deficiency, borne by the guaranteeing partners in their agreed ratio.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Compute Siya's normal share The total ratio is $2 + 2 + 1 = 5$. Siyaś normal share is $2,00,000 \times 1/5 =$ Rs $40,000$. Her guaranteed profit is Rs 50,000, so the deficiency is $50,000 - 40,000 =$ Rs $10,000$.

Step 2: Apportion the deficiency No special deficiency-bearing ratio is specified. Anu and Bindu therefore bear it in their mutual profit-sharing ratio $2 : 2 = 1 : 1$. Anu bears $10,000 \times 1/2 =$ Rs $5,000$. Option (A) is the entire deficiency; (B) incorrectly takes one-quarter; (C) exceeds even the guarantee.

Step 3: Conclusion Anu bears Rs 5,000. The correct option is (D).

Quick Tip to Solve: Find the guaranteed partner's shortfall first, then divide it only among the other partners.

2. Rohit and Mohit were partners sharing profits and losses in the ratio of 2:1. Their capital accounts as on 31.3.2021 had a credit balance of Rs. 1,09,000 and Rs. 66,000 respectively. They admitted Sahil as a new partner on 1st April, 2021 for 1/5th share in profits. Sahil brought Rs. 25,000 as his share of goodwill premium. He agreed to contribute capital in new profit-sharing ratio. The amount of capital brought by Sahil was: [1 mark]

(A) Rs. 40,000

(B) Rs. 32,000

(C) Rs. 12,50,000

(D) Rs. 50,000

Correct Answer: (D) Rs. 50,000

Solution:

Concept:

- Goodwill premium increases the old partners' capitals when retained in the business. The combined adjusted old capitals represent their combined share of the new firm's capital.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Adjust the existing capital The old capitals total $1,09,000 + 66,000 = \text{Rs } 1,75,000$. Add Sahilś goodwill premium of Rs 25,000, which belongs to the old partners. Their adjusted combined capital is therefore Rs 2,00,000.

Step 2: Determine Sahil's proportionate capital The old partners retain $1 - 1/5 = 4/5$ of profits. Thus total capital is $2,00,000 \div (4/5) = \text{Rs } 2,50,000$, and Sahil brings $2,50,000 \times 1/5 = \text{Rs } 50,000$. Options (A) and (B) omit or mishandle the goodwill adjustment; (C) is inconsistent with a one-fifth share.

Step 3: Conclusion Sahil brings capital of Rs 50,000. The correct option is (D).

Quick Tip to Solve: Include retained goodwill in old capitals before dividing by their combined new share.

3(A). Radhe Ltd. forfeited 500 shares of Rs. 10 each fully called up for non-payment of final call of Rs. 3 per share. 300 of these shares were reissued at Rs. 8 per share as fully paid-up. The amount credited to Capital Reserve Account was: [1 mark]

(A) Rs. 1,500

(B) Rs. 2,100

(C) Rs. 3,200

(D) Rs. 1,800

Correct Answer: (A) Rs. 1,500

Solution:

Concept:

- On reissue, the discount is deducted from the forfeiture balance relating to the reissued shares. Only the remaining surplus on those shares transfers to Capital Reserve.

- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Find forfeiture attributable to reissued shares Each forfeited share had received $10 - 3 =$ Rs 7. Of the 500 forfeited shares, only 300 are reissued. The relevant forfeiture balance is $300 \times 7 =$ Rs $2,100$; the balance on the other 200 shares remains in Share Forfeiture.

Step 2: Deduct the reissue discount Reissue at Rs 8 as fully paid Rs 10 involves discount $300 \times (10-8) =$ Rs 600. The realised capital profit is $2,100 - 600 =$ Rs $1,500$. Option (B) ignores this discount; (C) and (D) do not equal the surplus on the 300 reissued shares.

Step 3: Conclusion Capital Reserve is credited with Rs 1,500. The correct option is (A).

Quick Tip to Solve: Use forfeiture only on shares actually reissued, then deduct their reissue discount.

OR

3(B). A Company forfeited 1000 shares of Rs. 10 each, Rs. 7 called up for non-payment of first call of Rs. 2 per share. All these shares were reissued at Rs. 5 per share Rs. 7 paid up. The amount transferred to Capital Reserve Account was: [1 mark]

(A) Rs. 2,000

(B) Rs. 3,000

(C) Rs. 4,000

(D) Rs. 5,000

Correct Answer: (B) Rs. 3,000

Solution:

Concept:

- Forfeiture credits the amount already received on shares. Reissue discount is the difference between the paid-up value allowed and the reissue proceeds, not necessarily the face value.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Calculate the forfeited amount received The called-up value was Rs 7 per share and the unpaid first call was Rs 2. Amount received is therefore $7 - 2 =$ Rs 5 per share. For 1,000 shares the Share Forfeiture balance is $1,000 \times 5 =$ Rs $5,000$.

Step 2: Calculate the transferable surplus The shares are reissued at Rs 5 as Rs 7 paid up, so discount is $1,000 \times (7 - 5) =$ Rs $2,000$. Capital Reserve receives $5,000 - 2,000 =$ Rs $3,000$. Option (A) is the discount, (D) ignores it, and (C) is not the remaining forfeiture surplus.

Step 3: Conclusion Rs 3,000 is transferred to Capital Reserve. The correct option is (B).

Quick Tip to Solve: Compare reissue proceeds with Rs 7 paid-up value here, rather than the Rs 10 face value.

4. Suchi and Ruchi were partners in a firm sharing profits and losses equally. Throughout the year Ruchi withdrew Rs. 12,000 in the middle of each month. Interest on drawings is to be charged @ 6% p.a. as per partnership agreement. The average period for calculation of interest on drawings will be: [1 mark]

(A) $6\frac{1}{2}$ months

(B) 6 months

(C) $5\frac{1}{2}$ months

(D) 1 month

Correct Answer: (B) 6 months

Solution:

Concept:

- For equal monthly drawings, the average period is the arithmetic mean of the periods for the first and last drawings. The interest rate and amount do not affect this time average.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Identify the extreme periods A withdrawal made in the middle of the first month remains outstanding for $11\frac{1}{2}$ months to the year end. The withdrawal made in the middle of the last month remains outstanding for $\frac{1}{2}$ month.

Step 2: Average the periods Because equal amounts are withdrawn every month, the time periods have equal weights. Thus average period $= (11\frac{1}{2} + \frac{1}{2})/2 = 6$ months. Option (A) applies to beginning-of-month drawings; (C) applies to end-of-month drawings. Option (D) confuses the interval between drawings with their average outstanding period.

Step 3: Conclusion The average period is 6 months. The correct option is (B).

Quick Tip to Solve: For equal middle-of-month drawings throughout a year, the average period is six months.

5. On the reconstitution of a firm the value of furniture increased from Rs. 7,00,000 to Rs. 8,00,000 and stock reduced to Rs. 4,00,000 from Rs. 4,20,000. Gain or loss on revaluation will be: [1 mark]

(A) Gain Rs. 80,000

(B) Loss Rs. 80,000

(C) Gain Rs. 8,00,000

(D) Loss Rs. 1,20,000

Correct Answer: (A) Gain Rs. 80,000

Solution:

Concept:

- An increase in an asset's book value creates a revaluation gain; a decrease creates a revaluation loss. The net effect combines changes in value, not the revised asset balances.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Find the separate changes Furniture appreciates by $8,00,000 - 7,00,000 =$ Rs $1,00,000$, giving a gain. Stock decreases by $4,20,000 - 4,00,000 =$ Rs $20,000$, giving a loss.

Step 2: Offset the loss against the gain The net revaluation effect is $1,00,000 - 20,000 =$ Rs $80,000$, a gain because appreciation exceeds depreciation. Option (B) reverses the sign; (C) uses the revised furniture value instead of its increase; (D) adds the two changes and incorrectly treats both as losses.

Step 3: Conclusion The gain on revaluation is Rs 80,000. The correct option is (A).

Quick Tip to Solve: Compute each change from its old value before netting appreciation and depreciation.

---

6. Total assets of a partnership firm, which was dissolved were Rs. 30,00,000 and its total liabilities were Rs. 6,00,000. Assets were realised at 80% and liabilities were settled at 5% less. If dissolution expenses were Rs. 30,000, the profit or loss on dissolution was: [1 mark]

(A) Profit Rs. 18,00,000

(B) Loss Rs. 6,00,000

(C) Profit Rs. 6,00,000

(D) Loss Rs. 18,00,000

Correct Answer: (B) Loss Rs. 6,00,000

Solution:

Concept:

- Realisation profit or loss compares book values with settlement values, after deducting dissolution expenses. A reduction in an outside liability creates a gain, whereas assets sold below book value create a loss.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Calculate realisation loss on assets Assets realise $30,00,000 \times 80\% =$ Rs $24,00,000$. Thus loss on assets is $30,00,000 - 24,00,000 =$ Rs $6,00,000$. This must be adjusted for the liability settlement gain and expenses.

Step 2: Include settlement gain and expenses Liabilities settled at 5% less give a gain of $6,00,000 \times 5\% =$ Rs $30,000$. Expenses of Rs 30,000 exactly offset this gain. Net loss is $6,00,000 - 30,000 + 30,000 =$ Rs $6,00,000$. Options (A) and (C) wrongly report profit; (D) confuses net asset proceeds with the realisation result.

Step 3: Conclusion The loss on dissolution is Rs 6,00,000. The correct option is (B).

Quick Tip to Solve: Offset the liability discount against expenses before adjusting the loss on asset sales.

---

7. Offer of securities or invitation to subscribe securities to a select group of persons by a company (other than by way of public offer) is known as: [1 mark]

(A) Private placement of shares

(B) Sweat equity

(C) Incorporation cost

(D) Employee stock option plan

Correct Answer: (A) Private placement of shares

Solution:

Concept:

- Private placement means offering securities to a selected group of persons rather than inviting subscriptions through a public offer. The identity of the targeted subscribers distinguishes the method.
- Apply the given terms consistently and compare the resulting amount or definition with every printed option.

Step 1: Match the definition to the offer The question specifies an invitation to a select group and explicitly excludes a public offer. These features identify private placement, a method of raising capital from chosen subscribers.

Step 2: Eliminate the other descriptions Sweat equity refers to shares issued for know-how, intellectual property or value additions, usually to employees or directors. Incorporation cost is expenditure incurred in forming a company. An employee stock option plan gives eligible employees a right to purchase shares under specified terms. None of these is the general selected-group offer described here.

Step 3: Conclusion The offer is private placement of shares. The correct option is (A).

Quick Tip to Solve: Identify who receives the invitation: a selected group points directly to private placement.

8(A). A partnership firm has four partners. How many additional partners can be admitted into the business as per the provisions of the Companies Act, 2013? [1 mark]

(A) 50

(B) 46

(C) 100

(D) 96

Correct Answer: (B) 46

Solution:

Concept:

- For the prescribed limit under the Companies Act, 2013, a partnership firm may have a maximum of 50 partners.
- Additional partners admissible = maximum permitted partners minus partners already present.

Step 1: Identify the applicable limit The maximum permitted number is 50. This is the total

membership ceiling of the firm, so it includes the four partners who already carry on the business.

Step 2: Deduct the existing partners

$$\text{Additional partners} = 50 - 4 = 46.$$

Option (A) gives the ceiling itself without deducting existing partners. Options (C) and (D) use 100 as the ceiling and therefore do not apply.

Step 3: Conclusion 46 additional partners may be admitted. Hence, the correct option is (B).

Quick Tip to Solve: Subtract the existing four partners from the permitted total of 50, not from 100.

OR

8(B). Amit and Sumit were partners in a firm with fixed capitals of Rs. 6,00,000 and Rs. 4,00,000 respectively. Kavi was admitted as a new partner for 1/5th share in the profit of the firm. Kavi brought Rs. 40,000 as his share of goodwill premium and Rs. 3,00,000 as his capital. The amount of Goodwill premium credited to Sumit will be: [1 mark]

(A) Rs. 20,000

(B) Rs. 24,000

(C) Rs. 16,000

(D) Rs. 40,000

Correct Answer: (A) Rs. 20,000

Solution:

Concept:

- When the partnership agreement does not specify a profit-sharing ratio, partners share profits equally; their capital amounts do not determine that ratio.
- Goodwill premium brought by an incoming partner is credited to the sacrificing partners in their sacrificing ratio.

Step 1: Determine the sacrificing ratio No profit-sharing ratio or special sacrifice is given for Amit and Sumit. Their old shares are therefore $1/2$ each. Kavi receives $1/5$; the remaining $4/5$ is shared equally, so each old partner now has $2/5$. Each sacrifices $1/2 - 2/5 = 1/10$, giving a sacrificing ratio of $1 : 1$.

Step 2: Allocate the premium Sumit receives Rs $40,000 \times 1/2 =$ Rs $20,000$. The unequal fixed capitals of Rs 6,00,000 and Rs 4,00,000 do not imply a 3:2 profit ratio. Thus Rs 24,000 and Rs 16,000 incorrectly allocate goodwill in the capital ratio, while Rs 40,000 gives the entire premium to Sumit.

Step 3: Conclusion Sumit is credited with goodwill premium of Rs 20,000. Hence, the correct option is (A).

Quick Tip to Solve: When no profit ratio is stated, use equal sharing; do not infer it from fixed capitals.

9. Gopal, Krishna and Govind were partners sharing profits and losses in the ratio of 5:4:3. Krishna retired on 1st April, 2022. Gopal and Govind purchased his share of profit by giving him Rs. 1,20,000. Rs. 80,000 was paid by Gopal and Rs. 40,000 by Govind. Gaining ratio is: [1 mark]

(A) 1:2

(B) 5:3

(C) 1:1

(D) 2:1

Correct Answer: (D) 2:1

Solution:

Concept:

- The gaining ratio is the ratio in which continuing partners acquire the retiring partner's profit share.
- When consideration is paid for the acquired share at a common valuation, the gains are proportional to the amounts paid.

Step 1: Compare the payments Gopal pays Rs 80,000 and Govind pays Rs 40,000 to purchase Krishna's share. Thus their gains are in the ratio $80,000 : 40,000 = 2 : 1$.

Step 2: Check against the retiring share Krishna's old share is $4/12 = 1/3$. Gopal acquires $(1/3)(2/3) = 2/9$, while Govind acquires $(1/3)(1/3) = 1/9$. Their gains again give $2 : 1$. The ratio $5 : 3$ is their old mutual ratio, $1 : 2$ reverses the payments, and $1 : 1$ ignores the unequal purchases.

Step 3: Conclusion The gaining ratio of Gopal and Govind is 2:1. Hence, the correct option is (D).

Quick Tip to Solve: Use the consideration paid for the acquired shares to find gains, rather than the old ratio.

10. At the time of forfeiture of shares, share capital account is debited with: [1 mark]

(A) Uncalled amount on shares

(B) Paid up amount on shares

(C) Called up amount on shares

(D) Unpaid amount on shares

Correct Answer: (C) Called up amount on shares

Solution:

Concept:

- Forfeiture cancels the called-up share capital of the shares forfeited.
- The debit to Share Capital equals the number of forfeited shares multiplied by the called-up face amount per share.

Step 1: Identify the amount to reverse Share Capital was credited with the nominal amount called on these shares. On forfeiture, this credited capital must be reversed in full, so the same called-up amount is debited.

Step 2: Distinguish the other amounts The paid-up amount is only the capital money received and is transferred to Share Forfeiture. The unpaid amount is reversed through the relevant calls or Calls in Arrears account. Uncalled capital has never been demanded or credited to Share Capital and cannot be cancelled by this debit.

Step 3: Conclusion Share Capital Account is debited with the called-up amount on the forfeited shares. Hence, the correct option is (C).

Quick Tip to Solve: For the Share Capital debit, use called-up face value per share, irrespective of how much was paid.

---

11. Elite Ltd. issued 20,000, 9% Debentures of Rs. 100 each at a discount of 10%, redeemable at a premium. On issue of these debentures, 'Loss on issue of debentures account' was debited with Rs. 4,00,000. The premium on redemption of debentures is: [1 mark]

(A) Rs. 4,00,000

(B) Rs. 2,00,000

(C) Rs. 6,00,000

(D) Rs. 10,00,000

Correct Answer: (B) Rs. 2,00,000

Solution:

Concept:

- Loss on issue of debentures includes the discount allowed on issue and the premium payable on redemption.
- The coupon rate determines interest; it does not enter the calculation of discount or redemption premium.

Step 1: Calculate issue discount Total nominal value is $20,000 \times \text{Rs } 100 = \text{Rs } 20,00,000$. Hence the discount is $\text{Rs } 20,00,000 \times 10/100 = \text{Rs } 2,00,000$.

Step 2: Separate the redemption premium

$$\begin{aligned} \text{Redemption premium} &= \text{Total loss} - \text{Issue discount} \\ &= \text{Rs } 4,00,000 - \text{Rs } 2,00,000 \\ &= \text{Rs } 2,00,000. \end{aligned}$$

Rs 4,00,000 is the combined loss, not the premium alone; Rs 6,00,000 adds rather than deducts discount, and Rs 10,00,000 has no basis in the stated issue terms.

Step 3: Conclusion The premium on redemption is Rs 2,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Subtract issue discount from the combined loss to isolate the premium payable on redemption.

12(A). Net Assets minus capital reserve is: [1 mark]

(A) Purchase consideration

(B) Goodwill

(C) Total Assets

(D) Liquid Assets

Correct Answer: (A) Purchase consideration

Solution:

Concept:

- Net assets equal the agreed value of assets taken over less the agreed value of liabilities assumed.
- Capital reserve arises when net assets acquired exceed the purchase consideration payable.

Step 1: Write the relationship For a purchase resulting in capital reserve,

$$\text{Capital reserve} = \text{Net assets} - \text{Purchase consideration}.$$

The reserve represents the excess acquired over the price paid.

Step 2: Rearrange and distinguish the options Rearranging gives Net assets − Capital reserve = Purchase consideration. Goodwill instead arises when consideration exceeds net assets. Total assets do not deduct liabilities, and liquid assets classify assets by liquidity; neither is the residual in this relationship.

Step 3: Conclusion Net assets minus capital reserve equals purchase consideration. Hence, the correct option is (A).

Quick Tip to Solve: For a bargain purchase, deduct capital reserve from net assets to recover the price paid.

OR

12(B). When a company issues shares at a premium, the company can collect securities premium along with the following: [1 mark]

(A) Application money

(B) Allotment money

(C) Call money

(D) Any of the above

Correct Answer: (D) Any of the above

Solution:

Concept:

- Securities premium is the excess of the issue price over the nominal value of a share.
- The issue terms specify when the premium becomes payable; it may accompany application, allotment or a call.

Step 1: Identify the permitted collection stages A company may require the premium with application money, allotment money or call money according to its stated terms of issue. It is not compulsory to collect it only at allotment.

Step 2: Evaluate the options Application money, allotment money and call money are all possible instalments with which securities premium can be collected. Therefore options (A), (B) and (C) each describe a valid possibility but none alone includes the full permitted choice. The inclusive option covers every listed stage.

Step 3: Conclusion Securities premium may be collected with any of the listed instalments. Hence, the correct option is (D).

Quick Tip to Solve: Read the terms of issue to identify the instalment at which securities premium becomes due.

13(A). On admission of a new partner, the old partners share the gain or loss on revaluation of assets and reassessment of liabilities in which of the following ratio: [1 mark]

(A) Equally

(B) In old profit sharing ratio

(C) In new profit sharing ratio

(D) In sacrificing ratio

Correct Answer: (B) In old profit sharing ratio

Solution:

Concept:

- Revaluation at admission recognises changes in asset and liability values that arose before the incoming partner joined.
- The resulting gain or loss belongs to the old partners and is transferred in their old profit-sharing ratio.

Step 1: Identify who earned or bore the change The increase or decrease in net assets relates to the period before admission. Consequently, only the old partners receive the revaluation gain or bear the revaluation loss.

Step 2: Select the allocation ratio The old profit-sharing ratio measures how those partners shared the pre-admission results. Equal allocation is justified only if that old ratio is equal. The new ratio includes the incoming partner, while the sacrificing ratio measures goodwill compensation; neither is the general basis for distributing revaluation results.

Step 3: Conclusion The old partners share the gain or loss in their old profit-sharing ratio. Hence, the correct option is (B).

Quick Tip to Solve: Use the old ratio for pre-admission revaluation; use the sacrificing ratio for goodwill compensation.

OR

13(B). Asha and Nisha were partners in a firm sharing profits and losses in the ratio 3:1. Charu was admitted as a new partner for 1/4th share in the profits of the firm which she acquired equally from Asha and Nisha. The new profit sharing ratio of Asha, Nisha and Charu will be: [1 mark]

(A) 3:1:4

(B) 1:1:2

(C) 5:1:2

(D) 1:2:1

Correct Answer: (C) 5:1:2

Solution:

Concept:

- A partner's new share equals the old share less the share sacrificed to the incoming partner.
- If an incoming partner acquires her share equally from two old partners, each sacrifices half of that incoming share.

Step 1: Compute equal sacrifices Asha and Nisha previously have $3/4$ and $1/4$ respectively. Charu receives $1/4$, acquired equally, so each old partner sacrifices $(1/4)/2 = 1/8$. Equal sacrifice does not mean equal remaining shares.

Step 2: Find the resulting shares

$$\text{Asha} = 3/4 - 1/8 = 5/8,$$
$$\text{Nisha} = 1/4 - 1/8 = 1/8,$$
$$\text{Charu} = 1/4 = 2/8.$$

The shares sum to one. The other listed ratios fail to preserve both the stated incoming share and the equal sacrifices of the old partners.

Step 3: Conclusion The new ratio of Asha, Nisha and Charu is 5:1:2. Hence, the correct option is (C).

Quick Tip to Solve: Subtract one-eighth from each old share; do not divide the remaining share in the old ratio.

14. Rudra, Dev and Shiv were partners in a firm sharing profits in the ratio of 5:3:2. Their fixed capitals were Rs. 6,00,000, Rs. 4,00,000 and Rs. 2,00,000 respectively. Besides his capital Shiv had given a loan of Rs. 75,000 to the firm. Their partnership deed provided for the following:

(i) Interest on capital @ 9% p.a.

(ii) Interest on partner's drawings @ 12% p.a.

(iii) Salary to Rudra Rs. 30,000 per month and to Dev Rs. 40,000 per quarter.

(iv) Interest on Shiv's loan @ 9% p.a.

During the year Rudra withdrew Rs. 50,000 at the end of each quarter; Dev withdrew Rs. 50,000 in the beginning of each half year and Shiv withdrew Rs. 70,000 at the end of each half year.

The profit of the firm for the year ended 31-3-2022 before allowing interest on Shiv's loan was Rs. 7,06,750.

How much amount of net profit will be transferred to Profit and Loss Appropriation A/c? [1 mark]

(A) Rs. 7,06,750

(B) Rs. 7,02,250

(C) Rs. 7,00,000

(D) Rs. 7,13,000

Correct Answer: (C) Rs. 7,00,000

Solution:

Concept:

- Interest on a partner's loan is a charge against profit, whereas interest on capital and partners' salaries are appropriations.
- Loan interest equals principal multiplied by annual rate and time.

Step 1: Calculate loan interest Shiv's loan is Rs 75,000 and the agreed rate is 9% p.a. For the full year, interest is

$$75,000 \times \frac{9}{100} = \text{Rs } 6,750.$$

The agreed loan rate applies; the statutory rate in the absence of an agreement does not apply.

Step 2: Identify the profit available for appropriation Deduct this charge from the profit given before loan interest:

$$7,06,750 - 6,750 = \text{Rs } 7,00,000.$$

Interest on capital, partners' salaries and interest on drawings belong in the Profit and Loss Appropriation Account and do not change the net profit transferred into it. Option (A) omits the charge, (B) uses an incorrect loan-interest amount and (D) adds interest instead of deducting it.

Step 3: Conclusion The net profit transferred is $\boxed{\text{Rs } 7,00,000}$. Hence, the correct option is (C).

Quick Tip to Solve: First deduct only loan interest from the given profit; leave capital interest and salaries for appropriation.

15. Rudra, Dev and Shiv were partners in a firm sharing profits in the ratio of 5:3:2. Their fixed capitals were Rs. 6,00,000, Rs. 4,00,000 and Rs. 2,00,000 respectively. Besides his capital Shiv had given a loan of Rs. 75,000 to the firm. Their partnership deed provided for the following:

(i) Interest on capital @ 9% p.a.

(ii) Interest on partner's drawings @ 12% p.a.

(iii) Salary to Rudra Rs. 30,000 per month and to Dev Rs. 40,000 per quarter.

(iv) Interest on Shiv's loan @ 9% p.a.

During the year Rudra withdrew Rs. 50,000 at the end of each quarter; Dev withdrew Rs. 50,000 in the beginning of each half year and Shiv withdrew Rs. 70,000 at the end of each half year.

The profit of the firm for the year ended 31-3-2022 before allowing interest on Shiv's loan was Rs. 7,06,750.

What will the amount of interest on drawings of the partners? [1 mark]

(A) Rudra Rs. 2,250; Dev Rs. 4,500 and Shiv Rs. 2,100

(B) Rudra Rs. 9,000; Dev Rs. 9,000 and Shiv Rs. 4,200

(C) Rudra Rs. 4,500; Dev Rs. 4,500 and Shiv Rs. 2,100

(D) Rudra Rs. 24,000; Dev Rs. 12,000 and Shiv Rs. 16,800

Correct Answer: (B) Rudra Rs. 9,000; Dev Rs. 9,000 and Shiv Rs. 4,200

Solution:

Concept:

- For equal periodic drawings, interest = total drawings $\times$ annual rate $\times$ average period/12.
- The average period is the mean of the periods for the first and last drawings.

Step 1: Calculate Rudra and Dev Rudra's quarter-end drawings remain outstanding for 9, 6, 3 and 0 months, averaging 4.5 months. Thus

$$I_R = 2,00,000 \times \frac{12}{100} \times \frac{4.5}{12} = \text{Rs } 9,000.$$

Dev's beginning-of-half-year drawings remain outstanding for 12 and 6 months, averaging 9 months. Hence

$$I_D = 1,00,000 \times \frac{12}{100} \times \frac{9}{12} = \text{Rs } 9,000.$$

Step 2: Calculate Shiv and compare options Shiv's half-year-end drawings remain outstanding for 6 and 0 months, averaging 3 months. Therefore

$$I_S = 1,40,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 4,200.$$

Options (A) and (C) understate interest by using an incorrect drawing base or period. Option (D) charges a full year's interest on every withdrawal, although the money was withdrawn at different dates.

Step 3: Conclusion Interest on drawings: Rudra Rs 9,000; Dev Rs 9,000; Shiv Rs 4,200. Hence, the correct option is (B).

Quick Tip to Solve: Use average periods 4.5, 9 and 3 months for quarter-end, half-year-beginning and half-year-end drawings respectively.

16. Assertion (A): Under the fluctuating capital method, the balance in the capital account fluctuates from time to time.

Reason (R): Under the fluctuating capital method, all the adjustments such as share of profit and loss, interest on capital, drawings, interest on drawings etc. are recorded directly in the capital accounts of the partners. [1 mark]

(A) is correct but (R) is wrong.

(B) Both (A) and (R) are correct but (R) is not the correct explanation of (A).

(C) Both (A) and (R) are incorrect.

(D) Both (A) and (R) are correct and (R) is the correct explanation of (A).

Correct Answer: (D) Both (A) and (R) are correct and (R) is the correct explanation of (A).

Solution:

Concept:

- Under the fluctuating capital method, each partner has one capital account for capital and routine partnership adjustments.
- Credits increase capital; drawings, losses and interest on drawings reduce capital.

Step 1: Assess the assertion The assertion is correct. Capital balances change whenever transactions affecting the partners' claims are posted. Consequently the closing capital normally differs from the opening capital even if no additional permanent capital is introduced.

Step 2: Assess the reason The reason is correct. Share of profit, interest on capital and salary are credited directly to the capital account. Drawings, interest on drawings and share of loss are debited to the same account. There is no separate current account for these routine adjustments under this method.

Step 3: Connect reason to assertion These direct debits and credits explain precisely why the capital balance fluctuates. Thus the reason explains the assertion, rather than merely stating an unrelated fact. Options (A) and (C) wrongly reject a true statement, and option (B) wrongly denies the explanatory connection.

Step 4: Conclusion Both the assertion and the reason are true, and the reason correctly explains the assertion. Hence, the correct option is (D).

Quick Tip to Solve: Ask where routine profit and drawing adjustments are posted: directly to capital means fluctuating capital.

17(a). Sinco Ltd. purchased assets of the book value of Rs. 1,98,000 from Dixon Ltd. It was agreed that the purchase consideration be paid by issuing 10% debentures of Rs. 100 each.

Record the necessary journal entries in the books of Sinco Ltd. assuming that the debentures have been issued:

(i) At a discount of 10%.

(ii) At a premium of 10%. [3 marks]

Solution:

Concept:

- Purchase consideration is discharged at the issue price of the debentures, while the Debentures Account is credited with their face value.
- Discount on issue is debited separately; premium on issue is credited to Securities Premium Reserve.

Step 1: Record purchase of assets The agreed consideration is Rs 1,98,000. The acquisition entry is common to either independent assumption. Journal of Sinco Ltd.:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Assets A/c Dr.		1,98,000	
	To Dixon Ltd.			1,98,000
	(Being assets purchased on credit)			

Step 2: Issue at a discount of 10 percent Issue price per debenture = Rs 100 - Rs 10 = Rs 90. Number issued = $1,98,000/90 = 2,200$. Face value = Rs 2,20,000 and discount = Rs 22,000. Journal of Sinco Ltd.:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Dixon Ltd. Dr.		1,98,000	
	Discount on Issue of Debentures A/c Dr.		22,000	
	To 10% Debentures A/c			2,20,000
	(Being 2,200 debentures issued at 10% discount in settlement)			

The vendor is discharged with issue proceeds of Rs 1,98,000, although the face value of the debt is higher.

Step 3: Issue at a premium of 10 percent Issue price per debenture = Rs 100 + Rs 10 = Rs 110. Number issued = $1,98,000/110 = 1,800$. Face value = Rs 1,80,000 and premium = Rs 18,000. Journal of Sinco Ltd.:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Dixon Ltd. Dr.		1,98,000	
	To 10% Debentures A/c			1,80,000
	To Securities Premium Reserve A/c			18,000
	(Being 1,800 debentures issued at 10% premium in settlement)			

Each settlement entry balances: consideration plus discount equals face value in the first case; consideration equals face value plus premium in the second. The 10% coupon rate is not used to determine the number issued.

Step 4: Conclusion At discount: issue 2,200 debentures with Rs 22,000 discount. At premium: issue 1,800 debentures with Rs 18,000 securities premium.

Quick Tip to Solve: Divide purchase consideration by Rs 90 or Rs 110, never by the Rs 100 face value when issue is at discount or premium.

OR

17(b). On 1.4.2021 Y Ltd. invited applications for issuing 10,000, 9% debentures of Rs. 100 each at a discount of 6%. The entire amount was payable with application. Application for 12,000, 9% debentures were received. 9% debentures were allotted on pro-rata basis to all the applicants. Excess money received with applications was refunded. On 31.3.2022 the company decided to write off discount on issue of debentures according to the provisions of the Companies Act, 2013. On that date the company had Rs. 10,000 in its securities premium reserve account.

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

Solution:

Concept:

- Debentures issued at 6% discount carry an issue price of Rs 94 per Rs 100 debenture.
- Excess application money is refunded. Write off discount against available securities premium and then profit.

Step 1: Receive applications The company receives $12,000 \times 94 =$ Rs $11,28,000$. Allotment is pro rata in the ratio $10,000 : 12,000 = 5 : 6$. Journal of Y Ltd.:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1.4.2021	Bank A/c Dr.		11,28,000	
	To Debenture Application and Allotment A/c			11,28,000
	(Being application money received)			

Step 2: Allot debentures and refund excess Face value allotted $= 10,000 \times 100 =$ Rs $10,00,000$; discount = Rs 60,000. Application money retained = Rs 9,40,000. Refund $= 11,28,000 - 9,40,000 =$ Rs $1,88,000$. Journal of Y Ltd.:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1.4.2021	Debenture Application and Allotment A/c Dr.		9,40,000	
	Discount on Issue of Debentures A/c Dr.		60,000	
	To 9% Debentures A/c			10,00,000
	(Being debentures allotted at discount)			
	Debenture Application and Allotment A/c Dr.		1,88,000	
	To Bank A/c			1,88,000
	(Being excess application money refunded)			

Step 3: Write off the discount On 31.3.2022, the available securities premium of Rs 10,000 is used first. The remaining $60,000 - 10,000 =$ Rs $50,000$ is written off against the Statement of Profit and Loss. Journal of Y Ltd.:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.3.2022	Securities Premium Reserve A/c Dr.		10,000	
	Statement of Profit and Loss Dr.		50,000	
	To Discount on Issue of Debentures A/c			60,000
	(Being issue discount written off)			

Step 4: Conclusion Allotment Rs 10,00,000; refund Rs 1,88,000; discount Rs 60,000, written off using Rs 10,000 securities premium and Rs 50,000 profit.

Quick Tip to Solve: Calculate receipts at Rs 94 per debenture and recognise the liability at Rs 100; refund the 2,000 excess applications at Rs 94.

18(a). Mohan, Sohan and Suresh were partners in a firm sharing profits in the ratio of 2:2:1. Suresh was guaranteed a profit of Rs. 70,000. Any deficiency on account of guarantee to Suresh was to be borne by Mohan and Sohan in 3:2 ratio. The profit of the firm for the year ended 31.3.2022 amounted to Rs. 2,00,000.

Prepare Profit and Loss Appropriation Account of the firm for the year ended 31.3.2022. [3 marks]

Solution:

Concept:

- First distribute profit in the agreed profit-sharing ratio; compare the guaranteed partner's normal share with the guaranteed amount.
- The deficiency is transferred from the guaranteeing partners in their agreed deficiency-bearing ratio, leaving total distributable profit unchanged.

Step 1: Find normal profit shares and deficiency Total ratio units = $2+2+1=5$. Out of Rs 2,00,000, Mohan and Sohan normally receive $2,00,000 \times 2/5 =$ Rs $80,000$ each. Suresh normally receives $2,00,000 \times 1/5 =$ Rs $40,000$. His guarantee is Rs 70,000, so deficiency = $70,000 - 40,000 =$ Rs $30,000$.

Step 2: Charge the guarantee deficiency Mohan bears $30,000 \times 3/5 =$ Rs $18,000$, while Sohan bears $30,000 \times 2/5 =$ Rs $12,000$. Their adjusted shares are therefore Rs 62,000 and Rs 68,000. Suresh receives Rs 70,000. Check: $62,000 + 68,000 + 70,000 = 2,00,000$. The ratio 3:2 applies only to the deficiency, not to the entire profit.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31.3.2022

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Mohan's Capital A/c	62,000	By Profit and Loss A/c	2,00,000	
	To Sohan's Capital A/c	68,000			
	To Suresh's Capital A/c	70,000			
	Total	2,00,000	Total	2,00,000	

The whole profit has been appropriated, so no balance remains to be carried down. The final allocations are transferred to the partners' capital accounts; if fixed capitals were specified, their current accounts would instead receive the amounts.

Step 4: Conclusion Mohan receives Rs 62,000, Sohan Rs 68,000 and Suresh Rs 70,000; the appropriation account totals Rs 2,00,000 on each side.

Quick Tip to Solve: Compute Suresh's Rs 30,000 shortfall first, then deduct it from Mohan and Sohan in 3:2, not 2:2.

OR

18(b). A and B were partners in a firm sharing profits equally. Their capitals were: A Rs. 1,20,000 and B Rs. 80,000. The annual rate of interest is 20%. The profits of the firm for the last three years were Rs. 34,000, Rs. 38,000 and Rs. 30,000. They admitted C as a new partner. On C's admission the goodwill of the firm was valued at 2 years purchase of the super profits.

Calculate the value of goodwill of the firm on C's admission. [3 marks]

Solution:

Concept:

- Capital employed is the total capital invested by the partners. Normal profit is capital employed multiplied by the normal rate of return.
- Average profit is the sum of the annual profits divided by the number of years. Super profit equals average profit less normal profit.
- Under the super profit method, goodwill equals positive super profit multiplied by the agreed years of purchase. A shortfall below normal profit does not create positive goodwill.

Step 1: Calculate capital employed and normal profit The partners' total capital is

$$\text{Capital employed} = 1,20,000 + 80,000 = \text{Rs } 2,00,000.$$

Using the given annual rate of 20%, the normal profit expected on this capital is

$$\text{Normal profit} = 2,00,000 \times \frac{20}{100} = \text{Rs } 40,000.$$

The equal profit-sharing ratio does not alter the firm's total capital or its normal profit.

Step 2: Calculate average profit The three annual profits are Rs 34,000, Rs 38,000 and Rs 30,000. No adjustment to these profits is specified, so their simple average is used:

$$\text{Average profit} = \frac{34,000 + 38,000 + 30,000}{3} = \text{Rs } 34,000.$$

Step 3: Compare actual earnings with normal earnings The excess of average profit over normal profit is

$$\text{Super profit} = 34,000 - 40,000 = -\text{Rs } 6,000.$$

Thus the firm earns Rs 6,000 less than the normal return. Multiplying this deficit by two gives a negative amount, not an amount of goodwill to be recognised on admission. Since there are no positive super profits to purchase, the goodwill under this method is taken as nil.

Step 4: Conclusion The value of goodwill of the firm on C's admission is $\boxed{\text{Nil}}$, because average profit is below normal profit.

Quick Tip to Solve: Compare average profit with normal profit before applying years of purchase; a negative super profit means nil goodwill.

19. Vibha, Sudha and Ashish were partners in a firm sharing profits in the ratio 2:3:1. Sudha retired and the balance in her capital account after making necessary adjustments on account of reserves, revaluation of assets and re-assessment of liabilities was Rs. 85,000. Vibha and Ashish agreed to pay Sudha Rs. 1,15,000 in full settlement of her claim. Record the necessary journal entry for goodwill on Sudha's retirement. [3 marks]

Solution:

Concept:

- The excess of the amount payable to a retiring partner over the adjusted capital balance represents that partner's share of hidden goodwill.
- The continuing partners compensate the retiring partner in their gaining ratio. If no new ratio is given, they continue in their old relative ratio.

Step 1: Find Sudha's share of goodwill Sudha's adjusted capital balance already includes the effects of reserves, revaluation of assets and reassessment of liabilities. Hence only the excess settlement amount is attributable to goodwill:

$$\begin{aligned}\text{Sudha's share of goodwill} &= \text{Amount agreed} - \text{Adjusted capital}\\ &= 1,15,000 - 85,000 = \text{Rs } 30,000.\end{aligned}$$

This Rs 30,000 is Sudha's share, so it must not be allocated among all three partners again.

Step 2: Find the gaining ratio and compensation Vibha and Ashish continue in their old relative ratio of $2:1$. Their new shares are $2/3$ and $1/3$. Therefore,

$$\text{Vibha's gain} = \frac{2}{3} - \frac{2}{6} = \frac{2}{6},$$
$$\text{Ashish's gain} = \frac{1}{3} - \frac{1}{6} = \frac{1}{6}.$$

The gaining ratio is $2:1$. Vibha bears $30,000 \times 2/3 = \text{Rs } 20,000$, and Ashish bears $30,000 \times 1/3 = \text{Rs } 10,000$.

Step 3: Record the goodwill adjustment Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Vibha's Capital A/c Dr.		20,000	
	Ashish's Capital A/c Dr.		10,000	
	To Sudha's Capital A/c			30,000
	(Being Sudha's share of goodwill adjusted through the gaining partners' capital accounts in the ratio 2:1)			

This raises Sudha's capital claim to Rs 1,15,000. The question asks only for the goodwill entry; payment is a separate transaction.

Step 4: Conclusion Debit Vibha's Capital Account by Rs 20,000 and Ashish's Capital Account by Rs 10,000; credit Sudha's Capital Account by Rs 30,000.

Quick Tip to Solve: Treat the excess settlement as the retiring partner's own goodwill share; charge it only to the gaining partners.

20. Mita, Geeta and Mohit were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2022, they mutually agreed to share profits and losses in the ratio of 2:2:1. It was agreed that:

(i) Goodwill of the firm was valued at Rs. 1,40,000.

(ii) Profit on revaluation of assets and re-assessment of liabilities amounted to Rs. 1,20,000.

Pass necessary journal entries for the above transactions in the books of the firm. Show your working notes clearly. [3 marks]

Solution:

Concept:

- For each partner, sacrificing share equals old share less new share. A negative sacrifice is a gain, and the gaining partner compensates the sacrificing partner for goodwill.
- Revaluation profit belongs to the partners in their old profit-sharing ratio because it arises before the change in ratio.

Step 1: Working note: determine sacrifice and gain Express both ratios with denominator 10:

	Mita	Geeta	Mohit
Old share	$5/10$	$3/10$	$2/10$
New share	$4/10$	$4/10$	$2/10$
Old less new	$1/10$	$-1/10$	0

Mita sacrifices $1/10$, Geeta gains $1/10$, and Mohit's share is unchanged. Accordingly Geeta compensates Mita by $1,40,000 \times 1/10 = \text{Rs } 14,000$. Mohit has no goodwill adjustment.

Step 2: Working note: distribute revaluation profit The revaluation profit of Rs 1,20,000 is credited in the old ratio $5 : 3 : 2$:

$$\text{Mita} = 1,20,000 \times \frac{5}{10} = \text{Rs } 60,000,$$

$$\text{Geeta} = 1,20,000 \times \frac{3}{10} = \text{Rs } 36,000,$$

$$\text{Mohit} = 1,20,000 \times \frac{2}{10} = \text{Rs } 24,000.$$

The three credits total Rs 1,20,000, equal to the profit being distributed.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2022	Geeta's Capital A/c Dr.		14,000	
	To Mita's Capital A/c			14,000
	(Being goodwill adjusted for Geeta's gain and Mita's sacrifice of 1/10 each)			
1 Apr. 2022	Revaluation A/c Dr.		1,20,000	
	To Mita's Capital A/c			60,000
	To Geeta's Capital A/c			36,000
	To Mohit's Capital A/c			24,000
	(Being revaluation profit distributed among the partners in their old ratio 5:3:2)			

No individual asset or liability entry can be specified because only the net revaluation profit is given.

Step 4: Conclusion Geeta compensates Mita by Rs 14,000 for goodwill. Revaluation profit is credited to Mita, Geeta and Mohit by Rs 60,000, Rs 36,000 and Rs 24,000 respectively.

Quick Tip to Solve: Use old minus new for goodwill compensation, but use the old ratio alone when distributing the revaluation profit.

21. Saraswati Ltd. has an authorised capital of Rs. 10,00,000 divided into equity shares of Rs. 10 each. Subscribed and fully paid up share capital of the company was Rs. 4,00,000. To meet its new financial requirements, the company issued 20,000 equity shares of Rs. 10 each which were payable as follows: Rs. 3 on application; Rs. 3 on allotment, Rs. 2 on first call and Rs. 2 on second and final call. The issue was fully subscribed. The allotment money was payable on 1st May 2021, first call money on 1st August 2021 and final call on 1st October 2021. X whom 1000 shares were allotted, did not pay the allotment and call money; Y an allotee of 600 shares, did not pay the two calls; and Z whom 400 shares were allotted, did not pay the final call. Present the share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare Notes to Accounts for the same. [4 marks]

Solution:

Concept:

- Schedule III presents share capital under Shareholders' Funds. Its note discloses authorised, issued and subscribed capital separately.
- Calls in arrears are deducted from subscribed and called-up capital. Fully paid shares and subscribed shares not fully paid up are disclosed separately.

Step 1: Calculate calls in arrears All instalments have been called, making the called-up value Rs 10 per share. X owes allotment and both calls, Y owes both calls and Z owes only the final call.

Allottee	Arrears per share (Rs)	Total arrears (Rs)
X: 1,000 shares	$3+2+2=7$	7,000
Y: 600 shares	$2+2=4$	2,400
Z: 400 shares	2	800
Total		10,200

The existing capital represents $4,00,000/10 = 40,000$ fully paid shares. Of the fresh issue, $20,000 - 1,000 - 600 - 400 = 18,000$ shares are fully paid. Thus 58,000 shares are fully paid and 2,000 are not fully paid. No forfeiture is stated; all issued shares remain subscribed.

Step 2: Present the balance sheet extract and note Balance Sheet of Saraswati Ltd. (Extract, after the final call)

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	1	5,89,800

Notes to Accounts: Note 1 — Share Capital

Particulars	Amount (Rs)
Authorised: 1,00,000 equity shares of Rs 10 each	10,00,000
Issued: 60,000 equity shares of Rs 10 each	6,00,000
Subscribed and fully paid up: 58,000 equity shares of Rs 10 each	5,80,000
Subscribed but not fully paid up: 2,000 equity shares of Rs 10 each, fully called up	20,000
Less: Calls in arrears	(10,200)
Subscribed but not fully paid up, net	9,800
Total Share Capital	5,89,800

Issued capital includes the existing Rs 4,00,000 plus the new issue of Rs 2,00,000. The check is $4,00,000 + 2,00,000 - 10,200 =$ Rs $5,89,800$.

Step 3: Conclusion Share Capital is Rs 5,89,800: fully paid capital Rs 5,80,000 plus net partly paid capital Rs 9,800. Calls in arrears total Rs 10,200.

Quick Tip to Solve: Count the defaulting shares separately: disclose their full called-up value under subscribed but not fully paid up and then deduct arrears.

22. Meena, Beena and Veena were partners in a firm sharing profits and losses equally. Their balance sheet as on 31st March, 2022 was as follow:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital: Meena 1,50,000; Beena 1,00,000; Veena 75,000	3,25,000	Plant and Machinery	2,40,000
General Reserve	30,000	Stock	60,000
Sundry Creditors	30,000	Sundry debtors	35,000
		Cash at Bank	50,000
Total	3,85,000	Total	3,85,000

Veena died on 30th June, 2022. According to the partnership deed, the executors of the deceased partner were entitled to:

(i) Balance in Capital account.

(ii) Salary till the date of death @ Rs. 25,000 p.a.

(iii) Share of Goodwill calculated on the basis of twice the average profits of past three years.

(iv) Share of profit from the closure of last accounting year till the date of death on the basis of average of three completed years' profits before death.

(v) Profits for 2019-20, 2020-21 and 2021-22 were Rs. 1,20,000, Rs. 90,000 and Rs. 1,50,000 respectively.

Veena withdrew Rs. 15,000 on 1st June, 2022 for paying her daughter's school fees.

Prepare Veena's capital account to be rendered to her executors. [4 marks]

Solution:

Concept:

- A deceased partner is credited with the opening capital, share of accumulated reserves, goodwill, salary and profit up to death; drawings are debited.
- Average profit equals total past profits divided by the number of years. The period from 1 April to 30 June is three months, and Veena's profit share is one-third.

Step 1: Calculate the credits due to Veena The partners share profits equally, so Veena receives one-third of the General Reserve:

$$30,000 \times \frac{1}{3} = \text{Rs } 10,000.$$

The average annual profit is

$$\frac{1,20,000 + 90,000 + 1,50,000}{3} = \text{Rs } 1,20,000.$$

The firm's goodwill is twice this average, namely Rs 2,40,000. Veena's share is $2,40,000 \times \frac{1}{3} = \text{Rs } 80,000$. With Meena and Beena continuing equally, each bears Rs 40,000 of this adjustment; Veena's capital receives the full Rs 80,000. Salary up to death is $25,000 \times 3/12 = \text{Rs } 6,250$. Estimated profit for the three-month period is $1,20,000 \times 3/12 = \text{Rs } 30,000$; Veena's share is $30,000 \times \frac{1}{3} = \text{Rs } 10,000$. This profit is credited through Profit and Loss Suspense Account. Salary and the share of profit are

separate entitlements under the deed.

Step 2: Prepare Veena's Capital Account Veena's Capital Account (up to 30 June, 2022)

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Drawings	15,000	By Balance b/d	75,000	
	To Veena's Executors' A/c	1,66,250	By General Reserve	10,000	
			By Meena's Capital A/c	40,000	
			By Beena's Capital A/c	40,000	
			By Salary A/c	6,250	
			By P&L Suspense A/c	10,000	
	Total	1,81,250	Total	1,81,250	

The Rs 15,000 withdrawn on 1 June is deducted from the amount due. No interest on drawings is specified. The account is closed by transferring the net amount to Veena's Executors' Account; it is not carried forward as a continuing partner's balance. The computation is

$$75,000 + 10,000 + 80,000 + 6,250 + 10,000 - 15,000 = \text{Rs } 1,66,250.$$

Step 3: Conclusion Rs 1,66,250 is transferred to Veena's Executors' Account, and her Capital Account closes with equal totals of Rs 1,81,250.

Quick Tip to Solve: Include the deceased partner's share of General Reserve even when the entitlement list does not repeat it; prorate salary and profit only up to death.

23. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Tina and Rina after various assets (other than cash) and external liabilities have been transferred to Realisation Account:

(i) An unrecorded asset of Rs. 18,000 was taken over by Tina at Rs. 16,000.

(ii) Rina agreed to pay her brother's loan of Rs. 23,000.

(iii) Stock of Rs. 30,000 was taken over by a creditor of Rs. 40,000 in full settlement.

(iv) Expenses of dissolution Rs. 40,000 were paid by Rina.

(v) Creditors were paid Rs. 18,800 in full settlement of their account of Rs. 20,000.

(vi) Tina's loan of Rs. 15,000 was paid through a cheque. [6 marks]

Solution:

Concept:

- Once assets and external liabilities are transferred, receipts and payments relating to them pass through Realisation Account.
- An asset taken over by a partner is debited to that partner's Capital Account; a liability assumed or firm expense paid personally is credited to that partner's Capital Account.

- A partner's loan is discharged directly through the Loan Account and Bank Account.

Step 1: (i) Unrecorded asset taken over by Tina The unrecorded asset has no book balance to transfer. Debit Tina's Capital Account with the agreed takeover value, Rs 16,000, and credit Realisation Account with that value. The stated Rs 18,000 does not determine the entry.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tina's Capital A/c Dr.		16,000	
	To Realisation A/c			16,000
	(Being unrecorded asset taken over by Tina at agreed value)			

Step 2: (ii) Loan assumed by Rina Her brother's loan is an external liability and has already been transferred to Realisation Account. Since Rina assumes the obligation, credit her Capital Account and debit Realisation Account; no cash leaves the firm.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		23,000	
	To Rina's Capital A/c			23,000
	(Being brother's loan assumed by Rina)			

Step 3: (iii) Stock taken over by a creditor No journal entry is required. Both the stock of Rs 30,000 and the creditor of Rs 40,000 have already been transferred to Realisation Account. Their direct settlement creates no further cash movement or partner adjustment. Do not record the Rs 10,000 difference separately: it is already reflected through the balances transferred to Realisation Account.

Step 4: (iv) Dissolution expenses paid by Rina The expenses are a cost borne by the firm. Debit Realisation Account and credit Rina's Capital Account because she paid them personally and is entitled to adjustment in her capital balance.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		40,000	
	To Rina's Capital A/c			40,000
	(Being dissolution expenses paid by Rina on behalf of the firm)			

Step 5: (v) Creditors paid in settlement The liability was already transferred to Realisation Account, so debit that account with the actual payment of Rs 18,800. The saving of Rs 1,200 is not entered separately; it emerges in the overall realisation result.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		18,800	
	To Bank A/c			18,800
	(Being creditors settled by payment of Rs 18,800)			

Step 6: (vi) Tina's loan repaid A partner's loan is settled separately from external liabilities; it is not transferred to Realisation Account. Debit Tina's Loan Account to close the liability and credit Bank Account for the cheque issued.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tina's Loan A/c Dr.		15,000	
	To Bank A/c			15,000
	(Being Tina's loan repaid by cheque)			

Step 7: Conclusion The five journal entries above record transactions (i), (ii), (iv), (v) and (vi). Transaction (iii) requires no entry because the transferred stock directly settles the transferred creditor.

Quick Tip to Solve: After transfers, use actual settlement amounts; a creditor taking over transferred stock directly needs no fresh entry.

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

(i) Issued Rs. 75,00,000, 9% debentures of Rs. 100 each at a premium of 10% redeemable at a premium of 5% after 3 years.

(ii) Issued 8,000, 9% debentures of Rs. 100 each at a discount of 6% redeemable at a premium of 3% after 5 years.

(iii) Issued 90,000, 9% debentures of Rs. 100 each at par, redeemable at par after 4 years. [6 marks]

Solution:

Concept:

- Credit Debentures Account with face value: number issued multiplied by nominal value per debenture.
- Bank receipts equal nominal value plus issue premium or less issue discount. Credit any issue premium to Securities Premium Account.
- Loss on issue equals issue discount plus premium payable on redemption. Credit the redemption premium separately when the debentures are issued.

Step 1: (i) Issue at premium and redemption at premium The nominal value is Rs 75,00,000, representing $75,00,000/100 = 75,000$ debentures. Issue premium is $75,00,000 \times 10\% =$ Rs $7,50,000$, giving bank receipts of Rs 82,50,000. Redemption premium is $75,00,000 \times 5\% =$ Rs $3,75,000$. It is recognised as a loss on issue and a liability when the debentures are issued.

Journal (case i)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		82,50,000	
	Loss on Issue of Debentures A/c Dr.		3,75,000	
	To 9% Debentures A/c			75,00,000
	To Securities Premium A/c			7,50,000
	To Premium on Redemption of Debentures A/c			3,75,000
	(Being debentures issued at 10% premium, redeemable at 5% premium)			

Total debit and credit are each Rs 86,25,000.

Step 2: (ii) Issue at discount and redemption at premium The nominal value is $8,000 \times 100 =$ Rs $8,00,000$. Discount on issue is $8,00,000 \times 6\% =$ Rs $48,000$, so bank receives Rs 7,52,000. Re-

demption premium is $8,00,000 \times 3\% =$ Rs $24,000$. Total loss on issue is the discount plus redemption premium, $48,000 + 24,000 =$ Rs $72,000$.

Journal (case ii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,52,000	
	Loss on Issue of Debentures A/c Dr.		72,000	
	To 9% Debentures A/c			8,00,000
	To Premium on Redemption of Debentures A/c			24,000
	(Being debentures issued at 6% discount, redeemable at 3% premium)			

Total debit and credit are each Rs 8,24,000.

Step 3: (iii) Issue at par and redemption at par The nominal value is $90,000 \times 100 =$ Rs $90,00,000$. The issue price equals face value, so the bank receipt equals the debenture liability. As redemption is also at par, there is no loss on issue and no premium on redemption to recognise.

Journal (case iii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		90,00,000	
	To 9% Debentures A/c			90,00,000
	(Being 90,000 debentures of Rs 100 each issued at par, redeemable at par)			

The 9% rate determines later interest, not the issue proceeds. The future redemption dates do not create a redemption payment entry now.

Step 4: Conclusion Bank is debited by Rs 82,50,000, Rs 7,52,000 and Rs 90,00,000 respectively. Loss on Issue of Debentures is Rs 3,75,000 in case (i), Rs 72,000 in case (ii), and nil in case (iii).

Quick Tip to Solve: Calculate face value first, then keep issue premium separate from redemption premium; only discount and redemption premium form loss on issue.

25(a). Ganga Ltd. invited applications for issuing 10,000 equity shares of Rs. 10 each. The amount per share was payable as follows: Rs. 2 on application, Rs. 3 on allotment, Rs. 3 on first call and Rs. 2 on second and final call.

Applications were received for 15,000 shares. The applications for 3,000 shares were rejected and application money refunded. The shares were allotted on pro-rata basis to the applicants of 12,000 shares. Excess money received with applications was adjusted towards sums due on allotment. All shareholders paid the allotment money except one shareholder who was allotted 200 shares. These shares were forfeited. The first call was made thereafter and duly received. The second and final call was not yet made.

Pass Journal entries for the above transactions in the books of Ganga Ltd. Open Calls-in-Arrears Account wherever required. [6 marks]

Solution:

Concept:

- Pro-rata allotment adjusts excess application money against allotment; only the net unpaid allotment becomes calls in arrears.
- On forfeiture, debit Share Capital with called-up capital and credit Share Forfeiture with capital money already received. Uncalled capital is excluded.

Step 1: Calculate pro-rata adjustment and arrears The allotment ratio is $10,000 : 12,000 = 5 : 6$. Application receipts are $15,000 \times 2 =$ Rs $30,000$. Refund on rejected applications is $3,000 \times 2 =$ Rs $6,000$. Accepted application money is Rs 24,000, of which Rs 20,000 is capital and Rs 4,000 adjusts allotment. Thus net allotment receivable is $30,000 - 4,000 =$ Rs $26,000$.

The holder allotted 200 shares applied for $200 \times 6/5 = 240$ shares and paid Rs 480. Of this, Rs 400 is application capital and Rs 80 is adjusted against allotment. His arrears are $200 \times 3 - 80 =$ Rs 520, leaving bank receipts of $26,000 - 520 =$ Rs $25,480$.

Step 2: Record application and allotment Journal of Ganga Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		30,000	
	To Share Application A/c			30,000
	(Being application money received on 15,000 shares at Rs 2 per share)			
	Share Application A/c Dr.		30,000	
	To Share Capital A/c			20,000
	To Share Allotment A/c			4,000
	To Bank A/c			6,000
	(Being application money transferred, excess adjusted and rejected applications refunded)			
	Share Allotment A/c Dr.		30,000	
	To Share Capital A/c			30,000
	(Being allotment due on 10,000 shares at Rs 3 per share)			

Step 3: Record forfeiture and the subsequent first call At forfeiture, only application and allotment have been called: $200 \times (2 + 3) =$ Rs $1,000$. Capital money received is Rs 480, including the Rs 80 excess application adjustment. After forfeiture, the first call applies to $10,000 - 200 = 9,800$ shares,

giving $9,800 \times 3 = \text{Rs } 29,400$. The unmade final call requires no entry.

Journal of Ganga Ltd. (receipt, forfeiture and first call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		25,480	
	Calls-in-Arrears A/c Dr.		520	
	To Share Allotment A/c			26,000
	(Being allotment received except arrears)			
	Share Capital A/c Dr.		1,000	
	To Calls-in-Arrears A/c			520
	To Share Forfeiture A/c			480
	(Being 200 shares forfeited for unpaid allotment)			
	Share First Call A/c Dr.		29,400	
	To Share Capital A/c			29,400
	(Being first call due on 9,800 shares at Rs 3 each)			
	Bank A/c Dr.		29,400	
	To Share First Call A/c			29,400
	(Being first call received in full)			

Step 4: Conclusion The journal records allotment arrears of Rs 520, Share Forfeiture of Rs 480 and first-call receipt of Rs 29,400. The second and final call remains uncalled.

Quick Tip to Solve: For the defaulting pro-rata allottee, first reconstruct shares applied for; excess application money reduces the allotment arrears and increases capital received at forfeiture.

OR

25(b). Mukund Ltd. invited applications for issuing 50,000 equity shares of Rs. 10 each at 10% premium. The amount per share was payable as follows: Rs. 3 on application, Rs. 3 (including premium) on allotment and balance amount on first and final call. Applications were received for 1,20,000 shares and shares were allotted on pro-rata basis to all the applicants. The excess money received on application was adjusted towards sums due on allotment only. Application money in excess to sums due on allotment was refunded. A shareholder who had applied for 6,000 shares, could not pay the call money and his shares were forfeited.

Pass necessary Journal entries for the above transactions in the books of Mukund Ltd. [6 marks]

Solution:

Concept:

- Issue price equals face value plus premium: here Rs 11 per share. The premium of Rs 1 is included in the allotment instalment.
- Excess application money adjusts allotment only; any further surplus is refunded, so no application surplus is carried into the call.
- Forfeiture credits only capital already received. Premium already received is retained in Securities Premium Reserve.

Step 1: Calculate application adjustment and refund The pro-rata allotment ratio is $50,000 : 1,20,000 = 5 : 12$. Total application money is $1,20,000 \times 3 = \text{Rs } 3,60,000$. Capital due on ap-

plication is $50,000 \times 3 =$ Rs $1,50,000$, giving excess application money of Rs 2,10,000. Allotment due is Rs 1,50,000, comprising capital Rs 1,00,000 and premium Rs 50,000. Therefore Rs 1,50,000 adjusts allotment and $2,10,000 - 1,50,000 =$ Rs $60,000$ is refunded. No separate bank receipt is needed for allotment.

Step 2: Record application and allotment Journal of Mukund Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,60,000	
	To Share Application A/c			3,60,000
	(Being applications received for 1,20,000 shares at Rs 3 each)			
	Share Application A/c Dr.		3,60,000	
	To Share Capital A/c			1,50,000
	To Share Allotment A/c			1,50,000
	To Bank A/c			60,000
	(Being application money transferred, allotment adjusted and surplus refunded)			
	Share Allotment A/c Dr.		1,50,000	
	To Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			50,000
	(Being allotment due including premium of Rs 1 per share)			

Step 3: Determine call default and record forfeiture The first and final call is $11 - 3 - 3 =$ Rs 5 per share. The applicant for 6,000 shares receives $6,000 \times 5/12 = 2,500$ shares. His Rs 18,000 application payment covers application capital Rs 7,500 and allotment Rs 7,500, with Rs 3,000 refunded. Allotment includes capital Rs 5,000 and premium Rs 2,500. Thus capital received on his shares is $7,500 + 5,000 =$ Rs $12,500$.

The unpaid call is $2,500 \times 5 =$ Rs $12,500$. Total call due is Rs 2,50,000 and bank receipt is Rs 2,37,500. Since the premium has already been received through adjustment, it is not reversed on forfeiture.

Journal of Mukund Ltd. (call and forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		2,50,000	
	To Share Capital A/c			2,50,000
	(Being call due on 50,000 shares at Rs 5 each)			
	Bank A/c Dr.		2,37,500	
	To Share First and Final Call A/c			2,37,500
	(Being call received except on 2,500 shares)			
	Share Capital A/c Dr.		25,000	
	To Share First and Final Call A/c			12,500
	To Share Forfeiture A/c			12,500
	(Being 2,500 fully called shares forfeited for non-payment of call)			

Step 4: Conclusion The surplus application refund is Rs 60,000. Forfeiture of 2,500 shares debits Share Capital Rs 25,000 and credits unpaid call and Share Forfeiture Rs 12,500 each.

Quick Tip to Solve: Subtract application and allotment from the Rs 11 issue price to obtain the call; exclude the premium when calculating the forfeiture credit.

26(a). **Madhav and Girdhari were partners in a firm sharing profits and losses in the ratio of 3:1. Their balance sheet as at 31st March, 2022 was as follows:**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital: Madhav 3,00,000; Girdhari 2,00,000	5,00,000	Machinery	4,70,000
Workmen's compensation fund	60,000	Investment	1,10,000
Creditors	1,90,000	Debtors 1,20,000 Less: Provision for doubtful debts 10,000	1,10,000
Employee's Provident fund	1,10,000	Stock	1,40,000
		Cash	30,000
Total	8,60,000	Total	8,60,000

On 1st April, 2022, they admitted Jyoti into partnership for 1/4th share in the profits of the firm. Jyoti brought Rs. 1,86,000 as her capital and Rs. 40,000 as her share of goodwill premium in cash. The following terms were agreed upon:

(i) Stock was found undervalued by Rs. 23,000.

(ii) 20% of the investments were taken over by Girdhari at book value.

(iii) Claim on account of workmen's compensation amounted to Rs. 70,000, which was to be paid later.

(iv) Creditors included a sum of Rs. 27,000 which was not likely to be claimed.

Prepare Revaluation A/c and Partners' Capital Accounts on Jyoti's admission. [6 marks]

Solution:

Concept:

- Revaluation records changes in assets and outside liabilities; its profit belongs to the old partners Madhav and Girdhari in their old ratio of $3:1$.
- The compensation fund first meets the compensation claim. Only the excess claim over the fund is a revaluation loss.
- Goodwill premium compensates sacrificing partners. With no change specified between the old partners, they sacrifice in $3:1$. Taking an investment at book value directly debits the partner's capital.

Step 1: Calculate revaluation adjustments Stock increases by Rs 23,000, and creditors decrease by Rs 27,000; both are credited to Revaluation Account. The compensation claim is Rs 70,000 against a fund of Rs 60,000, so the additional liability charged to revaluation is Rs 10,000. The existing fund is transferred to the compensation claim, which remains payable. Thus revaluation profit is $23,000 + 27,000 - 10,000 = \text{Rs } 40,000$, distributed as Madhav Rs 30,000 and Girdhari Rs 10,000. Employee's Provident Fund is an outside liability and is not distributed.

Step 2: Prepare Revaluation Account Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Workmen's compensation claim	10,000	By Stock	23,000
To Madhav's Capital A/c	30,000	By Creditors	27,000
To Girdhari's Capital A/c	10,000		
Total	50,000	Total	50,000

Step 3: Work out goodwill and investment adjustments Jyoti brings Rs 1,86,000 capital plus Rs 40,000 goodwill premium, a total cash receipt of Rs 2,26,000. Goodwill premium is credited to Madhav $40,000 \times 3/4 = \text{Rs } 30,000$ and Girdhari $40,000 \times 1/4 = \text{Rs } 10,000$. Girdhari takes investments of $1,10,000 \times 20\% = \text{Rs } 22,000$; debit his capital by that amount. This takeover produces no revaluation gain or loss because the price equals book value.

Step 4: Prepare Partners' Capital Accounts Madhav's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Balance c/d	3,60,000	By Balance b/d	3,00,000
		By Revaluation A/c	30,000
		By Premium for goodwill A/c	30,000
Total	3,60,000	Total	3,60,000

Girdhari's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Investments	22,000	By Balance b/d	2,00,000
To Balance c/d	1,98,000	By Revaluation A/c	10,000
		By Premium for goodwill A/c	10,000
Total	2,20,000	Total	2,20,000

Jyoti's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Balance c/d	1,86,000	By Cash	1,86,000
Total	1,86,000	Total	1,86,000

Step 5: Conclusion After admission, the capital balances are Madhav Rs 3,60,000, Girdhari Rs 1,98,000 and Jyoti Rs 1,86,000. Revaluation profit is Rs 40,000.

Quick Tip to Solve: Use only the excess compensation claim in revaluation, and charge a book-value asset takeover directly to the partner.

OR

26(b). Radhika, Ridhima and Rupanshi were partners in a firm sharing profits and losses in the ratio of 3:5:2. On 31st March, 2022, their balance sheet was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	60,000	Cash	50,000
General Reserve	40,000	Stock	80,000
Capitals: Radhika 3,00,000 Ridhima 2,00,000 Rupanshi 1,00,000	6,00,000	Debtors	40,000
		Investments	30,000
		Buildings	5,00,000
Total	7,00,000	Total	7,00,000

Ridhima retired on the above date and it was agreed that:

(i) Goodwill of the firm be valued at Rs. 3,00,000.

(ii) Building was valued at Rs. 6,20,000.

(iii) Capital of the new firm was fixed at Rs. 5,00,000, which will be in the new profit sharing ratio of the partners; the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

Prepare Revaluation Account and Partners' Capital Accounts on Ridhima's retirement. [6 marks]

Solution:

Concept:

- Revaluation profit and accumulated reserves are distributed to all existing partners in the old profit-sharing ratio $3:5:2$.
- In the absence of another agreement, continuing partners retain their relative shares; Radhika and Rupanshi share in $3:2$, which is also their gaining ratio.
- The retiring partner's share of goodwill is credited to her capital and debited to gaining partners. Capital differences are transferred to current accounts when so required.

Step 1: Determine goodwill and reserve adjustments The new ratio of Radhika and Rupanshi is $3:2$. Their gains are $3/5 - 3/10 = 3/10$ and $2/5 - 2/10 = 2/10$, respectively. Ridhima's goodwill share is $3,00,000 \times 5/10 =$ Rs $1,50,000$. Debit Radhika by Rs 90,000 and Rupanshi by Rs 60,000, and credit Ridhima by Rs 1,50,000. General reserve of Rs 40,000 is credited to Radhika Rs 12,000, Ridhima Rs 20,000 and Rupanshi Rs 8,000.

Step 2: Prepare Revaluation Account The building appreciates by $6,20,000 - 5,00,000 =$ Rs $1,20,000$. Distribute this profit in the old ratio: Radhika Rs 36,000, Ridhima Rs 60,000 and Rupanshi Rs 24,000.
Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Radhika's Capital A/c	36,000	By Building	1,20,000
To Ridhima's Capital A/c	60,000		
To Rupanshi's Capital A/c	24,000		
Total	1,20,000	Total	1,20,000

Step 3: Calculate adjusted capitals and current-account transfers Adjusted capital balances before settlement are Radhika $3,00,000 + 12,000 + 36,000 - 90,000 =$ Rs $2,58,000$, Ridhima $2,00,000 + 20,000 + 60,000 + 1,50,000 =$ Rs $4,30,000$, and Rupanshi $1,00,000 + 8,000 + 24,000 - 60,000 =$ Rs $72,000$. Required continuing capitals are $5,00,000 \times 3/5 =$ Rs $3,00,000$ and $5,00,000 \times 2/5 =$ Rs $2,00,000$. Credit their capital accounts by Rs 42,000 and Rs 1,28,000, respectively, debiting their current accounts. Since no immediate payment to Ridhima is specified, transfer her amount due to her Loan Account.

Step 4: Prepare Partners' Capital Accounts Radhika's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Ridhima's Capital A/c	90,000	By Balance b/d	3,00,000
To Balance c/d	3,00,000	By General Reserve	12,000
		By Revaluation A/c	36,000
		By Current A/c	42,000
Total	3,90,000	Total	3,90,000

Ridhima's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Ridhima's Loan A/c	4,30,000	By Balance b/d	2,00,000
		By General Reserve	20,000
		By Revaluation A/c	60,000
		By Radhika's Capital A/c	90,000
		By Rupanshi's Capital A/c	60,000
Total	4,30,000	Total	4,30,000

Rupanshi's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Ridhima's Capital A/c	60,000	By Balance b/d	1,00,000
To Balance c/d	2,00,000	By General Reserve	8,000
		By Revaluation A/c	24,000
		By Current A/c	1,28,000
Total	2,60,000	Total	2,60,000

Step 5: Conclusion Revaluation profit is Rs 1,20,000; Ridhima is due Rs 4,30,000. Final capitals are Radhika Rs 3,00,000 and Rupanshi Rs 2,00,000; their current accounts have debit balances Rs 42,000 and Rs 1,28,000 respectively.

Quick Tip to Solve: Distribute reserve and revaluation first, adjust goodwill next, then compare continuing capitals with the required total.

Part B (20 marks)

Option – I (Analysis of Financial Statements)

27(A). Which of the following is a tool of Analysis of Financial Statements? [1 mark]

(A) Statement of Profit & Loss

(B) Ratio Analysis

(C) Balance Sheet

(D) Notes to Accounts

Correct Answer: (B) Ratio Analysis

Solution:

Concept:

- Financial statement analysis uses techniques to interpret the figures contained in financial statements.
- Ratio analysis expresses meaningful relationships between financial figures, such as current assets and current liabilities.

Step 1: Identify the analytical tool Ratio analysis computes and interprets relationships between accounting figures to assess liquidity, solvency, profitability and efficiency. Therefore it is a tool used to analyse financial statements.

Step 2: Check the remaining choices Option (A), the Statement of Profit & Loss, reports income, expenses and profit. Option (C), the Balance Sheet, reports assets, liabilities and equity. Option (D), Notes to Accounts, gives supporting details and accounting policies. These supply information for analysis; none names the analytical technique asked for.

Step 3: Conclusion The correct option is (B): Ratio Analysis.

Quick Tip to Solve: Choose the technique that interprets statement figures; the statements and notes themselves supply the source data.

OR

27(B). _____ ratios are calculated to determine the ability of the business to service its debt in the long run. [1 mark]

(A) Profitability

(B) Solvency

(C) Liquidity

(D) Turnover

Correct Answer: (B) Solvency

Solution:

Concept:

- Solvency ratios assess the ability of a business to meet its long-term financial obligations.

- Liquidity ratios assess short-term payment capacity; profitability and turnover ratios assess earnings and operating efficiency respectively.

Step 1: Identify the time horizon The question asks about servicing debt in the long run. This concerns the long-term financial soundness of the business and therefore calls for solvency ratios.

Step 2: Check the alternatives Profitability ratios concern profit earning capacity, while turnover ratios concern how efficiently assets are used. Liquidity ratios concern short-term obligations. Only solvency directly addresses the long-term debt-servicing ability specified.

Step 3: Conclusion Solvency ratios fill the blank. Hence, the correct option is (B).

Quick Tip to Solve: Underline "long run": it points to solvency; short-term payment ability points to liquidity.

28. The 'Inventory Turnover Ratio' from the following information will be:

Revenue from operations Rs. 12,00,000

Average Inventory Rs. 2,00,000

Gross loss ratio 20% [1 mark]

(A) 6 times

(B) 5 times

(C) 7.2 times

(D) 3 times

Correct Answer: (C) 7.2 times

Solution:

Concept:

- Inventory turnover ratio equals cost of revenue from operations divided by average inventory.
- Gross loss means that cost of revenue from operations exceeds revenue; gross loss ratio is gross loss divided by revenue, multiplied by 100.

Step 1: Calculate the gross loss and cost Gross loss $= 12,00,000 \times 20/100 =$ Rs $2,40,000$. Therefore, cost of revenue from operations $= 12,00,000 + 2,40,000 =$ Rs $14,40,000$. The loss is added to sales because cost exceeds sales.

Step 2: Calculate and check the ratio

$$\text{Inventory turnover ratio} = \frac{14,40,000}{2,00,000} = 7.2 \text{ times}.$$

The value 6 times wrongly uses sales instead of cost. Neither 5 times nor 3 times follows from the given cost and average inventory.

Step 3: Conclusion The inventory turnover ratio is 7.2 times. Hence, the correct option is (C).

Quick Tip to Solve: With a gross loss, add the loss to revenue before dividing cost by average inventory.

29(A). Interest of Rs. 3,000 received in cash on loans and advances will result in: [1 mark]

(A) cash inflow from operating activities.

(B) cash inflow from investing activities.

(C) cash inflow from financing activities.

(D) No change in cash or cash equivalents.

Correct Answer: (B) cash inflow from investing activities.

Solution:

Concept:

- For a non-financial enterprise, interest received on loans and advances is a cash inflow from investing activities.
- A cash receipt increases cash; its classification depends on the activity generating it.

Step 1: Identify the receipt The business receives Rs 3,000 in cash as a return on loans and advances made. Under the usual classification for a non-financial enterprise, this return belongs to investing activities.

Step 2: Check the alternatives It is not financing inflow because it does not raise capital or borrowings. It is not operating inflow under this classification, and it cannot produce no change in cash because cash of Rs 3,000 has actually been received.

Step 3: Conclusion Cash inflow from investing activities is Rs 3,000. Hence, the correct option is (B).

Quick Tip to Solve: Interest received on a loan made is an investing inflow for a non-financial enterprise.

OR

29(B). In case of a financial enterprise whose main business is lending and borrowing, 'interest paid' and 'interest received' are classified as: [1 mark]

(A) Operating activities

(B) Investing activities

(C) Financing activities

(D) Cash equivalents

Correct Answer: (A) Operating activities

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of an enterprise.
- For a financial enterprise, interest paid and interest received arise from its ordinary lending and borrowing business.

Step 1: Apply the nature of the business The enterprise is expressly engaged in lending and borrowing as its main business. Interest received is ordinary revenue from lending, while interest paid is an ordinary expense of obtaining funds for that business.

Step 2: Classify both cash flows Both interest receipts and interest payments are therefore operating cash flows. Investing and financing classifications applicable to such interest in a non-financial enterprise do not apply here. Cash equivalents are assets, not the activity classification of these receipts and payments.

Step 3: Conclusion Both are classified as operating activities. Hence, the correct option is (A).

Quick Tip to Solve: Check whether lending and borrowing is the main business before classifying interest cash flows.

---

30. Which of the following transactions will not result in flow of cash: [1 mark]

(A) Cash withdrawn from the bank Rs. 7,000

(B) Issue of shares Rs. 20,00,000

(C) Purchase of investments Rs. 60,000

(D) Payment of wages Rs. 11,000

Correct Answer: (A) Cash withdrawn from the bank Rs. 7,000

Solution:

Concept:

- Cash includes cash in hand and demand deposits with banks.
- Transfers between components of cash do not change total cash and cash equivalents and are excluded from cash flows.

Step 1: Analyse the withdrawal Withdrawing Rs 7,000 from the bank increases cash in hand by Rs 7,000 and reduces the bank balance by the same amount. Their combined amount remains unchanged, so there is no flow of cash for cash flow statement purposes.

Step 2: Check the other transactions Issue of shares for cash brings a financing inflow of Rs 20,00,000. Purchase of investments for cash creates an investing outflow of Rs 60,000. Payment of wages creates an operating outflow of Rs 11,000. These transactions change total cash, unlike the bank withdrawal.

Step 3: Conclusion Cash withdrawn from the bank, Rs 7,000, does not result in a flow of cash. Hence, the correct option is (A).

Quick Tip to Solve: For a cash-to-bank or bank-to-cash transfer, add both balances: an unchanged total means no cash flow.

---

31. Under which major heads and sub-heads will the following items be presented in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013?

(i) Bills receivable

(ii) Securities premium reserve

(iii) Calls in advance [3 marks]

Solution:

Concept:

- Schedule III classifies balance-sheet items by their economic nature and their major head and sub-head.
- Trade receivables represent amounts due from customers; reserves are owners' funds, while amounts received before calls become due remain liabilities.

Step 1: Classify bills receivable Bills receivable arising from normal sales of goods or services are amounts receivable from customers. They appear under Current Assets, with the sub-head Trade Receivables. A bill formalises the debt; it does not change its trading nature.

Step 2: Classify securities premium reserve Securities premium reserve represents the premium collected over the face value of shares. It belongs to Shareholders' Funds under the sub-head Reserves and Surplus. It is neither sales revenue nor an outside liability.

Step 3: Classify calls in advance and present the classification Calls in advance are amounts received from shareholders before the company has called them. They are not added to called-up share capital. They appear under Current Liabilities, in Other Current Liabilities. The required presentation is:

Item	Major head	Sub-head
Bills receivable	Current Assets	Trade Receivables
Securities premium reserve	Shareholders' Funds	Reserves and Surplus
Calls in advance	Current Liabilities	Other Current Liabilities

Step 4: Conclusion Bills receivable: Current Assets–Trade Receivables; securities premium reserve: Shareholders' Funds–Reserves and Surplus; calls in advance: Current Liabilities–Other Current Liabilities.

Quick Tip to Solve: Distinguish called-up capital from advance receipts: calls received before becoming due remain a liability.

32. 'It is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the various items of balance sheet and the statement of profit and loss.' Identify the process and state any two objectives of the identified process. [3 marks]

Solution:

Concept:

- Analysis of financial statements establishes meaningful relationships between financial-statement items to evaluate financial performance and position.
- Its objectives include assessing earning capacity and the ability to meet financial obligations.

Step 1: Identify the process The process is Analysis of Financial Statements, also called Financial Statement Analysis. The definition refers to relating items of the Balance Sheet and Statement of Profit and Loss to reveal the strengths and weaknesses of the enterprise. Reading isolated figures alone does not provide this relationship-based assessment.

Step 2: State the first objective: assess profitability One objective is to assess the profitability or earning capacity of the enterprise. Analysis relates profits to sales, investment or capital employed to judge how successfully the business earns a return. Comparisons across periods help users determine whether earning performance is improving or deteriorating.

Step 3: State the second objective: assess financial position A second objective is to assess the financial position and ability to meet obligations. Analysis examines liquidity and solvency through relationships among assets, liabilities and owners' funds. This helps users judge whether short-term commitments and long-term debts can be met, and supports informed decisions by creditors, investors and management.

Step 4: Conclusion The process is Analysis of Financial Statements. Two objectives are to assess profitability and to assess the financial position, including liquidity and solvency.

Quick Tip to Solve: Use the clue "relationships between statement items" to identify analysis, then state objectives as assessments.

33(a). (i) Calculate Revenue from operations of 'BN Ltd.' from the following information:

Current Assets Rs. 8,00,000

Quick ratio 1.5:1

Current ratio 2:1

Inventory turnover ratio 6 times

Goods were sold at a profit of 25% on cost.

(ii) The operating ratio of a company is 60%. State whether 'purchase of goods costing Rs. 20,000' will increase, decrease or not change the operating ratio. [4 marks]

Solution:

Concept:

- Current ratio is current assets divided by current liabilities; quick ratio uses quick assets, excluding inventory and prepaid expenses.
- Inventory turnover ratio is cost of revenue from operations divided by average inventory. In the absence of separate opening and closing inventory figures, the inventory derived here is used for this calculation.
- Operating ratio is $\frac{\text{Cost of revenue from operations} + \text{Operating expenses}}{\text{Revenue from operations}} \times 100$. A purchase of unsold goods increases purchases and inventory equally.

Step 1: (i) Determine current liabilities and quick assets Using the current ratio of $2:1$,

$$\text{Current liabilities} = \frac{\text{Rs } 8,00,000}{2} = \text{Rs } 4,00,000.$$

The quick ratio is $1.5:1$, so quick assets are $1.5 \times$ Rs $4,00,000 =$ Rs $6,00,000$. Since no prepaid expenses are given, inventory is the difference between current assets and quick assets:

$$\text{Inventory} = \text{Rs } 8,00,000 - \text{Rs } 6,00,000 = \text{Rs } 2,00,000.$$

Step 2: (i) Apply inventory turnover and the profit on cost Inventory turnover is 6 times. Therefore,

$$\text{Cost of revenue from operations} = 6 \times \text{Rs } 2,00,000 = \text{Rs } 12,00,000.$$

Profit is 25% of cost, rather than 25% of sales. Hence gross profit is $25\% \times$ Rs $12,00,000 =$ Rs $3,00,000$. Revenue from operations is cost plus gross profit:

$$\text{Revenue} = \text{Rs } 12,00,000 + \text{Rs } 3,00,000 = \text{Rs } 15,00,000.$$

Step 3: (ii) Trace the purchase through operating cost Purchase of goods costing Rs 20,000 increases purchases and the inventory of goods by the same amount. In the expression opening inventory plus purchases less closing inventory, these two increases cancel. Thus the cost of goods sold does not change merely because goods are purchased. Neither revenue from operations nor operating expenses changes. Consequently both the numerator and denominator of the operating ratio remain unchanged.

Step 4: Conclusion (i) Revenue from operations of BN Ltd. is $\boxed{\text{Rs } 15,00,000}$. (ii) The operating ratio does not change and remains $\boxed{60\%}$.

Quick Tip to Solve: First derive inventory from the two liquidity ratios; when profit is on cost, multiply cost by 1.25 to obtain sales.

OR

33(b). The debt equity ratio of M Ltd. is 2:1. State with reasons whether the following transactions will increase, decrease or not change the debt equity ratio:

(i) Obtained a loan from ICICI Bank Rs. 1,00,000 payable after 5 yrs.

(ii) Purchased machinery for cash Rs. 1,50,000.

(iii) Redeemed 9% debentures Rs. 1,00,000.

(iv) Issued equity shares for purchase of machinery of Rs. 5,00,000 to the vendors. [4 marks]

Solution:

Concept:

- Debt-equity ratio is $\dfrac{\text{Long-term debt}}{\text{Shareholders' funds}}$. A loan repayable after five years and debentures are long-term debt.
- Equity share capital forms part of shareholders' funds. An exchange of one asset for another does not itself alter either long-term debt or shareholders' funds.

Step 1: Establish the base for comparison Let the original shareholders' funds be E, where $E > 0$.

Since the given debt-equity ratio is $2:1$, original long-term debt is $2E$. Consider each transaction independently against this original ratio. The effect depends on whether the transaction changes the numerator, the denominator, both or neither; a movement in total assets alone does not determine this ratio.

Step 2: (i) Obtain the five-year bank loan The ICICI Bank loan of Rs 1,00,000 is repayable after five years, so it increases long-term debt. Shareholders' funds remain unchanged. The revised ratio is

$$\frac{2E + 1,00,000}{E} = 2 + \frac{1,00,000}{E} > 2.$$

Therefore, obtaining this loan increases the debt-equity ratio. The additional cash received is an asset; it does not constitute equity capital.

Step 3: (ii) Purchase machinery for cash Machinery increases by Rs 1,50,000 while cash decreases by Rs 1,50,000. This is an exchange between two assets. No long-term borrowing is raised and no shareholders' funds are created or extinguished. Consequently the ratio remains $2E/E = 2:1$, so there is no change.

Step 4: (iii) Redeem the debentures Redemption of 9% debentures of Rs 1,00,000 reduces long-term debt by that amount. The payment reduces cash but does not change shareholders' funds. The revised ratio is

$$\frac{2E - 1,00,000}{E} = 2 - \frac{1,00,000}{E} < 2.$$

Hence the debt-equity ratio decreases. The 9% coupon rate does not affect this comparison of the principal balances.

Step 5: (iv) Issue equity shares to the machinery vendors Machinery increases by Rs 5,00,000, and the issue of equity shares increases shareholders' funds by Rs 5,00,000. Long-term debt remains $2E$. Therefore the revised ratio is

$$\frac{2E}{E + 5,00,000} < \frac{2E}{E} = 2.$$

The larger denominator with the same numerator makes the debt-equity ratio decrease, even though no cash is received in this issue.

Step 6: Conclusion The debt-equity ratio (i) increases, (ii) does not change and remains $2:1$, (iii) decreases, and (iv) decreases.

Quick Tip to Solve: Track long-term debt and shareholders' funds separately; a cash purchase of machinery changes assets alone.

34. Read the following hypothetical text and answer the given question on the basis of the same.

Sujata started a small enterprise under the 'Skill India Scheme'. As the business grew, the revenue started increasing and she decided to form 'Sujata Ltd.' to achieve her objectives with 10 other like minded persons. The financial position of the company is given in its Balance Sheet as at 31.3.2022:

Balance Sheet of Sujata Ltd. as at 31st March, 2022

Particulars	Note No.	31.3.2022 (Rs.)	31.3.2021 (Rs.)
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Equity share capital		20,00,000	17,00,000
(b) Reserves and Surplus (Statement of Profit and Loss)		3,00,000	4,00,000
2. Non-current Liabilities			
Long term Borrowings		3,00,000	2,00,000
3. Current Liabilities			
Trade payables		50,000	25,000
Total		26,50,000	23,25,000
II. Assets			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets		8,00,000	9,00,000
(ii) Intangible Assets		5,00,000	2,00,000
(b) Non-current Investments		3,00,000	4,00,000
2. Current Assets			
(a) Inventories		4,00,000	5,00,000
(b) Trade Receivables		1,50,000	1,25,000
(c) Cash & Cash equivalents		5,00,000	2,00,000
Total		26,50,000	23,25,000

Additional Information:

Depreciation of Rs. 1,00,000 was charged on Tangible Assets during the year.

On the basis of the above information prepare the 'Cash Flow Statement' of Sujata Ltd. [6 marks]

Solution:

Concept:

- Under the indirect method, non-cash expenses are added to net profit or loss before changes in working capital.
- Purchases and sales of long-term assets belong to investing activities; share issues and borrowings belong to financing activities.
- Net change in cash equals operating cash flow plus investing cash flow plus financing cash flow.

Step 1: Determine the net loss and non-cash adjustment The Statement of Profit and Loss balance falls from Rs 4,00,000 to Rs 3,00,000. With no appropriation or other adjustment stated, this represents a net loss of Rs 1,00,000. Depreciation of Rs 1,00,000 is a non-cash expense and is added back. Hence operating profit before working-capital changes is nil:

$$-1,00,000 + 1,00,000 = 0.$$

The decrease in inventories releases Rs 1,00,000, the increase in trade receivables absorbs Rs 25,000, and the increase in trade payables supplies Rs 25,000.

Step 2: Work out investing and financing movements Tangible assets require no net cash adjustment: opening book value Rs 9,00,000 less depreciation Rs 1,00,000 equals closing book value Rs 8,00,000. The increase in intangible assets is a cash purchase of Rs 3,00,000. The reduction in non-current investments gives sale proceeds of Rs 1,00,000, since no gain or loss is stated. Equity share capital increases by Rs 3,00,000 and long-term borrowings increase by Rs 1,00,000; these are financing inflows.

Step 3: Prepare the cash flow statement Cash Flow Statement of Sujata Ltd. for the year ended 31st March, 2022

Particulars	Amount (Rs)
A. Cash flows from operating activities	
Net loss as per Statement of Profit and Loss	(1,00,000)
Add: Depreciation on tangible assets	1,00,000
Operating profit before working-capital changes	Nil
Add: Decrease in inventories	1,00,000
Less: Increase in trade receivables	(25,000)
Add: Increase in trade payables	25,000
Net cash from operating activities (A)	**1,00,000**
B. Cash flows from investing activities	
Purchase of intangible assets	(3,00,000)
Sale of non-current investments	1,00,000
Net cash used in investing activities (B)	**(2,00,000)**
C. Cash flows from financing activities	
Proceeds from issue of equity share capital	3,00,000
Proceeds from long-term borrowings	1,00,000
Net cash from financing activities (C)	**4,00,000**
Net increase in cash and cash equivalents (A+B+C)	3,00,000
Add: Opening cash and cash equivalents	2,00,000
Closing cash and cash equivalents	**5,00,000**

Step 4: Verify the cash reconciliation The three activities produce a net inflow of Rs 1,00,000 minus Rs 2,00,000 plus Rs 4,00,000, namely Rs 3,00,000. Adding this to opening cash of Rs 2,00,000 gives Rs 5,00,000, exactly matching the closing balance sheet. No separate tax payment or other cash adjustment is given.

Step 5: Conclusion Operating inflow is Rs 1,00,000, investing outflow is Rs 2,00,000 and financing inflow is Rs 4,00,000. Net cash increases by Rs 3,00,000 to Rs 5,00,000.

Quick Tip to Solve: Check whether the fall in tangible assets equals depreciation before treating it as a sale.

Option - II (Computerised Accounting)

27(A). Which of the following components of computerised accounting system are known as raw facts for any business organisation? [1 mark]

(A) Procedure

(B) Data

(C) Hardware

(D) Software

Correct Answer: (B) Data

Solution:

Concept:

- Data are unprocessed facts and figures collected about business transactions.
- A computerised accounting system processes data according to procedures using hardware and software.

Step 1: Identify raw facts Individual transaction amounts, dates and names are raw facts before classification or processing. They constitute data, which form the input of a computerised accounting system.

Step 2: Distinguish the other components Procedure means the sequence of operations to be followed. Hardware consists of physical devices, while software supplies instructions for processing. None of these three components denotes the raw facts themselves.

Step 3: Conclusion The correct option is (B): Data.

Quick Tip to Solve: Match raw facts with data; match processed, meaningful output with information.

OR

27(B). Which of the following software packages is suitable for an organization where the volume of accounting transactions is small and adaptability is very high? [1 mark]

(A) Specific

(B) Tailored

(C) Generic

(D) (b) and (c) both

Correct Answer: (C) Generic

Solution:

Concept:

- Generic or ready-to-use accounting packages suit organisations with a small volume of transactions.
- Suitability is judged jointly by transaction volume and adaptability to the package.

Step 1: Match the organisation to its package The organisation has only a small volume of accounting transactions and very high adaptability. A generic package is suitable because the organisation can

readily adapt its accounting work to the standard features supplied by that package.

Step 2: Eliminate the alternatives Specific and tailored packages address special or customised requirements. They are unnecessary for the stated combination of small transaction volume and high adaptability. Therefore, including tailored software together with generic software does not give the best classification.

Step 3: Conclusion The correct option is (C): Generic.

Quick Tip to Solve: Small transaction volume plus very high adaptability points to a generic package.

28. How many worksheets are available to a user by default while working on a workbook? [1 mark]

(A) 5

(B) 1

(C) 10

(D) 3

Correct Answer: (D) 3

Solution:

Concept:

- A workbook is a spreadsheet file containing worksheets.
- In the spreadsheet environment used in this question, a new workbook initially contains three worksheets.

Step 1: Recall the default workbook On creating a workbook in the spreadsheet version covered by this question, the initial sheet tabs are Sheet1, Sheet2 and Sheet3. Thus the number available by default is three.

Step 2: Distinguish default from capacity The question asks how many worksheets are initially supplied, rather than how many can later be added. Five, one and ten are not the default count in this context; worksheets may subsequently be inserted or deleted as required.

Step 3: Conclusion The correct option is (D): 3 worksheets.

Quick Tip to Solve: Count the initial Sheet1, Sheet2 and Sheet3 tabs; do not confuse defaults with capacity.

29. What is the outcome of an arithmetic expression or function called: [1 mark]

(A) Derived value

(B) Basic value

(C) Horizontal vector

(D) Vertical vector

Correct Answer: (A) Derived value

Solution:

Concept:

- A basic value is entered directly; a derived value is calculated from other values.
- An arithmetic expression or function produces a calculated result.

Step 1: Identify the nature of the result An arithmetic expression combines operands and operators, and a function applies a defined calculation to its arguments. The resulting output is obtained by computation, so it is a derived value.

Step 2: Reject unrelated terms A basic value is supplied as input and is not the computed outcome being asked for. Horizontal and vertical vectors describe arrangements of values across a row or down a column; they do not name the result of an arithmetic calculation.

Step 3: Conclusion The correct option is (A): Derived value.

Quick Tip to Solve: Ask whether the value was entered directly or calculated: calculated means derived.

30(A). A _____ is identified by combination of letter and number corresponding to particular location within the spreadsheet. [1 mark]

(A) Row

(B) Cell

(C) Column

(D) Range

Correct Answer: (B) Cell

Solution:

Concept:

- A cell is the intersection of a worksheet column and row.
- A cell reference combines its column letter with its row number, such as A1.

Step 1: Interpret the address In a spreadsheet, columns are identified by letters and rows by numbers. Combining these identifiers locates their intersection. For example, B4 identifies the cell in column B and row 4.

Step 2: Distinguish the other locations A row is identified by a number alone, and a column by a letter alone. A range denotes a group of cells, usually described by two cell references such as A1:B4. The single letter-number location in the question therefore identifies a cell.

Step 3: Conclusion The correct option is (B): Cell.

Quick Tip to Solve: Read a cell address as column first, row second: B4 is column B, row 4.

OR

30(B). Entries required to make trading account and profit and loss account are known as: [1 mark]

(A) Opening entries.

(B) Adjusting entries.

(C) Closing entries.

(D) (a) and (b) both.

Correct Answer: (C) Closing entries.

Solution:

Concept:

- Closing entries transfer the balances of nominal accounts to the Trading Account and Profit and Loss Account at the end of the accounting period.
- The Trading Account determines gross profit or gross loss; the Profit and Loss Account determines net profit or net loss.

Step 1: Identify the purpose of the entries Purchases, sales and direct expenses are transferred to the Trading Account. Indirect expenses and incomes are transferred to the Profit and Loss Account. These transfers close the relevant nominal accounts for the period.

Step 2: Check the alternatives Opening entries bring forward opening assets, liabilities and capital. Adjusting entries recognise items such as outstanding expenses and accrued income before the final accounts are prepared. Hence neither opening entries nor adjusting entries names the transfers asked for, and their combined option is also incorrect.

Step 3: Conclusion The entries are closing entries. Hence, the correct option is (C).

Quick Tip to Solve: Look for the transfer of nominal-account balances to Trading and Profit and Loss Accounts: this identifies closing entries.

31. Explain any three advantages of using charts. [3 marks]

Solution:

Concept:

- A chart presents numerical spreadsheet data in a graphical form, such as bars, lines or sectors.
- The chart type should match the purpose: comparison, change over time or composition of a total.

Step 1: Easy understanding and clear presentation Charts convert rows and columns of figures into a visual summary. A reader can grasp the main message quickly without examining every cell. For example, a column chart of monthly sales makes the overall sales performance easier to understand than a long table of sales amounts. This improves communication of accounting information to users.

Step 2: Convenient comparison Charts make comparisons between categories, periods or organisations easier. The relative heights of columns or lengths of bars reveal which value is larger and how the values differ. For example, a chart of actual and budgeted expenses for each department helps management identify the departments with the largest differences.

Step 3: Identification of trends and patterns Charts help users recognise trends, fluctuations and unusual values in a large data set. For example, a line chart of sales over several months shows whether sales are rising, falling or varying seasonally. Such patterns help management analyse performance and make informed plans for the coming period.

Step 4: Conclusion Three advantages are easy understanding of data, convenient comparison, and clear identification of trends and patterns.

Quick Tip to Solve: For each advantage, state the benefit and link it to a concrete accounting example, such as monthly sales or budgeted expenses.

32. Explain two main groups in which 'Group of Accounts' is classified in Accounting Software 'Tally'. [3 marks]

Solution:

Concept:

- Tally organises ledger accounts into groups so that accounts of similar nature can be classified and reported together.
- The two main classes are primary groups and secondary groups (sub-groups); the hierarchy determines where ledger balances appear in financial statements.

Step 1: Primary groups Primary groups are the highest-level account groups and are not placed under another group. They form the main classification used to organise accounts and prepare the financial statements. Examples include Capital Account, Current Assets, Current Liabilities, Sales Accounts and Purchase Accounts. A ledger may be placed directly under a suitable primary group when a further subdivision is unnecessary. For example, a sales ledger can be classified under Sales Accounts.

Step 2: Secondary groups or sub-groups Secondary groups are groups placed under a primary group or another suitable group. They subdivide the main classification into more specific categories, making it easier to arrange ledgers and obtain detailed information. For example, Sundry Debtors, Bank Accounts and Cash-in-Hand are sub-groups under Current Assets, while Sundry Creditors is under Current Liabilities. A customer ledger is placed under Sundry Debtors; its balance contributes to that sub-group and ultimately to Current Assets.

Step 3: Conclusion The two main classes are primary groups and secondary groups (sub-groups). Primary groups provide the main classification; secondary groups provide its detailed subdivisions.

Quick Tip to Solve: Remember the hierarchy using Current Assets as a primary group, Sundry Debtors as its sub-group, and an individual customer as a ledger.

33(a). What is meant by 'conditional formatting'? State its any three advantages. [4 marks]

Solution:

Concept:

- Conditional formatting is a spreadsheet feature that applies specified formatting to cells automatically when their values satisfy a defined condition or rule.
- The rule controls appearance, such as font colour, fill colour or highlighting; it does not change the underlying value stored in the cell.

Step 1: Meaning with an example The user specifies a condition and the format to be applied when it is met. For example, in a worksheet of customer balances, a rule can highlight balances greater than Rs 50,000 with a coloured fill. All cells satisfying that rule receive the chosen format automatically. If a balance later changes, the formatting is recalculated according to the rule.

Step 2: 'Advantage 1: highlights important information' Conditional formatting draws attention to values that need review. For example, overdue customer balances can be highlighted so that the accounts staff can identify them quickly and initiate collection action. This makes significant items stand out in a large worksheet.

Step 3: 'Advantage 2: makes comparison and analysis easier' Colour scales, data bars or different formats help users compare values and recognise patterns. For example, high and low monthly sales can be visually distinguished. Users can therefore understand relative performance without reading and comparing every individual number.

Step 4: 'Advantage 3: saves time through automatic updating' The same rule applies consistently to all cells in the selected range, reducing the need to format each cell manually. When the data changes, the displayed formatting changes automatically wherever the condition becomes true or false. This keeps the visual emphasis current and reduces inconsistent manual highlighting.

Step 5: Conclusion Conditional formatting applies a chosen format when a specified condition is satisfied. It highlights important data, supports comparison and analysis, and saves time through automatic, consistent updating.

Quick Tip to Solve: Give a rule such as highlighting overdue balances, then distinguish its three benefits: attention, comparison and automatic updating.

OR

33(b). State any four salient features of 'Computerised Accounting System' (CAS). [4 marks]

Solution:

Concept:

- A Computerised Accounting System (CAS) uses accounting software to record and process transactions and to generate accounting information and reports.
- Its salient features concern the way accounting data are entered, processed, retrieved and used. Four such features are simplicity, speed, accuracy and reliability.

Step 1: Simplicity and speed **1. Simple and integrated:** A CAS is designed to automate and integrate business processes such as purchases, sales, inventory and accounting. Data entered for a transaction can be used in the related records and reports, making accounting work simpler and avoiding unnecessary repeated entry. For example, a properly recorded credit sale can update the customer's account as well as sales records.

2. Speed: A CAS can process large volumes of accounting data rapidly. Calculations, posting and preparation of reports take much less time than manual processing. Once transactions have been entered, the user can obtain ledger balances, a trial balance and other reports quickly, helping management receive timely information.

Step 2: Accuracy and reliability **3. Accuracy:** The software performs calculations and posting according to programmed rules, reducing arithmetical and routine processing errors. Its accuracy nevertheless depends on correct input, appropriate accounting settings and correct programs; a wrong amount entered by the user will not become correct merely because a computer processes it.

4. Reliability: A CAS performs repetitive tasks consistently without fatigue. Under proper controls, it produces dependable accounting information and applies the same processing rules to similar transactions. Regular backups and authorised access help preserve the records on which this reliability depends.

Step 3: Conclusion Four salient features of CAS are **simplicity and integration, speed, accuracy, and reliability**.

Quick Tip to Solve: State each feature separately and explain its effect on accounting work; remember that accuracy still requires correct input.

34. Name the function which is often used to calculate the payment for mortgage loans that have fixed rate of interest. Also explain its syntax. [6 marks]

Solution:

Concept:

- The PMT function calculates a constant periodic payment for a loan on the basis of a constant interest rate and a fixed number of payment periods.
- The rate and the number of periods must use the same time unit. Spreadsheet financial functions use opposite signs for cash received and cash paid.

Step 1: Identify the function and write its syntax The required function is **PMT** (payment). It is often used to calculate the fixed instalment payable on a mortgage loan carrying a fixed rate of interest. Its spreadsheet syntax is:

```
=PMT(rate, nper, pv, [fv], [type])
```

Square brackets here identify optional arguments; they are not typed as part of the formula. The first three arguments are required. The function gives the payment for each period, combining repayment of principal with interest for that period.

Step 2: Explain the required arguments **rate:** The interest rate *per payment period*. For monthly payments, an annual interest rate is divided by 12. For example, an annual rate of 12% becomes

$12\%/12 = 1\%$ per month.

nper: The total number of payment periods over the loan's life. If monthly payments continue for five years, $\texttt{nper} = 5 \times 12 = 60$.

pv: The present value, namely the amount of the loan or principal received now. For a borrower, a positive present value represents an inflow of funds; the periodic repayments are outflows and therefore have the opposite sign.

Step 3: Explain the optional arguments **fv:** The future value or balance desired after the last payment. If omitted, it is taken as zero, meaning that the loan is fully repaid at the end of the specified periods.

type: The timing of each payment: 0 means payment at the *end* of each period, whereas 1 means payment at the *beginning*. If omitted, the default is 0.

Step 4: Apply the syntax to a monthly mortgage payment For a loan of Rs 1,00,000 at 12% per annum repayable in 60 monthly instalments at each month's end, the formula is:

```
=PMT(12%/12, 60, 100000, 0, 0)
```

It returns approximately -2224.44, representing a monthly payment of Rs 2,224.44 by the borrower. A negative loan value, $\texttt{pv} = -100000$, would instead return a positive payment amount. The payment covers principal and interest; separate taxes, insurance or other charges are not included automatically.

Step 5: Conclusion The function is **PMT**, with syntax `=PMT(rate, nper, pv, [fv], [type])`. It calculates the constant periodic mortgage payment using consistent interest-rate and payment-period units.

Quick Tip to Solve: For a monthly EMI, divide the annual rate by 12 and multiply the years by 12 before entering PMT.