CBSE Class 12 Accountancy Question Paper 2023 with Solution PDF-Set 67-5-1

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 Nos. **1 to 16** and **27 to 30** carries **1** mark each.

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

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

(viii) Question Nos. **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 **four** marks and **2** questions of **six** marks.

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). Yuvraj and Yogesh were partners in a firm sharing profits in the ratio of 2:1. They admitted Yogita as a new partner for 1/5th share in future profits. Capital of Yuvraj and Yogesh were Rs. 4,50,000 and Rs. 1,50,000 respectively. Yogita brought Rs. 2,50,000 as her capital. The value of goodwill of the firm on Yogita's admission was: [1 mark]

(A) Rs. 5,50,000

(B) Rs. 8,50,000

(C) Rs. 12,50,000

(D) Rs. 4,00,000

Correct Answer: (D) Rs. 4,00,000

Solution:

Concept:

- The incoming partner's capital divided by her profit share gives the implied total capital of the firm.
- Hidden goodwill is implied total capital less the actual capitals of all partners after admission.

Step 1: Find the implied total capital Yogita contributes Rs 2,50,000 for a share of $1/5$. Hence the capitalised value of the firm is $2,50,000 \div (1/5) =$ Rs $12,50,000$. Her contribution represents only her own share, so it must first be scaled up to the whole firm.

Step 2: Deduct actual combined capitals The actual total capital is $4,50,000 + 1,50,000 + 2,50,000 =$ Rs $8,50,000$. Therefore hidden goodwill is $12,50,000 - 8,50,000 =$ Rs $4,00,000$. Option (C) is the implied value and (B) is actual total capital; neither is goodwill. Option (A) also fails this difference.

Step 3: Conclusion Goodwill is Rs 4,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Include Yogita's capital in actual total capital before subtracting it from implied capital.

OR

1(b). Monu and Sonu were partners sharing profits in the ratio of 2:3. They admitted Ram as a new partner for 3/5th share in profits which he acquired 1/5th from Monu and 2/5th from Sonu. The new profit sharing ratio of Monu, Sonu and Ram will be: [1 mark]

(A) 3:1:1

(B) 1:1:3

(C) 2:3:1

(D) 2:3:3

Correct Answer: (B) 1:1:3

Solution:

Concept:

- A partner's new share equals old share less the absolute share sacrificed.
- The new shares of all partners must add to one.

Step 1: Calculate the existing partners' new shares Monu's old share is $2/5$ and Sonu's old share is $3/5$. Deduct the specified sacrifices: Monu retains $2/5 - 1/5 = 1/5$, while Sonu retains $3/5 - 2/5 = 1/5$. These sacrifices are fractions of the firm's total profits, not fractions of their individual old shares.

Step 2: Form and check the ratio Ram receives $1/5 + 2/5 = 3/5$. Thus Monu : Sonu : Ram is $1/5 : 1/5 : 3/5 = 1 : 1 : 3$. Their shares total $1/5 + 1/5 + 3/5 = 1$. Options (A), (C) and (D) do not leave both existing partners with the equal residual shares specified by the sacrifices.

Step 3: Conclusion The new ratio is 1:1:3. Hence, the correct option is (B).

Quick Tip to Solve: Subtract each stated sacrifice from that partner's old share, then compare the three fractions.

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2. Assertion (A): Partnership is the relation between persons who have agreed to share the profits of the business carried on by all or any of them acting for all.

Reason (R): If a partner carries on any business of the same nature and competing with that of the firm, he/she shall account for and pay to the firm all profit made by him/her in that business.

Choose the correct option from the following: [1 mark]

(A) Both (A) and (R) are correct.

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

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

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

Correct Answer: (D) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

Solution:

Concept:

- Partnership requires agreement, profit sharing and mutual agency.

- A partner must account to the firm for profits from a competing business of the same nature.

Step 1: Judge Assertion (A) The assertion correctly states the meaning of partnership. Business may be conducted by all partners together or by any one of them acting for all. The words "acting for all" express mutual agency, an essential feature of the partnership relationship.

Step 2: Judge Reason (R) The reason correctly states the duty of a partner carrying on a competing business of the same nature: the profit from that business must be accounted for and paid to the firm.

Step 3: Test the explanatory connection This duty concerns the conduct of an existing partner. It does not explain why agreement, profit sharing and mutual agency create partnership. Thus both statements are correct, but the reason does not explain the assertion. Option (B) denies their truth and (C) incorrectly asserts an explanation; (A) gives only the truth status, whereas (D) states the complete relationship.

Step 4: Conclusion Both statements are correct, but the reason does not explain the assertion. Hence, the correct option is (D).

Quick Tip to Solve: In an assertion-reason item, test the explanatory link separately after checking that both statements are true.

3(a). Aysha Ltd. forfeited 1,10,000 shares of Rs. 10 each issued at 20% premium for the non-payment of first call of Rs. 2 per share and final call of Rs. 3 per share. Share Forfeited Account will be credited with: [1 mark]

(A) Rs. 5,50,000

(B) Rs. 7,70,000

(C) Rs. 2,20,000

(D) Rs. 5,00,000

Correct Answer: (A) Rs. 5,50,000

Solution:

Concept:

- Share Forfeited Account is credited with share capital actually received on forfeited shares.
- Securities premium received is not included in the forfeiture credit.

Step 1: Find paid capital per share Each share has face value Rs 10. The unpaid first and final calls are Rs 2 and Rs 3 per share. Thus capital already received per share is $10 - 2 - 3 = \text{Rs } 5$. The issue premium of $20\% \times 10 = \text{Rs } 2$ is separate from nominal share capital.

Step 2: Calculate the forfeiture credit The credit to Share Forfeited Account is $1,10,000 \times 5 = \text{Rs } 5,50,000$. Including the received premium would give Rs 7,70,000, option (B), which is incorrect because premium does not become forfeited capital. Option (C) equals the total premium, and (D) does not equal capital received on all forfeited shares.

Step 3: Conclusion Share Forfeited Account is credited with Rs 5,50,000. Hence, the correct option is (A).

Quick Tip to Solve: Use face value less unpaid capital calls; exclude securities premium from the forfeiture credit.

OR

3(b). Which of the following statements is true? [1 mark]

(A) The shares of a public limited company are not freely transferable.

(B) Paid up capital is that part of the subscribed capital which has been called up.

(C) The company cannot raise more capital than the amount of capital as specified in the Memorandum of Association.

(D) The part of the uncalled capital which is called only in the event of winding up of the company is called Capital Reserve.

Correct Answer: (C) The company cannot raise more capital than the amount of capital as specified in the Memorandum of Association.

Solution:

Concept:

- Authorised capital is the maximum share capital permitted by the Memorandum of Association.
- Called-up capital is the portion demanded; paid-up capital is the portion actually paid.

Step 1: Check the capital limit and transferability Option (C) correctly identifies the limit imposed by authorised capital in the Memorandum of Association. A company must alter that limit before raising share capital beyond it. Option (A) is false: shares of a public limited company are generally freely transferable.

Step 2: Distinguish the remaining terms Option (B) describes called-up capital, not paid-up capital. Paid-up capital is the amount actually received against the amount called. Option (D) describes reserve capital: uncalled capital reserved for being called only on winding up. Capital reserve is a reserve arising from capital profits and is a different term.

Step 3: Conclusion The true statement is the authorised-capital limit stated in option (C). Hence, the correct option is (C).

Quick Tip to Solve: Keep reserve capital separate from capital reserve, and called-up capital separate from paid-up capital.

4(a). L, M and N are partners sharing profits in the ratio of 5:3:2. They decided to share profits equally with effect from 1st April, 2022. On that date, there was a balance of Rs. 2,00,000 in General Reserve and a credit balance of Rs. 4,00,000 in the Profit and Loss Account. The Journal Entry for the above on account of change in profit sharing ratio will be: [1 mark]

(A)

Particulars		Debit Amt. (Rs.)	Credit Amt. (Rs.)
General Reserve A/c	Dr.	2,00,000	
To Profit and Loss A/c			2,00,000

(B)

Particulars		Debit Amt. (Rs.)	Credit Amt. (Rs.)
M's Capital A/c	Dr.	80,000	
N's Capital A/c	Dr.	20,000	
To L's Capital A/c			1,00,000

(C)

Particulars		Debit Amt. (Rs.)	Credit Amt. (Rs.)
General Reserve A/c	Dr.	2,00,000	
Profit and Loss A/c	Dr.	4,00,000	
To L's Capital A/c			2,00,000
To M's Capital A/c			2,00,000
To N's Capital A/c			2,00,000

(D)

Particulars		Debit Amt. (Rs.)	Credit Amt. (Rs.)
General Reserve A/c	Dr.	2,00,000	
Profit and Loss A/c	Dr.	4,00,000	
To L's Capital A/c			3,00,000
To M's Capital A/c			1,80,000
To N's Capital A/c			1,20,000

Correct Answer: (D)

Particulars		Debit Amt. (Rs.)	Credit Amt. (Rs.)
General Reserve A/c	Dr.	2,00,000	
Profit and Loss A/c	Dr.	4,00,000	
To L's Capital A/c			3,00,000
To M's Capital A/c			1,80,000
To N's Capital A/c			1,20,000

Solution:

Concept:

- Accumulated profits and reserves earned before reconstitution belong to the existing partners in their old profit sharing ratio.
- General Reserve and the credit balance of Profit and Loss Account are debited to close them; the partners' capital accounts are credited with their respective shares.

Step 1: Distribute the accumulated profits The total available profit is Rs $2,00,000$ + Rs $4,00,000$ = Rs $6,00,000$. Using the old ratio $5:3:2$, L receives $6,00,000 \times 5/10$ = Rs $3,00,000$, M receives $6,00,000 \times 3/10$ = Rs $1,80,000$, and N receives $6,00,000 \times 2/10$ = Rs $1,20,000$. The new equal ratio applies to future profits only.

Step 2: Record the journal entry and compare the options Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April 2022	General Reserve A/c Dr.		2,00,000	
	Profit and Loss A/c Dr.		4,00,000	
	To L's Capital A/c			3,00,000
	To M's Capital A/c			1,80,000
	To N's Capital A/c			1,20,000
	(Being accumulated profits transferred to partners in the old ratio of 5:3:2)			

Both sides total Rs 6,00,000. Option (A) merely transfers one profit balance to another. Option (B) neither closes these balances nor records their distribution. Option (C) wrongly distributes past profits equally using the new ratio. Option (D) matches the correct entry.

Step 3: Conclusion Credit L's, M's and N's Capital Accounts with Rs 3,00,000, Rs 1,80,000 and Rs 1,20,000 respectively. Hence, the correct option is (D).

Quick Tip to Solve: For reserves existing on the date of a ratio change, apply the old ratio before considering the new ratio for future profits.

OR

4(b). X, Y and Z are partners sharing profits and losses in the ratio of 2:3:1. They decided to share future profits in the ratio of 3:2:1 with effect from 1st April, 2022. At the time of change of profit sharing ratio, unrecorded furniture will be recorded in the books of Accounts by: [1 mark]

(A) Debiting it to Partners' Capital Account

(B) Debiting it to Revaluation Account

(C) Crediting it to Revaluation Account

(D) Crediting it to Partners' Capital Account

Correct Answer: (C) Crediting it to Revaluation Account

Solution:

Concept:

- Recognition of an unrecorded asset increases the assets of the firm and creates revaluation profit.
- An increase in an asset is debited to the asset account and credited to Revaluation Account.

Step 1: Identify the effect of recording furniture Unrecorded furniture is an asset already belonging to the firm but absent from its books. Bringing it into the accounts increases the recorded asset value. Furniture Account must therefore be debited; it is not a loss to be debited to Revaluation Account.

Step 2: Identify the corresponding credit The corresponding credit is to Revaluation Account, recognising a revaluation gain for the existing partners. That net gain is subsequently transferred in the old ratio $2:3:1$. Directly debiting or crediting partners' capital accounts does not describe the initial recognition through revaluation, so (A) and (D) are incorrect; (B) reverses the gain.

Step 3: Conclusion Unrecorded furniture is recorded by crediting Revaluation Account. Hence, the correct option is (C).

Quick Tip to Solve: For an unrecorded asset, debit the asset and credit Revaluation Account to recognise the gain.

5. On dissolution of the partnership firm of A, B and C, the accumulated profits of Rs. 40,000 will be transferred to which of the following account? [1 mark]

(A) Revaluation Account

(B) Realisation Account

(C) Partners' Capital Accounts

(D) Bank Account

Correct Answer: (C) Partners' Capital Accounts

Solution:

Concept:

- Accumulated profits are partners' undistributed earnings and belong to them in their profit sharing ratio.
- Realisation Account deals with disposal of assets and settlement of outside liabilities, not distribution of existing reserves.

Step 1: Identify the nature of the balance The Rs 40,000 represents profits earned before dissolution and retained in the firm. These profits must be distributed among A, B and C in their existing profit sharing ratio. No ratio is needed to identify the account category asked in this question.

Step 2: Determine the destination The accumulated-profits balance is debited and Partners' Capital Accounts are credited with their respective shares, totalling Rs 40,000. Revaluation Account is used at reconstitution, not for this distribution on dissolution. Realisation Account measures the gain or loss on realisation, while Bank Account records cash flows; transferring this balance does not itself involve cash.

Step 3: Conclusion The amount is transferred to Partners' Capital Accounts. Hence, the correct option is (C).

Quick Tip to Solve: On dissolution, send existing reserves and accumulated profits directly to partners' capital accounts in the old ratio.

6(a). The debentures which are payable on the expiry of a specified period either in lump-sum or in instalments during the life time of the company are known as: [1 mark]

(A) Secured debentures

(B) Specific coupon rate debentures

(C) Redeemable debentures

(D) Convertible debentures

Correct Answer: (C) Redeemable debentures

Solution:

Concept:

- Redeemable debentures require repayment after a specified period or in specified instalments.
- Security, coupon rate, conversion and repayment are distinct bases for classifying debentures.

Step 1: Identify the feature in the question The question specifies a repayment obligation: the

debentures become payable after a stated period, either through one lump-sum payment or through instalments during the company's lifetime. This is precisely the defining characteristic of redeemable debentures.

Step 2: Eliminate the other classifications Secured debentures are classified by the charge on assets, so option (A) does not identify the repayment condition. Specific coupon rate debentures are classified by their stated interest rate, making (B) unsuitable. Convertible debentures can be converted into shares under their terms; conversion is different from the cash repayment described, so (D) is also unsuitable.

Step 3: Conclusion These are redeemable debentures. Hence, the correct option is (C).

Quick Tip to Solve: Look for a fixed repayment period or instalments to identify redeemable debentures.

OR

6(b). Which of the following statement is incorrect with respect to debentures? [1 mark]

(A) Debentures can be issued for cash.

(B) Debenture cannot be issued at discount.

(C) Debentures can be issued as collateral security.

(D) Debentures can be issued at premium.

Correct Answer: (B) Debenture cannot be issued at discount.

Solution:

Concept:

- Debentures represent borrowed funds and may be issued at par, at a premium or at a discount.
- Issue terms describe the issue price relative to nominal value; collateral security provides additional security for a borrowing.

Step 1: Assess the issue-price statement A debenture may be issued below its nominal value. The difference between nominal value and issue price is discount on issue. Therefore the claim that a debenture cannot be issued at discount is incorrect.

Step 2: Check the remaining statements A company may issue debentures for cash, issue them as collateral security, or issue them above nominal value at a premium. Thus statements (A), (C) and (D) are valid; none supplies the incorrect statement asked for.

Step 3: Conclusion Debenture cannot be issued at discount is the incorrect statement. Hence, the correct option is (B).

Quick Tip to Solve: For an incorrect-statement MCQ, test whether each issue method is permitted before selecting the false claim.

7. Premier Auto Ltd. purchased assets of the value of Rs. 3,60,000 from Anand Ltd. and made the payment of purchase consideration by issuing 11% Debentures of Rs. 100 each at a discount of 10%. The number of debentures issued by Premier Auto Ltd. were: [1 mark]

(A) 3,600

(B) 36,000

(C) 40,000

(D) 4,000

Correct Answer: (D) 4,000

Solution:

Concept:

- Issue price equals nominal value less discount on issue.
- Number of debentures equals purchase consideration divided by issue price per debenture.

Step 1: Find the issue price The discount per debenture is $100 \times 10/100 = \text{Rs } 10$. Hence each debenture settles $100 - 10 = \text{Rs } 90$ of purchase consideration. The 11% rate determines interest and does not change this issue price.

Step 2: Calculate the number issued

$$\text{Number} = \frac{3,60,000}{90} = 4,000.$$

Using nominal value gives 3,600 and wrongly ignores the discount; 36,000 and 40,000 are also inconsistent with an issue price of Rs 90.

Step 3: Conclusion Premier Auto Ltd. issued $4,000$ debentures. Hence, the correct option is (D).

Quick Tip to Solve: Divide consideration by the issue price, not face value; ignore the interest rate when counting debentures.

8. Nita, Suman and Harish were partners in a firm sharing profits in the ratio of 3:2:1. Suman retired from the firm. On the date of Suman's retirement, Rs. 30,000 was due to her. The remaining partners decided to pay her in three yearly instalments starting from the end of the first year. Rs. 30,000 will be transferred to which of the following account: [1 mark]

(A) Suman's Loan Account

(B) Suman's Executor's Accounts

(C) Suman's Bank Account

(D) Suman's Current Account

Correct Answer: (A) Suman's Loan Account

Solution:

Concept:

- An unpaid amount due to a retiring partner becomes a liability of the reconstituted firm.

- When settlement is deferred, the balance in the retiring partner's capital account is transferred to that partner's loan account.

Step 1: Identify the nature of settlement Suman has retired and Rs 30,000 is payable to her. Since payment will begin only at the end of the first year and continue in yearly instalments, the balance remains outstanding rather than being paid immediately.

Step 2: Choose the appropriate account The outstanding Rs 30,000 is transferred to Suman's Loan Account. An executor's account applies after death, whereas Suman has retired. A bank account records an actual payment, and a current account is not the deferred settlement account of a retiring partner.

Step 3: Conclusion Rs 30,000 will be transferred to Suman's Loan Account. Hence, the correct option is (A).

Quick Tip to Solve: Identify whether the outgoing partner retires or dies, then check whether payment is immediate or deferred.

9. Nitya, Shreya and Ishita are partners in a firm. They share profits in the ratio of 5:3:2. Their fixed capitals are Rs. 1,80,000; Rs. 1,60,000 and Rs. 2,00,000 respectively. For the year ending 31st March, 2022, Nitya withdrew Rs. 7,500 at the end of every quarter. The average number of months for which interest on drawings will be calculated, will be: [1 mark]

(A) $3\frac{1}{2}$ months

(B) $4\frac{1}{2}$ months

(C) $7\frac{1}{2}$ months

(D) 6 months

Correct Answer: (B) $4\frac{1}{2}$ months

Solution:

Concept:

- For equal periodic drawings, the average period is the arithmetic mean of their outstanding periods.
- Interest runs from each withdrawal date to the financial year end.

Step 1: List the outstanding periods The financial year ends on 31st March, 2022. Drawings at the ends of June, September, December and March remain outstanding for $9, 6, 3, 0$ months respectively. The March-end withdrawal carries no time for interest in that year.

Step 2: Average the periods

$$\text{Average period} = \frac{9+6+3+0}{4} = \frac{18}{4} = 4\frac{1}{2} \text{ months.}$$

Equal amounts justify a simple average. Six months does not apply to quarter-end drawings; the other printed periods do not match these four durations.

Step 3: Conclusion The average period is $4\frac{1}{2}$ months. Hence, the correct option is (B).

Quick Tip to Solve: For quarter-end drawings, write 9, 6, 3, 0 months before averaging; do not count the final withdrawal for three months.

10. Nitya, Shreya and Ishita are partners in a firm. They share profits in the ratio of 5:3:2. Their fixed capitals are Rs. 1,80,000; Rs. 1,60,000 and Rs. 2,00,000 respectively. For the year ending 31st March, 2022, Nitya withdrew Rs. 7,500 at the end of every quarter.

The partnership deed provided that interest on capital will be allowed @ 10% p.a. The amount of interest on Ishita's capital will be: [1 mark]

(A) Rs. 18,000

(B) Rs. 16,000

(C) Rs. 20,000

(D) Rs. 10,000

Correct Answer: (C) Rs. 20,000

Solution:

Concept:

- Interest on capital is $C \times r \times t/100$, where C is capital, r is the annual percentage rate and t is years.
- With fixed capitals, drawings do not reduce the fixed capital used to calculate interest.

Step 1: Identify Ishita's capital and period The capitals are stated in the order Nitya, Shreya and Ishita. Ishita's fixed capital is therefore Rs 2,00,000. No change in her capital or shorter period is stated, so interest is calculated for the full year.

Step 2: Apply the deed rate

$$\text{Interest} = 2,00,000 \times \frac{10}{100} = \text{Rs } 20,000.$$

Rs 18,000 and Rs 16,000 correspond to the other partners' capitals. Rs 10,000 would allow only half the required annual interest and is unsupported.

Step 3: Conclusion Interest on Ishita's capital is Rs 20,000. Hence, the correct option is (C).

Quick Tip to Solve: Match each capital with the named partner before applying the rate; the profit-sharing ratio is irrelevant here.

11. Khushi, Namita and Manvi were partners in a firm sharing profits and losses in the ratio of 5:2:3. On 30th June, 2022, Khushi died. The partnership deed provided that on the death of a partner, her share of profit till the date of death was to be calculated on the basis of average profit of last three years less Rs. 10,000.

Profits for the last three years were:

Year ended	Profits/Loss (Rs.)
31st March, 2020	1,20,000
31st March, 2021	(50,000)
31st March, 2022	1,70,000

Khushi's share of profit till the date of her death was: [1 mark]

(A) Rs. 35,000

(B) Rs. 9,583

(C) Rs. 28,750

(D) Rs. 8,750

Correct Answer: (D) Rs. 8,750

Solution:

Concept:

- Treat a past loss as a negative amount when calculating average annual profit.
- The deceased partner receives adjusted annual profit multiplied by the elapsed fraction of a year and her profit share.

Step 1: Find adjusted annual profit

$$\text{Average profit} = \frac{1,20,000 - 50,000 + 1,70,000}{3}$$
$$= \text{Rs } 80,000.$$

The deed requires deducting Rs 10,000 from this average, giving annual estimated profit of Rs 70,000.

Step 2: Calculate Khushi's share to death From 1st April to 30th June the period is three months. Khushi's share is $5/(5+2+3) = 1/2$. Thus

$$70,000 \times \frac{3}{12} \times \frac{1}{2} = \text{Rs } 8,750.$$

Rs 35,000 is her full-year share and ignores the three-month period; the other amounts do not apply both the stipulated adjustment and period correctly.

Step 3: Conclusion Khushi's share of profit till death is Rs 8,750. Hence, the correct option is (D).

Quick Tip to Solve: First deduct the loss in averaging; then deduct the deed adjustment before applying time and the deceased partner's share.

12. An equity share of Rs. 10 fully called up on which Rs. 6 has been paid was forfeited for the non-payment of the balance amount. At which of the following minimum price can it be reissued?

[1 mark]

(A) Rs. 4

(B) Rs. 10

(C) Rs. 16

(D) Rs. 6

Correct Answer: (A) Rs. 4

Solution:

Concept:

- The discount allowed on reissue of a forfeited share cannot exceed the amount forfeited on that share.
- Minimum reissue price equals paid-up value on reissue less the amount available in Share Forfeiture Account.

Step 1: Determine available forfeiture The share has nominal value Rs 10 and is fully called up. Rs 6 has already been received and is forfeited. The unpaid balance of Rs 4 is not the amount forfeited; it is the amount that the original shareholder failed to pay.

Step 2: Find the minimum reissue price The share can be reissued as fully paid with a maximum discount of Rs 6. Therefore,

$$\text{Minimum price} = 10 - 6 = \text{Rs } 4.$$

Rs 6, Rs 10 and Rs 16 are possible higher prices, but none is the minimum asked for.

Step 3: Conclusion The minimum reissue price is Rs 4 per share. Hence, the correct option is (A).

Quick Tip to Solve: Use the amount already received as the ceiling on reissue discount, then subtract it from the fully paid value.

13. 200 equity shares of Rs. 10 each issued at par were forfeited for non-payment of first call of Rs. 3 per share. Final call of Rs. 2 per share was not yet called. By which amount the share capital will be debited on forfeiture?

[1 mark]

(A) Rs. 2,000

(B) Rs. 1,600

(C) Rs. 1,000

(D) Rs. 2,200

Correct Answer: (B) Rs. 1,600

Solution:

Concept:

- On forfeiture, Share Capital Account is debited with the amount called up on the forfeited shares.
- Uncalled capital is excluded, while called but unpaid amounts are included in the capital debit.

Step 1: Calculate called-up value Each share has nominal value Rs 10, but the final call of Rs 2 has not been made. Therefore, called-up capital per share is $10 - 2 = \text{Rs } 8$. The unpaid first call of Rs 3 is included because it has already been called.

Step 2: Calculate the capital debit

$$\text{Share Capital debit} = 200 \times 8 = \text{Rs } 1,600.$$

Rs 2,000 wrongly includes the uncalled final call. Rs 1,000 represents the amount received per share multiplied by 200, rather than called-up capital. Rs 2,200 exceeds even the total nominal capital.

Step 3: Conclusion Share Capital Account will be debited by Rs 1,600. Hence, the correct option is (B).

Quick Tip to Solve: Subtract the uncalled amount from face value first; forfeiture reverses called-up capital, not only cash received.

14. Indu, Vijay and Pawan were partners in a firm sharing profits in the ratio of 4:3:3. They admitted Subhash into partnership with effect from 1st April, 2022. New profit sharing ratio among Indu, Vijay, Pawan and Subhash will be 3:3:2:2. An extract of their Balance Sheet as at 31st March, 2022 is given below:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Investment Fluctuation Reserve	80,000	Investments (Market Value Rs. 80,000)	90,000

Which of the following is the correct accounting treatment of 'investment fluctuation reserve' at the time of Subhash's admission? [1 mark]

(A)

Particulars	Debit (Rs)	Credit (Rs)
Investment Fluctuation Reserve A/c Dr.	10,000	
To Revaluation A/c		10,000

(B)

Particulars	Debit (Rs)	Credit (Rs)
Investment Fluctuation Reserve A/c Dr.	80,000	
To Indu's Capital A/c		32,000
To Vijay's Capital A/c		24,000
To Pawan's Capital A/c		24,000

(C)

Particulars	Debit (Rs)	Credit (Rs)
Revaluation A/c Dr.	10,000	
To Investment Fluctuation Reserve		10,000

(D)

Particulars	Debit (Rs)	Credit (Rs)
Investment Fluctuation Reserve A/c Dr.	80,000	
To Investments A/c		10,000
To Indu's Capital A/c		28,000
To Vijay's Capital A/c		21,000
To Pawan's Capital A/c		21,000

Correct Answer: (D)

Particulars	Debit (Rs)	Credit (Rs)
Investment Fluctuation Reserve A/c Dr.	80,000	
To Investments A/c		10,000
To Indu's Capital A/c		28,000
To Vijay's Capital A/c		21,000
To Pawan's Capital A/c		21,000

Solution:

Concept:

- Use Investment Fluctuation Reserve first to cover the fall in the value of investments.
- Transfer any surplus reserve to the old partners in their old profit-sharing ratio.

Step 1: Measure the fall and surplus Investments have book value Rs 90,000 and market value Rs 80,000. The fall is $90,000 - 80,000 =$ Rs $10,000$. Out of the reserve of Rs 80,000, Rs 10,000 covers this fall and Rs 70,000 remains for the old partners.

Step 2: Distribute the surplus and identify the entry The old ratio is $4 : 3 : 3$, so Indu, Vijay and Pawan receive $70,000 \times 4/10 =$ Rs $28,000$, Rs 21,000 and Rs 21,000 respectively. Debit the reserve by Rs 80,000; credit investments by Rs 10,000 and the three capitals by these amounts. Option (B) distributes the entire reserve without covering the loss; (A) and (C) do not give the required complete treatment.

Step 3: Record the journal entry Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Investment Fluctuation Reserve A/c Dr.		80,000	
	To Investments A/c			10,000
	To Indu's Capital A/c			28,000
	To Vijay's Capital A/c			21,000
	To Pawan's Capital A/c			21,000
	(Being fall in investments adjusted and surplus reserve distributed to old partners)			

Step 4: Conclusion The reserve is debited by Rs 80,000, with credits of Rs 10,000 to Investments and Rs 28,000, Rs 21,000 and Rs 21,000 to the old partners' capitals. Hence, the correct option is (D).

Quick Tip to Solve: Cover the fall in investment value first, then share only the unused reserve in the old ratio.

15(a). Amit, Sumit and Kiara are partners sharing profits and losses in the ratio 2:2:1. Sumit is entitled to a commission of 15% on the net profit after charging such commission. The net profit before charging commission is Rs. 9,20,000. The amount of commission payable to Sumit will be: [1 mark]

(A) Rs. 1,20,000

(B) Rs. 1,38,000

(C) Rs. 48,000

(D) Rs. 55,200

Correct Answer: (A) Rs. 1,20,000

Solution:

Concept:

- Commission after charging itself is computed as $C = P \times r/(100 + r)$, where P is profit before commission and r is the percentage rate.
- The profit-sharing ratio applies to residual profit, not to the contractual commission.

Step 1: Set up the commission equation Let Sumit's commission be C. Profit after charging commission is $9, 20, 000 - C$. Therefore

$$C = \frac{15}{100}(9, 20, 000 - C).$$

Step 2: Calculate and check the options Thus $115C = 1, 38, 00, 000$, giving $C = \text{Rs } 1, 20, 000$. The remaining profit is Rs 8,00,000 and its 15% is Rs 1,20,000. Option (B), Rs 1,38,000, incorrectly takes 15% of profit before commission. Options (C) and (D) incorrectly involve a share of commission; no profit-sharing adjustment applies to this entitlement.

Step 3: Conclusion Sumit is entitled to commission of $\boxed{\text{Rs } 1, 20, 000}$. The correct option is (A).

Quick Tip to Solve: For commission on profit after commission, use rate divided by 100 plus the rate.

OR

15(b). P, Q and R are partners in a firm sharing profits and losses in the ratio of 2:2:1. For the year ended 31st March, 2022, interest on capital was credited to them @ 10% p.a. instead of 5% p.a. Their fixed capitals were Rs. 2,00,000; Rs. 1,00,000; Rs. 50,000 respectively. The necessary adjustment entry to rectify the error will be: [1 mark]

(A) P's Current A/c Dr. 2,000
To Q's Current A/c 1,000
To R's Current A/c 1,000
(B) P's Current A/c Dr. 3,000
To Q's Current A/c 2,000
To R's Current A/c 1,000
(C) P's Capital A/c Dr. 2,000
To Q's Capital A/c 1,000
To R's Capital A/c 1,000
(D) P's Capital A/c Dr. 3,000
To Q's Capital A/c 2,000
To R's Capital A/c 1,000

Correct Answer: (B) P's Current A/c Dr. 3,000
To Q's Current A/c 2,000
To R's Current A/c 1,000

Solution:

Concept:

- Excess interest must be reversed, while the resulting increase in divisible profit is shared in the profit-sharing ratio.
- With fixed capitals, adjustments for appropriations are recorded in current accounts.

Step 1: Calculate excess interest and profit adjustment The excess rate is $10\% - 5\% = 5\%$. Excess interest credited to P, Q and R is Rs 10,000, Rs 5,000 and Rs 2,500 respectively. Total excess is Rs 17,500. Restoring this sum to divisible profit gives them Rs 7,000, Rs 7,000 and Rs 3,500 in the ratio $2 : 2 : 1$.

Step 2: Find the net adjustment P must be debited by $10,000 - 7,000 =$ Rs $3,000$; Q must be credited by $7,000 - 5,000 =$ Rs $2,000$; R must be credited by $3,500 - 2,500 =$ Rs $1,000$. Options (A) and (C) have incorrect amounts. Options (C) and (D) also use capital accounts even though capitals are fixed. The net debit equals the total credits.

Step 3: Conclusion Debit P's Current A/c Rs 3,000; credit Q's Current A/c Rs 2,000 and R's Current A/c Rs 1,000. The correct option is (B).

Quick Tip to Solve: Compare excess interest with each partner's share of the restored profit before deciding the net debit or credit.

16. Aditya, Abhinav and Ankit were partners in a firm sharing profits in the ratio of 4:3:3. On 31st March, 2022, the firm was dissolved. Aditya was appointed to complete the dissolution process for which he was allowed a remuneration of Rs. 42,000. Aditya also agreed to bear dissolution expenses. Actual expenses on dissolution amounted to Rs. 33,000 which were paid by Aditya. Aditya's Capital Account will be credited by: [1 mark]

(A) Rs. 42,000

(B) Rs. 33,000

(C) Rs. 9,000

(D) Rs. 18,000

Correct Answer: (A) Rs. 42,000

Solution:

Concept:

- Agreed remuneration for realisation is debited to Realisation Account and credited to the partner's Capital Account.
- Expenses paid personally by a partner who has agreed to bear them require no entry in the firm's books.

Step 1: Recognise the agreed remuneration Aditya has earned remuneration of Rs 42,000 for completing dissolution. The firm records Realisation A/c Dr. Rs 42,000 and credits Aditya's Capital A/c with the same amount. This entitlement does not depend on the profit-sharing ratio.

Step 2: Deal with expenses and reject alternatives Aditya agreed to bear the expenses and paid Rs 33,000 personally. Consequently the firm does not reimburse this amount and records no further entry for it. Rs 33,000 in option (B) is the expense, while Rs 9,000 in option (C) is Aditya's personal net benefit after expenses. Neither is the capital credit. Rs 18,000 in option (D) has no basis in the agreement.

Step 3: Conclusion Aditya's Capital Account is credited by $\boxed{\text{Rs } 42,000}$. The correct option is (A).

Quick Tip to Solve: Distinguish the agreed capital credit from a partner's personal net gain after expenses.

17. Aayush and Aarushi are partners sharing profits and losses in the ratio of 3:2. They admitted Naveen into partnership for 1/4th share. Goodwill of the firm was to be valued at three years' purchase of super profits. Average net profit of the firm was Rs. 20,000. Capital investment in the business was Rs. 50,000 and Normal Rate of Return was 10%. Calculate the amount of Goodwill premium brought by Naveen. [3 marks]

Solution:

Concept:

- Normal profit is capital employed multiplied by the normal rate of return; it represents the return expected from a comparable business.
- Super profit equals average maintainable profit less normal profit. Goodwill equals super profit multiplied by the agreed years'purchase.

- An incoming partner's goodwill premium equals the firm's goodwill multiplied by the share acquired.

Step 1: Calculate normal profit The capital invested is Rs 50,000 and the normal rate of return is 10% per annum. Therefore

$$\text{Normal profit} = 50,000 \times \frac{10}{100} = \text{Rs } 5,000.$$

This is the benchmark return, and is not itself the goodwill value.

Step 2: Determine super profit and total goodwill The average net profit is Rs 20,000. Deducting the normal profit gives

$$\text{Super profit} = 20,000 - 5,000 = \text{Rs } 15,000.$$

Goodwill is valued at three years'purchase of this excess earning:

$$\text{Goodwill} = 15,000 \times 3 = \text{Rs } 45,000.$$

Using average profit directly would incorrectly include the ordinary return on invested capital.

Step 3: Calculate the premium for Naveen's share Naveen acquires a one-fourth share in future profits. His premium compensates the old partners for the goodwill attached to this acquired share:

$$\text{Premium} = 45,000 \times \frac{1}{4} = \text{Rs } 11,250.$$

The old ratio of 3:2 is not needed to compute the total premium; it would concern allocation between the old partners if their sacrifice were specified or determined.

Step 4: Conclusion The goodwill premium brought by Naveen is $\boxed{\text{Rs } 11,250}$.

Quick Tip to Solve: First value the whole firm's goodwill; multiply by the new partner's share only at the last stage.

18(a). Asha, Disha and Raghav were partners in a firm sharing profits in the ratio of 2:3:1. According to the partnership agreement, Raghav was guaranteed an amount of Rs. 40,000 as his share of profits. The net profit for the year ended 31st March, 2022 amounted to Rs. 1,20,000.

Prepare Profit and Loss Appropriation Account of the firm for the year ended 31st March, 2022.

[3 marks]

Solution:

Concept:

- A guaranteed partner receives at least the guaranteed share of profit. The deficiency is borne by the other partners in their mutual profit-sharing ratio unless another ratio is agreed.
- Profit and Loss Appropriation Account distributes net profit among partners; a guarantee reallocates that profit without changing its total.

Step 1: Compute ordinary shares and deficiency Profit of Rs 1,20,000 is initially shared in $2:3:1$.

Asha receives $1,20,000 \times 2/6 =$ Rs $40,000$, Disha receives Rs 60,000 and Raghav receives Rs 20,000. Raghav's guaranteed amount is Rs 40,000, so the deficiency is $40,000 - 20,000 =$ Rs $20,000$.

Step 2: Allocate deficiency between the other partners Asha and Disha bear Rs 20,000 in their mutual ratio $2:3$: Asha bears Rs 8,000 and Disha Rs 12,000. Their final shares are Rs 32,000 and Rs 48,000, respectively. Raghav receives Rs 40,000. The three adjusted shares total Rs 1,20,000, so the guarantee is met without changing the net profit.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31st March, 2022

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Asha's Capital A/c	32,000	By Profit and Loss A/c	1,20,000
To Disha's Capital A/c	48,000		
To Raghav's Capital A/c	40,000		
Total	1,20,000	Total	1,20,000

No closing balance remains because the entire profit has been appropriated. The debit side records the final shares after adjustment for the guarantee.

Step 4: Conclusion Final profit shares: Asha Rs 32,000, Disha Rs 48,000 and Raghav Rs 40,000. Both sides of the Appropriation Account total Rs 1,20,000.

Quick Tip to Solve: Charge a guarantee deficiency only to the other partners in their mutual ratio, then check that adjusted shares equal net profit.

OR

18(b). Akhil and Nikhil were partners sharing profits and losses in the ratio of 3:2. Their fixed capitals were Rs. 1,00,000 and Rs. 80,000 respectively. Interest on capital was agreed @ 6% p.a. Nikhil was to be allowed an annual salary of Rs. 9,200. During the year 2021-22, the net profit prior to the calculation of interest on capital but after charging Nikhil's salary amounted to Rs. 1,20,000. Prepare Profit and Loss Appropriation Account of the firm for the year ending 31st March, 2022.

[3 marks]

Solution:

Concept:

- Partner's salary and interest on capital are appropriations of profit. Salary already deducted in arriving at net profit is added back before preparing the appropriation account.
- Interest on fixed capital is calculated at the agreed annual rate; residual profit is shared in the agreed profit-sharing ratio.
- Appropriations and profit shares are transferred to current accounts where capitals are fixed.

Step 1: Restore salary and calculate interest The stated profit of Rs 1,20,000 is after charging Nikhil's salary of Rs 9,200. Profit before appropriations is therefore $1,20,000 + 9,200 =$ Rs $1,29,200$. Interest on capital is $1,00,000 \times 6\% =$ Rs $6,000$ for Akhil and $80,000 \times 6\% =$ Rs $4,800$ for Nikhil, totalling Rs 10,800.

Step 2: Compute residual profit After allowing interest and salary, divisible profit is

$$1,29,200 - 10,800 - 9,200 = \text{Rs } 1,09,200.$$

Akhil's share is $1,09,200 \times 3/5 = \text{Rs } 65,520$ and Nikhil's share is $1,09,200 \times 2/5 = \text{Rs } 43,680$. Adding salary back first prevents its being deducted twice.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31st March, 2022

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Interest on Capital:		By Profit and Loss A/c	1,29,200
Akhil's Current A/c	6,000		
Nikhil's Current A/c	4,800		
To Nikhil's Salary A/c	9,200		
To Profit transferred to:			
Akhil's Current A/c	65,520		
Nikhil's Current A/c	43,680		
Total	1,29,200	Total	1,29,200

The account closes without a balance because all the available profit is appropriated. Salary is ultimately transferred to Nikhil's Current Account.

Step 4: Conclusion The account totals Rs 1,29,200. Residual profit is Rs 1,09,200, shared as Akhil Rs 65,520 and Nikhil Rs 43,680.

Quick Tip to Solve: When reported profit is after a partner's salary, add salary back before showing it as an appropriation.

19(a). Tarun, Abhishek, Kamal and Vivek were partners in a firm sharing profits in the ratio of 5:3:2:2. Kamal retired on 31st March, 2022. Tarun, Abhishek and Vivek decided to share future profits equally. On Kamal's retirement goodwill of the firm was valued at Rs. 9,00,000.

Showing your working clearly, pass the necessary journal entry for treatment of goodwill on Kamal's retirement. It was decided not to show goodwill in the books of the firm. [3 marks]

Solution:

Concept:

- A retiring partner is credited with his share of the firm's goodwill. The continuing partners compensate for the benefits gained; a continuing partner who sacrifices is also credited.
- Change in share equals new share minus old share. A positive change is a gain and a negative change is a sacrifice. Multiply each change by the total goodwill to obtain the capital adjustment.

Step 1: Calculate the changes in profit shares The old shares of Tarun, Abhishek, Kamal and Vivek

are respectively $5/12, 3/12, 2/12, 2/12$. Each continuing partner's new share is $1/3 = 4/12$.

$$\text{Tarun's change} = 4/12 - 5/12 = -1/12,$$
$$\text{Abhishek's gain} = 4/12 - 3/12 = 1/12,$$
$$\text{Vivek's gain} = 4/12 - 2/12 = 2/12.$$

Thus Tarun sacrifices, although he continues in the firm. Abhishek and Vivek gain in the ratio $1 : 2$. Their total gain of $3/12$ compensates Kamal's retiring share of $2/12$ and Tarun's sacrifice of $1/12$.

Step 2: Compute compensation and record the adjustment On goodwill of Rs 9,00,000, Kamal is entitled to $9,00,000 \times 2/12 =$ Rs $1,50,000$, and Tarun to $9,00,000 \times 1/12 =$ Rs $75,000$. Abhishek bears Rs 75,000 and Vivek Rs 1,50,000. No Goodwill Account is opened because goodwill is not to appear in the books.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2022	Abhishek's Capital A/c Dr.		75,000	
	Vivek's Capital A/c Dr.		1,50,000	
	To Kamal's Capital A/c			1,50,000
	To Tarun's Capital A/c			75,000
	(Being goodwill adjusted through partners' capital accounts on Kamal's retirement)			

Step 3: Conclusion Debit Abhishek's capital Rs 75,000 and Vivek's capital Rs 1,50,000; credit Kamal's capital Rs 1,50,000 and Tarun's capital Rs 75,000.

Quick Tip to Solve: Check every continuing partner separately: a continuing partner can sacrifice and receive compensation on retirement.

OR

19(b). Atul and Geeta were partners sharing profits in the ratio 3:2. Ira was admitted into the firm for 1/4th share of profits. Ira brought Rs. 40,000 as her capital. The capitals of Atul and Geeta after all adjustments relating to goodwill, revaluation of assets and liabilities etc. are Rs. 60,000 and Rs. 40,000 respectively. It is agreed that capitals should be according to the new profit sharing ratio.

Calculate the amount of actual cash to be paid off or brought in by the old partners. Pass the necessary journal entry/entries for the same. [3 marks]

Solution:

Concept:

- Total capital implied by a new partner equals the capital introduced divided by that partner's profit share.
- The old partners share the remaining profits in their existing ratio when no different sacrifice is stated. Required capital equals total implied capital multiplied by the new share.

Step 1: Find the new ratio and total capital Ira receives $1/4$, leaving $3/4$ for Atul and Geeta in their

old ratio $3:2$. Hence

$$\text{Atul} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}, \qquad \text{Geeta} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}, \qquad \text{Ira} = \frac{5}{20}.$$

The new profit-sharing ratio is $9:6:5$. Ira's capital of Rs 40,000 represents one-fourth of the firm's capital, so total required capital is $40,000 \div (1/4) = \text{Rs } 1,60,000$. The existing combined capitals are not used as the basis because Ira's contribution fixes the agreed total.

Step 2: Compare actual capitals with required capitals Atul's required capital is $1,60,000 \times 9/20 = \text{Rs } 72,000$, against adjusted capital of Rs 60,000; his deficiency is Rs 12,000. Geeta's required capital is $1,60,000 \times 6/20 = \text{Rs } 48,000$, against Rs 40,000; her deficiency is Rs 8,000. Both partners bring cash into the firm. After this, capitals total $72,000 + 48,000 + 40,000 = \text{Rs } 1,60,000$ and are in the ratio $9:6:5$.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Cash/Bank A/c Dr.		20,000	
	To Atul's Capital A/c			12,000
	To Geeta's Capital A/c			8,000
	(Being cash brought in by old partners to adjust capitals to the new profit-sharing ratio)			

Step 3: Conclusion Atul brings in Rs 12,000 and Geeta brings in Rs 8,000. No cash is paid off to either old partner.

Quick Tip to Solve: Derive total capital from the incoming partner first, then compare each old partner's required and adjusted capital.

20. Vimal Ltd. purchased assets worth Rs. 5,00,000 and took over liabilities of Rs. 1,00,000 of Kapil Ltd. for a purchase consideration of Rs. 4,50,000. Vimal Ltd. paid one third of the amount by cheque and balance was settled by issuing 11% debentures of Rs. 100 each at a premium of 20%.

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

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor. Net identifiable assets equal assets taken over less liabilities assumed; excess consideration is goodwill.
- Debentures issued at a premium settle the vendor at their issue price, while Debentures Account is credited only with face value and Securities Premium Reserve with the premium.

Step 1: Calculate goodwill and the settlement amounts Net assets acquired are $5,00,000 - 1,00,000 = \text{Rs } 4,00,000$. Since consideration is Rs 4,50,000, goodwill is $4,50,000 - 4,00,000 = \text{Rs } 50,000$. Cheque payment is $4,50,000 \times 1/3 = \text{Rs } 1,50,000$; the balance due to Kapil Ltd. is Rs 3,00,000. Each debenture has face value Rs 100 and premium $100 \times 20\% = \text{Rs } 20$, so its issue price is Rs 120. The number issued is $3,00,000/120 = 2,500$. Thus face value credited is Rs 2,50,000 and premium is Rs 50,000. The 11% rate describes annual interest; it does not change the issue price or the vendor settlement.

Step 2: Record the acquisition and discharge of the vendor Journal of Vimal Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		5,00,000	
	Goodwill A/c Dr.		50,000	
	To Sundry Liabilities A/c			1,00,000
	To Kapil Ltd.			4,50,000
	(Being assets and liabilities acquired for the agreed consideration, with excess recorded as goodwill)			
	Kapil Ltd. Dr.		1,50,000	
	To Bank A/c			1,50,000
	(Being one-third of purchase consideration paid by cheque)			
	Kapil Ltd. Dr.		3,00,000	
	To 11% Debentures A/c			2,50,000
	To Securities Premium Reserve A/c			50,000
	(Being 2,500 debentures of Rs 100 each issued at 20% premium to settle the balance)			

The vendor receives Rs 1,50,000 through bank and Rs 3,00,000 through the debenture issue, exactly clearing Rs 4,50,000 payable.

Step 3: Conclusion Goodwill is Rs 50,000; cheque payment is Rs 1,50,000; 2,500 debentures are issued, crediting Debentures Rs 2,50,000 and Securities Premium Reserve Rs 50,000.

Quick Tip to Solve: Divide the amount settled by Rs 120, the issue price, to find the number of debentures; use Rs 100 only for face value.

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21. Narmada Ltd. has an authorized capital of Rs. 10,00,000 divided into equity shares of Rs. 10 each. The company issued a prospectus inviting applications for issuing 80,000 equity shares. The company received applications for 75,000 equity shares. All calls were made and were duly received except the first and final call of Rs. 2 per share on 5,000 shares held by Arti. These shares were forfeited.

(a) Present the share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

(b) Also prepare 'Notes to Accounts' for the same. [4 marks]

Solution:

Concept:

- Schedule III presents share capital under Shareholders' Funds within Equity and Liabilities. The related note discloses authorised, issued and subscribed capital separately.
- After forfeiture, the forfeited shares cease to form part of subscribed capital. The amount already received on them is separately added as the amount originally paid up on forfeited shares.

Step 1: Calculate the capital after forfeiture The authorised capital comprises $10,00,000/10 = 1,00,000$ equity shares. The company offered 80,000 shares but received applications for only 75,000 shares. Thus, subscribed capital before forfeiture was Rs 7,50,000. All calls were made, so each share was fully called at Rs 10.

Arti's 5,000 shares were forfeited for non-payment of Rs 2 per share. Amount received per forfeited share was $10 - 2 = \text{Rs } 8$. Therefore,

$$\text{Remaining shares} = 75,000 - 5,000 = 70,000,$$
$$\text{Fully paid capital} = 70,000 \times 10 = \text{Rs } 7,00,000,$$
$$\text{Forfeited amount} = 5,000 \times 8 = \text{Rs } 40,000.$$

The unpaid call of Rs 10,000 pertains to shares already forfeited; it is not deducted again from the remaining fully paid capital.

Step 2: Present the Balance Sheet extract **Narmada Ltd. — Balance Sheet (Extract)**

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	1	7,40,000

The note reference connects the share capital shown on the face of the Balance Sheet to the detailed disclosure below.

Step 3: Prepare Notes to Accounts **Note 1: Share Capital**

Particulars	Amount (Rs)
Authorised capital	
1,00,000 equity shares of Rs 10 each	10,00,000
Issued capital	
80,000 equity shares of Rs 10 each	8,00,000
Subscribed and fully paid-up capital	
70,000 equity shares of Rs 10 each	7,00,000
Add: Forfeited shares (amount originally paid up)	40,000
Total	7,40,000

The forfeited shares are excluded from subscribed shares while their retained paid-up amount is included separately.

Step 4: Conclusion Share Capital is Rs 7,40,000: Rs 7,00,000 on fully paid equity shares plus Rs 40,000 originally paid on forfeited shares.

Quick Tip to Solve: Exclude forfeited shares from the subscribed count, then add only the money already received on them.

22. Sonali, Sohan and Shivain were partners in a pen manufacturing firm. They were sharing profits and losses in the ratio of 2:2:1. On 31st March, 2022 their Balance Sheet was as follows:

Balance Sheet of Sonali, Sohan and Shivain as on 31st March, 2022

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Accounts: Sonali 4,00,000 Sohan 4,00,000 Shivain 4,00,000	12,00,000	Land and Building	6,00,000
General Reserve	1,00,000	Plant and Machinery	5,00,000
Creditors	3,60,000	Debtors	1,60,000
Bills payable	40,000	Stock	1,40,000
		Cash in hand	1,20,000
		Cash at Bank	1,80,000
Total	17,00,000	Total	17,00,000

Sohan died on 30th June, 2022. According to Partnership Deed, his executors were entitled to:

(i) Interest on capital @ 12% p.a.

(ii) His share of goodwill which was Rs. 48,000.

(iii) His share of profit till the date of death was to be calculated on the basis of sales. The sales from 1st April, 2022 to 30th June, 2022 were Rs. 2,50,000. The sales and profits of the firm for the year ending 31st March, 2022 were Rs. 20,00,000 and Rs. 5,00,000 respectively.

Prepare Sohan's Capital Account to be presented to his executors. [4 marks]

Solution:

Concept:

- A deceased partner is entitled to his opening capital, share of accumulated reserves, interest on capital and other amounts due under the partnership deed.
- Profit to the date of death on a sales basis equals current sales multiplied by the previous year's profit-to-sales ratio; the deceased partner receives his old profit-sharing fraction.

Step 1: Calculate Sohan's reserve share and interest Sohan's old profit-sharing fraction is $2/(2+2+1) = 2/5$. General Reserve belongs to the old partners and must be credited in their old ratio. Hence,

$$\text{Sohan's reserve share} = 1,00,000 \times \frac{2}{5} = \text{Rs } 40,000.$$

Interest is calculated on his opening capital of Rs 4,00,000 for three months, from 1st April to 30th June, 2022:

$$\text{Interest} = 4,00,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 12,000.$$

The question directly supplies Sohan's goodwill share as Rs 48,000; this is credited in full, without applying the profit-sharing fraction again.

Step 2: Estimate profit up to death using sales For the year ended 31st March, 2022, the firm's

profit-to-sales ratio was

$$\frac{5,00,000}{20,00,000} \times 100 = 25\%.$$

Applying this ratio to actual sales of Rs 2,50,000 up to 30th June gives estimated firm profit of $2,50,000 \times 25\% =$ Rs $62,500$. Sohan's share is

$$62,500 \times \frac{2}{5} = \text{Rs } 25,000.$$

Since sales for the period are already given, the profit is not further multiplied by three-twelfths. His capital is credited through Profit and Loss Suspense Account.

Step 3: Prepare Sohan's Capital Account **Sohan's Capital Account as on 30th June, 2022**

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Sohan's Executor's A/c	5,25,000	By Balance b/d	4,00,000	
			By General Reserve A/c	40,000	
			By Sonali's Capital A/c	32,000	
			By Shivain's Capital A/c	16,000	
			By Interest on Capital A/c	12,000	
			By Profit and Loss Suspense A/c	25,000	
	Total	5,25,000	Total	5,25,000	

In the absence of a revised ratio, the surviving partners continue in their old relative ratio of 2:1 and gain in that ratio. Thus they bear Sohan's goodwill of Rs 48,000 as Rs 32,000 and Rs 16,000 respectively. The account is closed by transferring the total due to Sohan's Executor's Account; it is not carried forward as Sohan's capital.

Step 4: Conclusion Sohan's executors are entitled to Rs 5,25,000, transferred from his Capital Account to his Executor's Account.

Quick Tip to Solve: Use the sales ratio for profit up to death; apply the three-month fraction only to annual interest on capital.

23(a). **Vani Limited invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of 10%. The amounts were payable as under: On Application and Allotment Rs. 4 per share (including premium Rs. 1); On first call Rs. 4 per share; On second and final call Rs. 3 per share.**

Applications for 1,50,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money was adjusted towards sums due on calls. Parth, a shareholder who had applied for 600 shares did not pay the first call. His shares were forfeited. The second and final call was not yet made. Half of the forfeited shares were reissued at Rs. 8 per share fully paid up.

Journalise the above transactions in the books of Vani Limited by opening calls in arrears and calls in advance account wherever necessary. [6 marks]

Solution:

Concept:

- Pro-rata allotment distributes the shares in the ratio of shares offered to shares applied for. Excess application money is a liability in Calls in Advance until adjusted against a call.
- On forfeiture, debit Share Capital with called-up capital only; credit unpaid calls and Share Forfeiture with capital already received. Premium already received is not reversed.
- Reissue discount is debited to Share Forfeiture. Only the surplus relating to shares actually reissued is transferred to Capital Reserve.

Step 1: Calculate allotment and advance The allotment ratio is $1,00,000 : 1,50,000 = 2 : 3$. Application and allotment money received is $1,50,000 \times 4 =$ Rs $6,00,000$. Of this, Rs 3,00,000 is capital and Rs 1,00,000 is premium; the remaining Rs 2,00,000 is calls in advance. Parth receives $600 \times 2/3 = 400$ shares. His excess payment is $600 \times 4 - 400 \times 4 =$ Rs 800.

Step 2: Record application, allotment and first call Journal of Vani Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application and allotment money received on 1,50,000 shares)		6,00,000	 6,00,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c To Calls in Advance A/c (Being 1,00,000 shares allotted pro-rata and excess retained for calls)		6,00,000	 3,00,000 1,00,000 2,00,000
	Share First Call A/c Dr. To Share Capital A/c (Being first call of Rs 4 per share made)		4,00,000	 4,00,000
	Calls in Advance A/c Dr. To Share First Call A/c (Being excess application money adjusted against first call)		2,00,000	 2,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share First Call A/c (Being balance first call received except Rs 800 due from Parth)		1,99,200 800	 2,00,000

Step 3: Determine capital received and forfeiture Parth owes first call of $400 \times 4 = \text{Rs } 1,600$, against which Rs 800 advance is adjusted. Thus calls in arrears are Rs 800. Called-up capital is $400 \times (3+4) = \text{Rs } 2,800$. Capital received is $400 \times 3 + 800 = \text{Rs } 2,000$. The final call has not been made, so it is excluded from forfeiture. Half, or 200 shares, are reissued. Their forfeited capital is Rs 1,000 and the reissue discount is $200 \times (10-8) = \text{Rs } 400$, leaving Rs 600 for Capital Reserve.

Step 4: Record forfeiture and reissue Journal of Vani Limited (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being 400 shares forfeited for unpaid first call balance)		2,800	 800 2,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 200 forfeited shares reissued at Rs 8 each as fully paid)		1,600 400	 2,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on 200 reissued shares transferred to capital reserve)		600	 600

Step 5: Conclusion Calls in arrears of Rs 800 are cleared on forfeiture. Capital Reserve is Rs 600, and Share Forfeiture retains Rs 1,000 for the 200 shares not reissued. No second and final call entry is passed.

Quick Tip to Solve: Separate the Rs 1 premium from capital before calculating forfeiture; adjust Parth's Rs 800 advance before finding his unpaid call.

OR

23(b)(i). Pass necessary journal entries for forfeiture and reissue of forfeited shares in the following cases:

Vipin Ltd. forfeited 10,000 shares of Rs. 10 each issued at a premium of Rs. 1 per share, for non-payment of second and final call of Rs. 2 per share. Out of these, 60% of the shares were reissued at Rs. 7 per share fully paid up. [3 marks]

Solution:

Concept:

- Forfeiture cancels called-up capital and transfers capital already received to Share Forfeiture. Securities premium collected earlier is retained.
- Reissue discount may be met from forfeited capital on the reissued shares; the remaining surplus on those shares becomes Capital Reserve.

Step 1: Calculate forfeiture and reissue amounts All 10,000 shares are fully called at Rs 10, so capital cancelled is Rs 1,00,000. The unpaid final call is $10,000 \times 2 = \text{Rs } 20,000$, giving capital received of Rs 80,000. Premium of Rs 1 per share was received earlier and is not reversed. Shares reissued are

$10,000 \times 60\% = 6,000$. Cash received is $6,000 \times 7 =$ Rs $42,000$; discount is $6,000 \times 3 =$ Rs $18,000$.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Share Second and Final Call A/c To Share Forfeiture A/c (Being 10,000 shares forfeited for unpaid final call)		1,00,000	 20,000 80,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 6,000 shares reissued at Rs 7 each fully paid)		42,000 18,000	 60,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on reissued shares transferred to capital reserve)		30,000	 30,000

Step 3: Verify the capital profit Forfeited capital belonging to 6,000 reissued shares is $80,000 \times 6,000/10,000 =$ Rs $48,000$. After absorbing the Rs 18,000 discount, the realised capital profit is Rs 30,000. The remaining Rs 32,000 in Share Forfeiture relates to 4,000 unreissued shares and must not yet be transferred.

Step 4: Conclusion Capital Reserve is Rs 30,000; the Share Forfeiture balance retained is Rs 32,000.

Quick Tip to Solve: Use 60% of forfeited capital for the reserve calculation because only 60% of the shares have been reissued.

23(b)(ii). Pass necessary journal entries for forfeiture and reissue of forfeited shares in the following cases:

Deepak Ltd. forfeited 800 shares of Rs. 10 each, Rs. 8 per share called up, for non-payment of first call of Rs. 3 per share. All the forfeited shares were reissued for Rs. 12 per share fully paid. [3 marks]

Solution:

Concept:

- On forfeiture, Share Capital is debited only with called-up capital. The amount already paid towards capital is credited to Share Forfeiture.
- Shares reissued as fully paid are credited at full face value. Any excess cash over face value is credited to Securities Premium; forfeiture profit is separately transferred to Capital Reserve.

Step 1: Calculate capital cancelled and received The 800 shares have only Rs 8 per share called up. Therefore capital cancelled is $800 \times 8 =$ Rs $6,400$. The unpaid first call is $800 \times 3 =$ Rs $2,400$, and capital already received is $800 \times (8-3) =$ Rs $4,000$. The uncalled Rs 2 per share creates no unpaid call balance and does not enter the forfeiture entry.

Step 2: Record forfeiture and reissue Journal of Deepak Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (Being 800 shares forfeited for non-payment of first call)		6,400	 2,400 4,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Being 800 forfeited shares reissued at Rs 12 each fully paid)		9,600	 8,000 1,600
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being entire forfeiture surplus transferred after reissue of all shares)		4,000	 4,000

Step 3: Verify premium and reserve separately Reissue proceeds are $800 \times 12 = \text{Rs } 9,600$. Since shares are reissued fully paid, Share Capital is credited with $800 \times 10 = \text{Rs } 8,000$, and Securities Premium with $800 \times 2 = \text{Rs } 1,600$. There is no reissue discount to absorb. All forfeited shares have been reissued, so the entire Rs 4,000 forfeiture balance is realised capital profit.

Step 4: Conclusion Securities Premium on reissue is Rs 1,600 and Capital Reserve is Rs 4,000. Share Forfeiture has no balance after the transfer.

Quick Tip to Solve: Debit only Rs 8 called-up capital at forfeiture, but credit Rs 10 face value when reissuing each share fully paid.

24(a). Kamal, Rahul and Neeraj were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March, 2022, their Balance Sheet was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals: Kamal 1,20,000 Rahul 1,20,000 Neeraj 1,20,000	3,60,000	Land and Building	1,70,000
General Reserve	1,20,000	Plant and Machinery	2,60,000
Sundry Creditors	1,80,000	Stock	1,00,000
		Debtors	80,000
		Cash	50,000
Total	6,60,000	Total	6,60,000

On the above date, Rahul retired and following terms were agreed upon:

(i) Goodwill of the firm was valued at Rs. 3,50,000.

(ii) An item of Rs. 10,000 included in Sundry creditors is not likely to be claimed and hence written off. Stock was valued at Rs. 90,000.

(iii) Capital of the new firm was fixed at Rs. 2,10,000 and the same will be adjusted in the profit sharing ratio of the remaining partners. For this purpose the required cash will be brought in or paid off as the case may be.

(iv) Amount payable to Rahul will be transferred to his loan account.

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

Solution:

Concept:

- Accumulated reserves belong to all old partners in their old profit-sharing ratio of $5:3:2$.
- The retiring partner is compensated for goodwill by the continuing partners in their gaining ratio. Revaluation records changes in assets and liabilities.
- The continuing partners retain their relative shares, so their new ratio and gaining ratio are both $5:2$. Their capitals are then adjusted to the agreed total.

Step 1: Calculate goodwill and reserve adjustments Kamal and Neeraj continue in the ratio $5:2$. Their gains are

$$\frac{5}{7}-\frac{5}{10}=\frac{3}{14}, \qquad \frac{2}{7}-\frac{2}{10}=\frac{3}{35}.$$

Thus the gaining ratio is $5:2$. Rahul's goodwill entitlement is $3,50,000 \times 3/10 =$ Rs $1,05,000$. Debit Kamal's capital by Rs 75,000 and Neeraj's capital by Rs 30,000, crediting Rahul's capital by Rs 1,05,000. General reserve of Rs 1,20,000 is credited to Kamal, Rahul and Neeraj as Rs 60,000, Rs 36,000 and Rs 24,000 respectively.

Step 2: Prepare Revaluation Account Stock falls by $1,00,000 - 90,000 =$ Rs $10,000$, a revaluation loss. Writing off the unclaimed creditor gives an equal gain. Therefore, the net revaluation result is nil and there is no transfer to partners' capitals.

Revaluation Account as at 31st March, 2022

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Stock	10,000	By Sundry Creditors	10,000
Total	10,000	Total	10,000

Step 3: Determine settlement and required capitals After the reserve and goodwill adjustments, the capital balances are:

$$\begin{aligned} Kamal &= 1,20,000+60,000-75,000 = \text{Rs } 1,05,000,\\ Rahul &= 1,20,000+36,000+1,05,000 = \text{Rs } 2,61,000,\\ Neeraj &= 1,20,000+24,000-30,000 = \text{Rs } 1,14,000. \end{aligned}$$

Required capitals out of Rs 2,10,000 are Kamal $2,10,000 \times 5/7 =$ Rs $1,50,000$ and Neeraj $2,10,000 \times 2/7 =$ Rs $60,000$. Hence Kamal brings Rs 45,000 and Neeraj receives Rs 54,000. Rahul's entire balance goes to his loan account.

Step 4: Prepare Partners' Capital Accounts **Partners' Capital Accounts as at 31st March, 2022**

Dr.				Cr.			
Particulars	Kamal Rs	Rahul Rs	Neeraj Rs	Particulars	Kamal Rs	Rahul Rs	Neeraj Rs
To Rahul	75,000	–	30,000	By Balance b/d	1,20,000	1,20,000	1,20,000
To Loan A/c	–	2,61,000	–	By Reserve	60,000	36,000	24,000
To Cash	–	–	54,000	By Kamal	–	75,000	–
To Balance c/d	1,50,000	–	60,000	By Neeraj	–	30,000	–
				By Cash	45,000	–	–
Total	2,25,000	2,61,000	1,44,000	Total	2,25,000	2,61,000	1,44,000

The two sides of each partner's account agree. The continuing capitals total Rs 2,10,000, as required.

Step 5: Conclusion Revaluation yields neither profit nor loss. Rahul's loan is Rs 2,61,000; Kamal

brings Rs 45,000 and Neeraj withdraws Rs 54,000. Closing capitals are Rs 1,50,000 and Rs 60,000 respectively.

Quick Tip to Solve: Adjust reserves and goodwill before comparing the continuing partners' balances with their required capitals.

OR

24(b). Ashish and Vishesh were partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2022 was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	30,000	Cash at Bank	50,000
Outstanding electricity bill	20,000	Debtors 80,000 Less: provision for bad debts 2,000	78,000
Capitals: Ashish 3,00,000 Vishesh 2,00,000	5,00,000	Stock	1,12,000
		Machinery	3,00,000
		Profit and Loss A/c	10,000
Total	5,50,000	Total	5,50,000

On 1st April, 2022, Manya was admitted into the firm with 1/4th share in the profits on the following terms:

(i) Manya will bring Rs. 1,00,000 as her capital and Rs. 50,000 as her share of goodwill premium in cash.

(ii) Outstanding electricity bill will be paid off.

(iii) Stock was found over valued by Rs. 12,000.

Pass the necessary journal entries in the books of the firm on Manya's admission. [6 marks]

Solution:

Concept:

- An accumulated debit balance of Profit and Loss Account is charged to the old partners in their old ratio of $3:2$.
- Goodwill premium brought by an incoming partner is credited to sacrificing partners in their sacrificing ratio; absent another arrangement, the old partners sacrifice in their old ratio.
- A reduction in stock is debited to Revaluation Account. Payment of an already recorded liability does not create a revaluation loss.

Step 1: Calculate adjustments before journalising Ashish and Vishesh share the accumulated loss of Rs 10,000 in the ratio $3:2$: Ashish Rs 6,000 and Vishesh Rs 4,000. Manya receives $1/4$, leaving $3/4$ for the old partners. Their new shares are $9/20$ and $6/20$; Manya's share is $5/20$. The new ratio is therefore $9:6:5$.

Ashish sacrifices $3/5 - 9/20 = 3/20$ and Vishesh sacrifices $2/5 - 6/20 = 2/20$. Thus the Rs 50,000 premium is credited Rs 30,000 to Ashish and Rs 20,000 to Vishesh. Stock decreases from Rs 1,12,000 to Rs 1,00,000. The revaluation loss of Rs 12,000 is borne Rs 7,200 and Rs 4,800 respectively.

Step 2: Record accumulated loss and admission receipts **Journal of the Firm (1st April, 2022)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2022	Ashish's Capital A/c Dr. Vishesh's Capital A/c Dr. To Profit and Loss A/c (Being accumulated loss charged in the old ratio of 3:2)		6,000 4,000	 10,000
1-4-2022	Cash A/c Dr. To Manya's Capital A/c To Premium for Goodwill A/c (Being capital and goodwill premium brought in cash by Manya)		1,50,000	 1,00,000 50,000
1-4-2022	Premium for Goodwill A/c Dr. To Ashish's Capital A/c To Vishesh's Capital A/c (Being premium distributed in the sacrificing ratio of 3:2)		50,000	 30,000 20,000

Step 3: Record payment and revaluation **Journal of the Firm (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2022	Outstanding Electricity Bill A/c Dr. To Cash/Bank A/c (Being the existing outstanding electricity bill paid off)		20,000	 20,000
1-4-2022	Revaluation A/c Dr. To Stock A/c (Being overvaluation of stock corrected)		12,000	 12,000
1-4-2022	Ashish's Capital A/c Dr. Vishesh's Capital A/c Dr. To Revaluation A/c (Being revaluation loss transferred in the old ratio of 3:2)		7,200 4,800	 12,000

The liability is debited when paid because it already appears in the opening Balance Sheet; there is no further electricity expense. The existing provision for bad debts is unchanged because no change in debtors or the provision is specified. No goodwill withdrawal entry is required because the question does not direct the old partners to withdraw the premium.

Step 4: Conclusion Manya's capital is credited with Rs 1,00,000. Goodwill premium is credited Rs 30,000 to Ashish and Rs 20,000 to Vishesh; revaluation loss is charged Rs 7,200 and Rs 4,800 respectively.

Quick Tip to Solve: Keep payment of an existing outstanding bill separate from revaluation: only the stock correction creates a new loss.

25. C, D, E were partners in a firm sharing profits in the ratio of 3:1:1. Their Balance Sheet as at 31st March, 2022 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals: C 4,00,000 D 2,00,000 E 1,00,000	7,00,000	Machinery	3,20,000
C's Loan	1,20,000	Investments	3,00,000
Sundry Creditors	1,00,000	Stock	2,00,000
Bills payable	2,00,000	Debtors	1,00,000
		Cash at Bank	2,00,000
Total	11,20,000	Total	11,20,000

On the above date the firm was dissolved due to certain disagreement among the partners:

(i) Machinery of Rs. 3,00,000 were given to creditors in full settlement of their account and remaining machinery was sold for Rs. 10,000.

(ii) Investments realised Rs. 2,90,000.

(iii) Stock was sold for Rs. 1,80,000.

(iv) Debtors for Rs. 20,000 proved bad.

(v) Realisation expenses amounted to Rs. 10,000.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Realisation Account records the disposal of non-cash assets and settlement of outside liabilities at dissolution. Assets are transferred at book value to its debit; outside liabilities are transferred to its credit.
- Cash at bank is excluded from the transfer of assets. A partner's loan is settled separately, so C's loan is not transferred to Realisation Account.
- The balance of Realisation Account is transferred to partners in their profit-sharing ratio, here $3:1:1$.

Step 1: Determine transfers at book values Transfer machinery Rs 3,20,000, investments Rs 3,00,000, stock Rs 2,00,000 and debtors Rs 1,00,000 to the debit of Realisation Account. The total is Rs 9,20,000. Transfer sundry creditors Rs 1,00,000 and bills payable Rs 2,00,000 to its credit. Partners' capitals, C's loan and the existing bank balance are not included in these transfers.

Step 2: Determine cash receipts and payments Machinery with book value Rs 3,00,000 is accepted by creditors in full settlement. Since both the machinery and creditors have already been transferred, no further entry is required for this exchange. Only the remaining machinery's sale proceeds, Rs 10,000, are credited through Bank. Debtors realise $1,00,000 - 20,000 =$ Rs $80,000$. Thus total receipts are $10,000 + 2,90,000 + 1,80,000 + 80,000 =$ Rs $5,60,000$. Bills payable are settled at their book value, Rs 2,00,000, and expenses paid are Rs 10,000. The Rs 20,000 bad debts are already reflected in the reduced debtors' receipt and are not debited again.

Step 3: Prepare the Realisation Account Realisation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Machinery	3,20,000	By Sundry Creditors	1,00,000
To Investments	3,00,000	By Bills Payable	2,00,000
To Stock	2,00,000	By Bank:	
To Debtors	1,00,000	Machinery	10,000
To Bank:		Investments	2,90,000
Bills payable	2,00,000	Stock	1,80,000
Expenses	10,000	Debtors	80,000
		By Loss transferred to:	
		C's Capital	1,62,000
		D's Capital	54,000
		E's Capital	54,000
Total	11,30,000	Total	11,30,000

The debit exceeds receipts and transferred liabilities by $11,30,000 - 8,60,000 = \text{Rs } 2,70,000$. It is apportioned as $2,70,000 \times 3/5 = 1,62,000$ to C and $2,70,000 \times 1/5 = 54,000$ each to D and E. This transfer balances both sides of Realisation Account.

Step 4: Conclusion Realisation loss is $\boxed{\text{Rs } 2,70,000}$, borne by C, D and E as Rs 1,62,000, Rs 54,000 and Rs 54,000 respectively.

Quick Tip to Solve: When creditors take an asset in full settlement, transfer both book values first; do not record a second cash payment or receipt.

26. Chiranjeevi Limited issued 2,000, 10% debentures of Rs. 100 each. Pass the necessary Journal entries for the issue of debentures in the following cases:

(a) When debentures were issued at 10% premium, redeemable at 5% premium.

(b) When debentures were issued at 5% discount, redeemable at 10% premium.

(c) When debentures were issued at par, redeemable at a premium of 10%. [6 marks]

Solution:

Concept:

- Debentures Account is credited with the nominal value: $2,000 \times \text{Rs } 100 = \text{Rs } 2,00,000$.
- Premium received on issue is credited to Securities Premium Reserve. Premium payable on redemption is credited to a separate liability account.
- Loss on issue equals discount on issue, if any, plus premium payable on redemption. The 10% coupon rate does not affect these issue entries.

Step 1: Case (a): Issue at premium, redemption at premium The face value is $2,000 \times 100 = \text{Rs } 2,00,000$. Issue premium is Rs 20,000 and bank receipts are Rs 2,20,000. Redemption premium is Rs 10,000. The issue premium is credited to Securities Premium Reserve; the separate redemption premium is recognised as loss on issue. The credit to debentures always records face value.

Journal of Chiranjeevi Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,20,000	
	Loss on Issue of Debentures A/c Dr.		10,000	
	To 10% Debentures A/c			2,00,000
	To Securities Premium Reserve A/c			20,000
	To Premium on Redemption of Debentures A/c			10,000
	(Being debentures issued at 10% premium, redeemable at 5% premium)			

Step 2: Case (b): Issue at discount, redemption at premium Issue discount is $2,00,000 \times 5/100 =$ Rs $10,000$; hence Bank is debited with Rs 1,90,000. Premium payable on redemption is Rs 20,000. Loss on issue includes both the discount and the redemption premium: $10,000 + 20,000 =$ Rs $30,000$. The total debit and total credit are each Rs 2,20,000.

Journal of Chiranjeevi Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,90,000	
	Loss on Issue of Debentures A/c Dr.		30,000	
	To 10% Debentures A/c			2,00,000
	To Premium on Redemption of Debentures A/c			20,000
	(Being debentures issued at 5% discount, redeemable at 10% premium)			

Step 3: Case (c): Issue at par, redemption at premium Issue at par yields cash equal to face value, Rs 2,00,000. There is no issue discount or issue premium. Nevertheless, redemption at 10% premium creates an additional liability of Rs 20,000, recognised at issue by debiting Loss on Issue of Debentures Account. Total debits and credits are each Rs 2,20,000.

Journal of Chiranjeevi Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,00,000	
	Loss on Issue of Debentures A/c Dr.		20,000	
	To 10% Debentures A/c			2,00,000
	To Premium on Redemption of Debentures A/c			20,000
	(Being debentures issued at par, redeemable at 10% premium)			

Step 4: Conclusion Bank receipts in cases (a), (b) and (c) are Rs 2,20,000, Rs 1,90,000 and Rs 2,00,000; the respective losses on issue are Rs 10,000, Rs 30,000 and Rs 20,000.

Quick Tip to Solve: Calculate issue price and redemption premium separately; credit debentures at face value in every case.

Part B (20 marks)

OPTION -I (Analysis of Financial Statements)

27(a). Which of the following are not tools of Financial Analysis?

(i) Cash Flow Statement

(ii) Income Statement

(iii) Balance Sheet

(iv) Ratio Analysis [1 mark]

(A) (i) and (ii)

(B) (ii) and (iv)

(C) (ii) and (iii)

(D) (iii) and (iv)

Correct Answer: (C) (ii) and (iii)

Solution:

Concept:

- Financial statements supply the data, whereas tools of analysis process or interpret that data.
- Cash flow analysis and ratio analysis are recognised tools of financial analysis.

Step 1: Classify the four statements An income statement reports revenue, expenses and profit; a balance sheet reports assets, liabilities and equity. These are basic financial statements, so (ii) and (iii) supply information for analysis. Cash Flow Statement, item (i), analyses changes in cash by activity, while Ratio Analysis, item (iv), expresses relationships between financial figures.

Step 2: Check the alternatives Option (A) includes Cash Flow Statement, a tool; (B) includes Ratio Analysis, a tool; and (D) also includes Ratio Analysis. Thus none of those pairs contains only items that are not tools. Only option (C) correctly pairs the two basic financial statements, (ii) and (iii).

Step 3: Conclusion Income Statement and Balance Sheet, (ii) and (iii), are not tools of financial analysis. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish the statements that provide raw figures from methods used to analyse those figures.

OR

27(b). Which one of the following statement is incorrect? [1 mark]

(A) Liquidity ratios are calculated to measure the short term solvency of the business.

(B) Current ratio is also known as Acid Test Ratio.

(C) Solvency ratios are calculated to determine the ability of the business to service its debt in the long run.

(D) Proprietary ratio expresses the relationship of proprietor's funds to net assets / total assets.

Correct Answer: (B) Current ratio is also known as Acid Test Ratio.

Solution:

Concept:

- Liquidity ratios measure short-term solvency; solvency ratios assess the long-term ability to meet debts.
- The current ratio is current assets divided by current liabilities; the acid test ratio is quick assets divided by current liabilities.

Step 1: Check the incorrect name The acid test ratio is the quick ratio. It excludes items such as inventories and prepaid expenses from current assets. The current ratio includes these current assets, so the two ratios are distinct. Statement (B) incorrectly equates them.

Step 2: Check the other statements Statement (A) correctly describes liquidity ratios. Statement (C) correctly describes long-term solvency ratios. Statement (D) correctly relates proprietors' funds to total assets for the proprietary ratio. These statements therefore do not satisfy the requirement to select the incorrect statement.

Step 3: Conclusion The incorrect statement is (B): Current ratio is also known as Acid Test Ratio.

Quick Tip to Solve: Remember: acid test means quick assets; current ratio uses all current assets.

28(a). Which of the following transaction will result in no flow of cash? [1 mark]

(A) Purchase of machinery

(B) Sale of investments

(C) Acquisition of machinery by issue of equity shares

(D) Redemption of debentures

Correct Answer: (C) Acquisition of machinery by issue of equity shares

Solution:

Concept:

- A cash flow requires an inflow or outflow of cash or cash equivalents.
- An exchange of a non-current asset for equity shares is a non-cash investing and financing transaction.

Step 1: Examine the share exchange When machinery is acquired by issuing equity shares, the company receives machinery and issues share capital directly to the supplier. No cash or cash equivalent is received or paid in this exchange.

Step 2: Compare the remaining alternatives An ordinary cash purchase of machinery produces an investing outflow. Sale of investments produces an investing inflow. Redemption of debentures produces a financing outflow. In contrast, the express share consideration in option (C) makes that transaction non-cash and excludes it from the cash flow statement.

Step 3: Conclusion The correct option is (C): Acquisition of machinery by issue of equity shares.

Quick Tip to Solve: Look at the consideration: payment through shares does not move cash.

OR

28(b). Match the transactions given in Column-II with their correct category given in Column-I for the purpose of preparation of 'Cash Flow Statement'.

Column-I	Column-II
(a) Investing Activity	(i) Interest paid
(b) Financing Activity	(ii) Purchase of Goodwill
(c) Operating Activity	(iii) Cash receipts from sale of goods

[1 mark]

(A) (a)-(iii), (b)-(i), (c)-(ii)

(B) (a)-(ii), (b)-(i), (c)-(iii)

(C) (a)-(i), (b)-(iii), (c)-(ii)

(D) (a)-(ii), (b)-(iii), (c)-(i)

Correct Answer: (B) (a)-(ii), (b)-(i), (c)-(iii)

Solution:

Concept:

- Investing activities concern acquisition and disposal of long-term assets and investments.
- For a non-financial enterprise, interest paid is a financing cash flow; receipts from customers for goods are operating cash flows.

Step 1: Classify each transaction Purchase of goodwill acquires an intangible long-term asset, so (a) Investing Activity matches (ii). Interest paid is a cost of obtaining finance, so (b) Financing Activity matches (i). Cash receipts from sale of goods arise from principal revenue-producing operations, so (c) Operating Activity matches (iii).

Step 2: Check the offered codes The required sequence for (a), (b), (c) is (ii), (i), (iii). Only option (B) gives this order. Options (A) and (C) place sales receipts under investing or financing, while option (D) places sales receipts under financing and interest paid under operating.

Step 3: Conclusion The correct option is (B), giving the sequence (ii), (i), (iii).

Quick Tip to Solve: Match the distinctive item first: purchase of goodwill is an investing outflow.

29. The current assets of X Ltd. are Rs. 2,00,000 and its current liabilities are Rs. 1,50,000. If, its working capital turnover ratio is 6 times, its revenue from operations will be: [1 mark]

(A) Rs. 2,00,000

(B) Rs. 3,00,000

(C) Rs. 2,50,000

(D) Rs. 1,50,000

Correct Answer: (B) Rs. 3,00,000

Solution:

Concept:

- Working capital is current assets minus current liabilities.
- Working capital turnover ratio equals revenue from operations divided by working capital.

Step 1: Calculate working capital Using the given current assets and current liabilities,

$$\text{Working capital} = \text{Rs } 2,00,000 - \text{Rs } 1,50,000 = \text{Rs } 50,000.$$

The ratio uses this net amount, rather than current assets or current liabilities separately.

Step 2: Find revenue from operations Rearranging the turnover formula,

$$\text{Revenue from operations} = 6 \times \text{Rs } 50,000 = \text{Rs } 3,00,000.$$

The other options would give turnover ratios of 4, 5 and 3 times, respectively, and therefore do not match the given 6 times.

Step 3: Conclusion Revenue from operations is Rs 3,00,000. The correct option is (B).

Quick Tip to Solve: Subtract current liabilities first, then multiply net working capital by turnover.

30. Which of the following activities are operating activities for the purpose of preparing 'Cash flow statement'?

(i) Dividend and Interest received on securities.

(ii) Payment of employee benefit expenses.

(iii) Cash receipts from royalties and fees.

(iv) Issue of shares against purchase of machinery. [1 mark]

(A) (i), (ii) and (iii)

(B) (ii), (iii) and (iv)

(C) (i), (ii) and (iv)

(D) (ii) and (iii)

Correct Answer: (D) (ii) and (iii)

Solution:

Concept:

- Operating activities are the principal revenue-producing activities and related routine business payments.
- For a non-financial enterprise, investment income is investing cash flow; a direct share-for-asset exchange is non-cash.

Step 1: Identify operating items Payment of employee benefit expenses, item (ii), is a routine payment for services used in operations. Cash receipts from royalties and fees, item (iii), are operating receipts. Both therefore belong to cash flows from operating activities.

Step 2: Exclude the remaining items Dividend and interest received on securities, item (i), are returns on investments and are investing activities in this context. Issue of shares against purchase of machinery, item (iv), involves no cash and is excluded from the cash flow statement. Thus any option including (i) or (iv) is unsuitable.

Step 3: Conclusion The correct option is (D): (ii) and (iii).

Quick Tip to Solve: Exclude non-cash share exchanges before grouping the cash operating receipts.

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

(a) Goodwill

(b) Debenture Redemption Reserve

(c) Licenses and Franchise [3 marks]

Solution:

Concept:

- Schedule III classifies assets by their nature and separates shareholders' funds from liabilities.
- Intangible assets have no physical substance; reserves accumulated from profits are part of shareholders' funds.

Step 1: Classify goodwill Goodwill is an intangible asset representing benefits such as reputation and customer connections. It is presented under the major head Non-current Assets, the sub-head Fixed Assets, and the further classification Intangible Assets. It is not a current asset because it is held for continuing benefit rather than ordinary short-term realisation.

Step 2: Classify Debenture Redemption Reserve Debenture Redemption Reserve is an appropriation of profits retained for redemption of debentures. It is presented under the major head Shareholders' Funds and the sub-head Reserves and Surplus. The reserve itself is not a borrowing or a cash investment; the debentures payable remain a separate liability.

Step 3: Classify licences and franchise Licences and franchise give the company contractual or legal rights without physical substance. They are presented under Non-current Assets, then Fixed Assets, and then Intangible Assets, like goodwill.

Schedule III classification

Item	Major head	Sub-head / further classification
Goodwill	Non-current Assets	Fixed Assets: Intangible Assets
Debenture Redemption Reserve	Shareholders' Funds	Reserves and Surplus
Licences and Franchise	Non-current Assets	Fixed Assets: Intangible Assets

Step 4: Conclusion Goodwill and licences/franchise are intangible fixed assets under Non-current Assets; Debenture Redemption Reserve is under Shareholders' Funds, Reserves and Surplus.

Quick Tip to Solve: A reserve is retained profit; a licence is an intangible right, not a reserve.

32. 'It is a technique which involves regrouping of data by application of arithmetical relationships.' Identify the technique highlighted in the above statement and state its any two objectives. [3 marks]

Solution:

Concept:

- Ratio analysis expresses a meaningful arithmetical relationship between two related accounting figures.
- Ratios regroup financial statement data into measures useful for judging financial position and performance.

Step 1: Identify the technique The technique is Ratio Analysis. It relates one accounting amount to another by division and may express the result as a proportion, percentage or number of times. For example, current assets divided by current liabilities gives the current ratio. This regrouping of data through arithmetical relationships matches the description in the question.

Step 2: Objective 1: assess short-term solvency Ratio analysis helps assess the liquidity of a business, that is, its ability to meet obligations falling due in the short term. Current and quick ratios compare resources available in the short term with current liabilities. Management and creditors can use these relationships to judge whether the business has sufficient liquid resources to meet its immediate commitments.

Step 3: Objective 2: assess profitability Ratio analysis helps assess the earning capacity and profitability of a business. Gross profit ratio and net profit ratio relate profit to revenue, while return on

investment relates profit to capital employed. Such ratios help determine whether sales and capital are generating satisfactory returns and support comparisons across periods to identify improvement or deterioration.

Step 4: Conclusion The technique is Ratio Analysis. Two objectives are to assess short-term solvency (liquidity) and to assess profitability or earning capacity.

Quick Tip to Solve: Link each objective to a named ratio to make the purpose concrete and precise.

33(a). From the following information, calculate the value of opening and closing inventory:

Inventory Turnover Ratio - 4 times

Gross Profit = 20% on Revenue from operations

Revenue from operations = Rs. 10,00,000

Opening inventory is 25% of the inventory at the end. [4 marks]

Solution:

Concept:

- Inventory turnover ratio is cost of revenue from operations divided by average inventory. It measures how often inventory is sold during the year.
- Cost of revenue from operations equals revenue from operations less gross profit. Average inventory is half the sum of opening and closing inventory.

Step 1: Calculate gross profit and cost The profit percentage is based on revenue from operations, so apply it to sales rather than cost.

$$\begin{aligned} \text{Gross profit} &= 10,00,000 \times 20/100 = \text{Rs } 2,00,000, \\ \text{Cost of revenue from operations} &= 10,00,000 - 2,00,000 \\ &= \text{Rs } 8,00,000. \end{aligned}$$

Step 2: Find average inventory Use the inventory turnover formula, with cost in the numerator:

$$4 = \frac{8,00,000}{\text{Average inventory}}, \qquad \text{Average inventory} = \frac{8,00,000}{4} = \text{Rs } 2,00,000.$$

Thus the total of opening and closing inventory is twice the average, or Rs 4,00,000. Sales must not be used directly in the turnover calculation because inventory is valued at cost.

Step 3: Separate opening and closing inventory Let closing inventory be C. Since opening inventory is 25% of closing inventory, opening inventory is $0.25C$. Hence

$$\begin{aligned} \frac{0.25C + C}{2} &= 2,00,000, \\ 1.25C &= 4,00,000, \\ C &= \frac{4,00,000}{1.25} = \text{Rs } 3,20,000. \end{aligned}$$

Opening inventory is therefore $3,20,000 \times 25/100 = \text{Rs } 80,000$. These amounts satisfy both conditions: their mean is Rs 2,00,000, and Rs 80,000 is one-fourth of Rs 3,20,000. Also, cost of Rs 8,00,000 divided by their mean gives the required turnover of 4 times.

Step 4: Conclusion Opening inventory is $\boxed{\text{Rs } 80,000}$ and closing inventory is $\boxed{\text{Rs } 3,20,000}$.

Quick Tip to Solve: Divide twice the average inventory in the ratio 1:4, because opening inventory is one-fourth of closing inventory.

OR

33(b). Debt-Equity Ratio of Z Ltd. is 2:1. State with reason whether the following transactions will improve, decline or will not change the debt-equity ratio:

(i) Conversion of Rs. 3,00,000, 9% debentures into equity shares.

(ii) Cash received from debtors Rs. 1,00,000.

(iii) Redemption of Rs. 10,00,000, 11% debentures.

(iv) Purchase of goods on credit Rs. 4,00,000. [4 marks]

Solution:

Concept:

- Debt-equity ratio is Long-term debt/Shareholders' funds. Trade payables and other current liabilities are excluded from long-term debt.
- For the given ratio of $2:1$, a reduction in the ratio improves solvency because dependence on long-term borrowed funds decreases. Evaluate each transaction independently.

Step 1: (i) Conversion of debentures into equity shares The debt-equity ratio will improve (decrease). Conversion reduces long-term debt by Rs 3,00,000 and increases shareholders' funds by the same amount. Both changes lower the ratio. If the original shareholders' funds are E, the original debt is $2E$, and the new ratio is

$$\frac{2E - 3,00,000}{E + 3,00,000} < 2.$$

The debenture interest rate of 9% does not affect the principal amounts used in this ratio.

Step 2: (ii) Cash received from debtors The debt-equity ratio will not change. Receipt of Rs 1,00,000 from debtors increases cash and reduces trade receivables by equal amounts. It is a change within current assets and does not create profit or alter shareholders' funds. Long-term debt is also unaffected, so both the numerator and denominator remain unchanged and the ratio stays at $2:1$.

Step 3: (iii) Redemption of debentures The debt-equity ratio will improve (decrease). Redemption of Rs 10,00,000 of 11% debentures reduces long-term debt by Rs 10,00,000. The corresponding cash payment reduces assets; shareholders' funds are unchanged by repayment of principal. Thus the numerator falls while the denominator stays constant:

$$\text{New ratio} = \frac{2E - 10,00,000}{E} < 2.$$

The stated interest rate does not change this effect of redemption of the principal.

Step 4: (iv) Purchase of goods on credit The debt-equity ratio will not change. Purchase of goods worth Rs 4,00,000 on credit increases inventory and trade payables. Trade payables are current liabilities, whereas this ratio includes long-term debt. Shareholders' funds do not change on this purchase. Consequently neither component of the debt-equity ratio changes, and it remains $2 : 1$.

Step 5: Conclusion (i) Improves; (ii) no change; (iii) improves; (iv) no change. Improvement in (i) and (iii) means that the debt-equity ratio decreases from $2 : 1$.

Quick Tip to Solve: Track only long-term debt and shareholders' funds; cash collections and trade credit do not change either component here.

34. Read the following hypothetical text and answer the questions given below on the basis of the same:

Aditi, initiated her start-up 'Fizz Ltd.' in 2019. 'Fizz Ltd' is an organic juice extracting unit. Its profits are increasing year-after-year because of the increasing awareness towards health.

Following information has been extracted from the Balance Sheet of 'Fizz Ltd.' for the year ended 31st March, 2022:

Particulars	31.3.2022 (Rs.)	31.3.2021 (Rs.)
Equity Share Capital	90,00,000	60,00,000
11% Debentures	30,00,000	50,00,000
Machinery (at cost)	28,00,000	20,00,000
Accumulated Depreciation on Machinery	90,000	60,000

Additional Information:

(i) During the year, a machine costing Rs. 4,00,000 was sold at a gain of Rs. 30,000.

(ii) Depreciation charged on machinery during the year was Rs. 50,000.

(iii) Interest paid on 11% debentures amounted to Rs. 5,50,000.

(iv) Dividend of Rs. 3,00,000 was paid on equity shares.

(v) Debentures were redeemed at a premium of 10% on 31st March, 2022.

Calculate cash flows of 'Fizz Ltd.' from 'Investing Activities' and 'Financing Activities.' [6 marks]

Solution:

Concept:

- Cash from sale and cash paid for purchase of machinery are investing activities. Sale proceeds equal the carrying amount plus gain.
- For a non-financial enterprise, issue of shares, redemption of debentures, interest paid and dividend paid are financing activities.

Step 1: Find depreciation on the machinery sold The accumulated depreciation account reconciles as follows: opening accumulated depreciation plus current-year depreciation, less depreciation removed

on disposal, equals the closing balance. Thus depreciation on the machine sold is

$$60,000 + 50,000 - 90,000 = \text{Rs } 20,000.$$

Its carrying amount is $4,00,000 - 20,000 = \text{Rs } 3,80,000$. With a gain of Rs 30,000, the cash sale proceeds are $3,80,000 + 30,000 = \text{Rs } 4,10,000$. The gain alone is not the cash received.

Step 2: Calculate machinery purchased Use the machinery balances at cost, rather than their written-down values. Opening machinery plus purchases less the original cost of machinery sold equals closing machinery. Therefore,

$$\text{Purchases} = 28,00,000 + 4,00,000 - 20,00,000 = \text{Rs } 12,00,000.$$

Depreciation is a non-cash charge and is not separately deducted in investing cash flows.

Step 3: Prepare the investing cash flow extract Cash Flow Statement of Fizz Ltd. (extract), year ended 31st March, 2022

Particulars	Amount (Rs)
Cash flows from investing activities	
Proceeds from sale of machinery	4,10,000
Purchase of machinery	(12,00,000)
Net cash used in investing activities	(7,90,000)

Step 4: Calculate financing receipts and payments The increase in equity share capital gives cash received on issue of shares: $90,00,000 - 60,00,000 = \text{Rs } 30,00,000$. The face value of debentures redeemed is $50,00,000 - 30,00,000 = \text{Rs } 20,00,000$. Redemption premium is $20,00,000 \times 10\% = \text{Rs } 2,00,000$, making the cash redemption payment Rs 22,00,000. Use the stated interest paid of Rs 5,50,000 and the dividend paid of Rs 3,00,000.

Step 5: Prepare the financing cash flow extract Cash Flow Statement of Fizz Ltd. (extract), year ended 31st March, 2022

Particulars	Amount (Rs)
Cash flows from financing activities	
Proceeds from issue of equity shares	30,00,000
Redemption of debentures, including premium	(22,00,000)
Interest paid on debentures	(5,50,000)
Dividend paid on equity shares	(3,00,000)
Net cash used in financing activities	(50,000)

The financing subtotal is $30,00,000 - 22,00,000 - 5,50,000 - 3,00,000 = -50,000$. Parentheses denote cash outflows.

Step 6: Conclusion Net cash used in investing activities is Rs 7,90,000, and net cash used in financing activities is Rs 50,000.

Quick Tip to Solve: First find depreciation removed on disposal; then add the gain to carrying amount to obtain the cash sale proceeds.

OPTION - II (Computerised Accounting)

27(a). Maximum number of characters that can be used to write a field name in MS Access is: [1 mark]

(A) 28

(B) 32

(C) 64

(D) 104

Correct Answer: (C) 64

Solution:

Concept:

- A field name identifies a column in an MS Access table; the permitted length is up to 64 characters.
- The length of a field name is distinct from the size of the data stored in that field.

Step 1: Recall the naming limit MS Access permits a field name to contain a maximum of 64 characters. This is a limit on the column identifier, not on the number of records or the length of a stored text value.

Step 2: Compare all alternatives The values 28 and 32 are below the permitted maximum and therefore do not answer the question. A name containing 104 characters exceeds the limit. Only 64 matches the field-name limit.

Step 3: Conclusion The maximum is 64 characters. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish a field name's 64-character limit from its data type and field size.

OR

27(b). Which of the following command reverses the last action performed in the worksheet? [1 mark]

(A) Undo

(B) Cut

(C) Paste

(D) Redo

Correct Answer: (A) Undo

Solution:

Concept:

- Undo reverses the most recent reversible action in a worksheet.
- Redo reapplies an action that has been undone.

Step 1: Identify the required operation The question asks to reverse the last action, such as an accidental edit or formatting change. The command designed to restore the preceding state is Undo; its usual keyboard shortcut is Ctrl+Z.

Step 2: Eliminate the other commands Cut removes selected content for transfer through the clipboard, while Paste inserts clipboard content. Neither means reversing the last action. Redo

reapplies an undone action, so it performs the opposite history operation to Undo.

Step 3: Conclusion Undo reverses the last action. Hence, the correct option is (A).

Quick Tip to Solve: Remember Undo as going one step back in the worksheet's action history.

28. Codes comprising of alphabets or abbreviation are known as _____. [1 mark]

(A) Sequential codes

(B) Block codes

(C) Number codes

(D) Mnemonic codes

Correct Answer: (D) Mnemonic codes

Solution:

Concept:

- Mnemonic codes use memorable letters or abbreviations associated with the names of accounts or items.
- Sequential codes follow a numerical sequence; block codes allocate ranges to categories.

Step 1: Identify the defining feature The question describes codes made from alphabets or abbreviations. Such codes suggest the item they represent and are therefore called mnemonic codes; for example, SAL can help identify a salary account.

Step 2: Test the alternatives Sequential codes identify items in an ordered series, while block codes reserve groups of numbers for categories. Number codes emphasise numeric identifiers. These alternatives do not identify the alphabetic or abbreviated naming method described here.

Step 3: Conclusion The codes are mnemonic codes. Hence, the correct option is (D).

Quick Tip to Solve: Associate mnemonic with memory: the letters remind you of the account name.

29(a). Which of these is not a argument of the IF function? [1 mark]

(A) Value-if-true

(B) Value-when-false

(C) Value-if-false

(D) Logical test

Correct Answer: (B) Value-when-false

Solution:

Concept:

- The IF function tests a condition and selects one of two results.
- Its arguments are logical test, value-if-true and value-if-false.

Step 1: Recall the argument list The syntax is IF(logical_test, value_if_true, value_if_false). The first

argument supplies the condition; the other two specify the results returned when that condition is true or false.

Step 2: Check each printed name Value-if-true, Value-if-false and Logical test correspond to the three standard arguments. Value-when-false is not the argument name used in the function syntax, even though its everyday meaning resembles the false-result argument.

Step 3: Conclusion Value-when-false is not an argument name. Hence, the correct option is (B).

Quick Tip to Solve: For syntax questions, compare the exact argument names, especially if and when.

OR

29(b). How many blank worksheets are shown when a new workbook is created? [1 mark]

(A) Three

(B) Four

(C) One

(D) Two

Correct Answer: (A) Three

Solution:

Concept:

- A workbook is an Excel file that contains worksheets.
- In the textbook Excel configuration used for this question, a new workbook opens with three blank worksheets.

Step 1: Recall the textbook default The Excel version and standard configuration referred to in this computerised-accounting question create a workbook with three blank worksheets, usually labelled Sheet1, Sheet2 and Sheet3. A worksheet is an individual grid within that workbook.

Step 2: Match the intended alternative Three matches the textbook default, so Four and Two are incorrect. One is the default in some later Excel versions, but it is not the default used in the syllabus context of this printed question. The setting can also be changed by the user.

Step 3: Conclusion Three blank worksheets are shown. Hence, the intended correct option is (A).

Quick Tip to Solve: Use the textbook Excel version's default: Sheet1, Sheet2 and Sheet3.

30. Which of the following is not the advantage of Pivot table? [1 mark]

(A) Filtering of data

(B) User-friendly

(C) Moving rows to columns and columns to rows

(D) Cannot summarise large amount of data

Correct Answer: (D) Cannot summarise large amount of data

Solution:

Concept:

- A Pivot table organises and summarises a data set without changing the underlying records.
- Its fields can be filtered or rearranged to examine different views of the same data.

Step 1: Check the stated advantages Filtering data is an advantage because the user can select the records or categories to display. Pivot tables also offer a user-friendly way to analyse information, so (A) and (B) describe advantages.

Step 2: Check rearrangement and summarisation Moving row fields to columns and column fields to rows changes the perspective of the report, making (C) an advantage. A Pivot table can summarise a large amount of data through totals, counts and other aggregates. Thus the statement in (D) incorrectly denies a central capability of Pivot tables.

Step 3: Conclusion The correct option is (D): Cannot summarise large amount of data.

Quick Tip to Solve: For a negative question, identify the statement that contradicts the main purpose of the tool.

31. Explain the following:

(a) Block codes

(b) Sequential codes [3 marks]

Solution:

Concept:

- Codes are short identifiers assigned to accounting items to support systematic recording, classification and retrieval.
- Block coding reserves ranges for groups, while sequential coding assigns identifiers in a continuing order.

Step 1: (a) Explain block codes Under block coding, a separate block or range of numbers is allotted to each major group of accounts. Individual accounts belonging to that group receive numbers from its allotted block. For example, codes 100-199 may be reserved for assets and 200-299 for liabilities; within the asset block, cash may be 101 and bank 102. The range itself identifies the broad class of an account and leaves room for adding more accounts within that class. The chosen ranges are illustrative; the organisation defines its own coding plan.

Step 2: (b) Explain sequential codes Under sequential coding, consecutive numbers are assigned

to documents or items in their order of occurrence. For example, vouchers may be numbered 0001, 0002, 0003 and so on as they are issued. Each number provides a unique reference and helps trace a transaction. A gap in the sequence draws attention to a missing or cancelled document and can be checked. Unlike a block code, the sequential number does not by itself identify a separate accounting category; its principal basis is serial order.

Step 3: Conclusion Block codes classify items through reserved number ranges; sequential codes identify items through consecutive serial numbers.

Quick Tip to Solve: Use account-group ranges for block coding and consecutively numbered vouchers for sequential coding.

32. Explain any three advantages of using graph/chart. [3 marks]

Solution:

Concept:

- A graph or chart presents numerical information visually through bars, lines, sectors or other suitable forms.
- The chart type should match the purpose: comparison, change over time or composition of a total.

Step 1: 1. Make information easy to understand A chart condenses a large collection of figures into a clear visual presentation. Users can grasp the main message quickly without studying every row of a numerical table. For example, a chart of monthly sales makes the overall pattern easier to understand than a long list of amounts. This improves communication of accounting information to users who may not be comfortable reading detailed numerical statements.

Step 2: 2. Facilitate comparison Graphs and charts allow users to compare values for different periods, departments, products or other categories. For example, adjacent bars can show the relative sales of two branches. Differences in size and relative performance become easy to recognise, supporting analysis and decisions about which areas require attention.

Step 3: 3. Reveal trends and patterns A graph shows the direction and movement of data over time. A line chart of monthly expenses can reveal an upward trend, seasonal fluctuations or an unusually high value. Such patterns may be difficult to spot in a large table. Recognising them helps management examine causes, assess performance and plan future action.

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

Quick Tip to Solve: Link each advantage to a distinct use: understanding a total picture, comparing categories, or spotting a time trend.

33(a). Define Accounting cycle and state the phases involved in an Accounting cycle. [4 marks]

Solution:

Concept:

- The accounting cycle is the systematic sequence of accounting procedures used to process transactions of an accounting period into financial statements.
- It begins with identifying transactions and ends with closing the period; the resulting opening balances carry forward to the next period.

Step 1: Define the accounting cycle The accounting cycle is the complete sequence of steps followed to identify, record, classify and summarise an entity's financial transactions for a particular accounting period and to prepare its financial statements. It is called a cycle because the sequence is repeated in each accounting period.

Step 2: Identify, record and classify transactions First, transactions and events that can be measured in money are identified and analysed using source documents such as invoices and receipts. Next, they are recorded chronologically in the journal or appropriate subsidiary books. The recorded entries are then posted to the respective ledger accounts, bringing all transactions relating to each account together.

Step 3: Balance accounts and check the records Ledger accounts are balanced and a trial balance is prepared from their debit and credit balances. The trial balance checks arithmetical agreement and provides the basis for preparing financial statements. Necessary period-end adjustments, such as outstanding expenses, prepaid expenses, depreciation and accrued income, are recorded so that income and expenses relate to the correct accounting period; adjusted balances are then used.

Step 4: Prepare statements and close the period Financial statements are prepared from the adjusted balances: the trading and profit and loss account, as applicable, determine the operating result, and the balance sheet presents the financial position. Finally, temporary income and expense accounts are closed by transferring their balances to the appropriate final accounts. Balances of permanent accounts are carried forward to begin the next accounting period.

Step 5: Conclusion The main phases are identification and analysis, recording, ledger posting, trial balance preparation, adjustments, financial statement preparation, and closing the accounts.

Quick Tip to Solve: Remember the flow: source documents to journal, ledger, trial balance, adjustments, final accounts and closing.

OR

33(b). Explain the meaning of 'Password Security' and 'Data Audit' as security features of Computerised Accounting System.

[4 marks]

Solution:

Concept:

- Security in a Computerised Accounting System protects accounting data from unauthorised access, alteration and misuse.
- Password security controls access to the system; data audit traces and checks the transactions and changes recorded in it.

Step 1: Password Security Password security means allowing access to accounting software and its data only after the user supplies the correct confidential password. The password authenticates the user and prevents an unauthorised person from opening or using protected accounting records. In a system with several users, separate user names and passwords identify each user; access rights can limit the operations that the user is permitted to perform. For example, an operator may be allowed to enter vouchers while only an authorised supervisor may alter or delete them. Passwords should be kept confidential and changed periodically so that the protection remains effective.

Step 2: Data Audit Data audit means examining the accounting data and the record of entries or changes made in the system to verify their correctness and authenticity. The system maintains an audit trail that helps identify the transaction or record affected, the user responsible and the date and time of the entry or alteration. An authorised person can review this trail and compare the data with supporting documents to detect errors, unauthorised changes or misuse. For example, if a recorded sales voucher is altered, its audit information helps trace the change and fix responsibility. Thus, data audit supports accountability and the reliability of accounting information.

Step 3: Conclusion Password security restricts access to authorised users, while data audit checks and traces recorded transactions and changes. Together, they protect the integrity of computerised accounting records.

Quick Tip to Solve: Remember the distinction: a password controls who gets access; an audit trail helps trace what was entered or changed and by whom.

34. Name the error which appears when the cell reference is not valid. State how this error can be corrected.

[6 marks]

Solution:

Concept:

- A cell reference identifies a cell or range whose value is used by a spreadsheet formula. A formula must refer to cells that exist and can be accessed.
- The `#REF!` error indicates an invalid cell reference, commonly caused by deleting a referenced cell, row or column or by an operation that destroys the reference.

Step 1: Identify the error and its cause The error is `#REF!`, called the reference error. It appears when a formula contains a cell reference that is no longer valid. For example, suppose cell C1 contains `=A1+B1`. If column B is deleted so that the reference to the original B1 is lost, the formula can contain `#REF!` in place of that reference. Since the spreadsheet cannot identify the required source cell, it cannot calculate the intended result. This error is different from division by zero or entering an unrecognised function name: the problem is specifically the cell address used in the formula.

Step 2: Restore a reference deleted accidentally Select the cell showing the error and inspect its formula in the formula bar to locate the invalid reference. If the error occurred immediately after deleting referenced cells, rows or columns, use Undo to reverse that deletion. Restoring the original cells and their contents restores the reference and allows the formula to calculate again. Undo should be used when the deletion was accidental and the original data is still required. Merely inserting an empty row or column at the same position does not necessarily repair a formula that already contains the error.

Step 3: Correct the formula when the change is intentional If the original cells were deliberately removed, edit the formula and replace each invalid reference with the correct existing cell address or range. Check where the required data is now located, select that cell or range while editing, and press Enter. For instance, if the required second value is now in D1, revise the example formula to `=A1+D1`. Check that both referenced cells contain the intended data and verify the recalculated result. Also inspect any other formulas affected by the deletion, because correcting a single formula does not repair separate invalid references elsewhere.

Step 4: Conclusion An invalid cell reference produces `#REF!`. Correct it by undoing an accidental deletion or by editing the formula to replace the invalid reference with the appropriate valid cell or range.

Quick Tip to Solve: For `#REF!`, inspect the formula bar first: restore the deleted source with Undo or select the correct replacement cell in the formula.