CBSE Class 12 Accountancy Question Paper 2023 with Solution PDF-Set 67-5-2

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). Manas and Mili are partners in a firm sharing profits in the ratio of 3:2. Anita is admitted as a new partner for 1/4th share in future profits. Capitals of Manas and Mili were Rs. 3,00,000 and Rs. 1,50,000 respectively. Anita brought Rs. 2,00,000 as her capital. The value of goodwill of the firm on Anita's admission. [1 mark]

(A) Rs. 2,50,000

(B) Rs. 8,00,000

(C) Rs. 4,50,000

(D) Rs. 1,50,000

Correct Answer: (D) Rs. 1,50,000

Solution:

Concept:

- The new partner's capital and profit share imply the total capitalised value of the firm.
- Hidden goodwill is the implied total capital less the actual combined capitals after admission.

Step 1: Find the implied total capital Anita contributes Rs 2,00,000 for a $1/4$ share. Therefore the implied capital of the whole firm is

$$2,00,000 \div \frac{1}{4} = \text{Rs } 8,00,000.$$

Step 2: Deduct actual combined capital The actual capitals total $3,00,000 + 1,50,000 + 2,00,000 = \text{Rs } 6,50,000$. Hidden goodwill is therefore $8,00,000 - 6,50,000 = \text{Rs } 1,50,000$. Rs 8,00,000 is the implied total capital, Rs 4,50,000 is only the old partners' capital, and Rs 2,50,000 does not equal the required difference.

Step 3: Conclusion The goodwill is $\boxed{\text{Rs } 1,50,000}$. Hence, the correct option is (D).

Quick Tip to Solve: Include the incoming partner's capital in actual total capital before finding hidden goodwill.

OR

1(b). Mini and Mansi are partners sharing profits in the ratio of 4:3. They admitted Nisha as a new partner for 3/7th share in profits which she acquired 2/7th from Mini and 1/7th from Mansi. The new profit sharing ratio of Mini, Mansi and Nisha will be: [1 mark]

(A) 4:3:3

(B) 5:3:2

(C) 2:3:5

(D) 2:2:3

Correct Answer: (D) 2:2:3

Solution:

Concept:

- A partner's new share equals the old share less the share sacrificed.
- Express all shares with the same denominator before converting them into a ratio.

Step 1: Calculate the continuing partners' shares Mini originally has $4/7$ and sacrifices $2/7$, leaving $4/7 - 2/7 = 2/7$. Mansi originally has $3/7$ and sacrifices $1/7$, leaving $3/7 - 1/7 = 2/7$. The specified individual sacrifices must be used; the old ratio is not retained.

Step 2: Form and check the ratio Nisha acquires $2/7 + 1/7 = 3/7$. Thus the shares in the order Mini, Mansi, Nisha are $2/7, 2/7, 3/7$, which total one. Their ratio is $2 : 2 : 3$. Options (A), (B) and (C) give different fractions and do not preserve both stated sacrifices.

Step 3: Conclusion The new profit sharing ratio is $\boxed{2 : 2 : 3}$. Hence, the correct option is (D).

Quick Tip to Solve: Subtract each stated sacrifice separately; never subtract the total from both old partners.

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2. 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 amount due to a retiring partner that remains unpaid becomes a liability to that partner.
- The unpaid retirement balance is transferred from the capital account to the retiring partner's loan account.

Step 1: Identify the unpaid liability Suman is retiring and Rs 30,000 is due to her. The firm will pay

only from the end of the first year, in three annual instalments. Therefore the amount is not paid immediately and continues as a debt of the firm.

Step 2: Choose the appropriate account The entire Rs 30,000 is transferred to Suman's Loan Account. An executor's account relates to a deceased partner, whereas Suman has retired. A bank account would reflect an actual bank payment. A current account is not the settlement account for this unpaid retirement balance.

Step 3: Conclusion Rs 30,000 is transferred to $\boxed{\text{Suman's Loan Account}}$. Hence, the correct option is (A).

Quick Tip to Solve: For a living retiring partner paid later, classify the unpaid balance as the partner's loan.

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3. 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 face value less discount on issue.
- The number of debentures is purchase consideration divided by issue price per debenture.

Step 1: Find the issue price Each debenture has face value Rs 100 and is issued at a discount of 10%. The issue price is

$$100 - 100 \times \frac{10}{100} = \text{Rs } 90.$$

The coupon rate of 11% determines interest, not the issue price.

Step 2: Calculate the number issued The purchase consideration is Rs 3,60,000. Thus

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

Issuing 3,600 would use face value instead of issue price and settle only Rs 3,24,000. The quantities 36,000 and 40,000 are too large; at Rs 90 each they exceed the stated consideration.

Step 3: Conclusion Premier Auto Ltd. issues $\boxed{4,000}$ debentures. Hence, the correct option is (D).

Quick Tip to Solve: Divide consideration by the discounted issue price; ignore coupon rate when counting debentures.

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4. 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 completing dissolution is credited to the responsible partner's capital account.
- Expenses paid personally by a partner who agreed to bear them are not reimbursed by the firm.

Step 1: Recognise the agreed remuneration Aditya is entitled to Rs 42,000 for completing the dissolution. The firm charges this remuneration to Realisation Account and credits Aditya's Capital Account by the full agreed amount of Rs 42,000.

Step 2: Treat the expenses separately Aditya also agreed to bear dissolution expenses and personally paid Rs 33,000. Consequently, the firm makes no separate reimbursement entry for those expenses. Rs 9,000 is his net personal benefit, not the capital credit. Rs 33,000 is the expense paid and Rs 18,000 has no basis in the agreement.

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

Quick Tip to Solve: Distinguish the agreed remuneration credited by the firm from the partner's net personal benefit.

5. 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) Investment Fluctuation Reserve A/c Dr. 10,000
To Revaluation A/c 10,000
(B) 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) Revaluation A/c Dr. 10,000
To Investment Fluctuation Reserve 10,000
(D) 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) 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 investments' value.
- Distribute the remaining reserve among the old partners in their old profit sharing ratio.

Step 1: Find the fall and the surplus reserve Investments have book value Rs 90,000 and market value Rs 80,000. The fall is Rs 10,000. Of the Rs 80,000 reserve, Rs 10,000 covers this fall and the remaining Rs 70,000 belongs to Indu, Vijay and Pawan in the old ratio $4:3:3$.

Step 2: Distribute the excess reserve The credits are $70,000 \times 4/10 =$ Rs $28,000$, $70,000 \times 3/10 =$ Rs $21,000$, and Rs 21,000 respectively. Option (A) omits distribution and does not reduce investments, (B) distributes the full reserve without covering the fall, and (C) increases the reserve rather than using it. The correct entry is shown below.

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 adjusted and surplus distributed)			

Step 3: Conclusion The entry credits investments by Rs 10,000 and old partners by Rs 28,000, Rs 21,000 and Rs 21,000. Hence, the correct option is (D).

Quick Tip to Solve: Cover the investment loss first, then share only the leftover reserve in the old ratio.

6(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:

- When commission is based on profit after charging itself, use $C = P \times r/(100 + r)$.
- Here C is commission, P is profit before commission and r is the percentage rate.

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

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

The profit sharing ratio does not determine this commission.

Step 2: Solve and check the base Rearranging, $115C = 15 \times 9,20,000$, giving $C =$ Rs $1,20,000$. The remaining profit is Rs 8,00,000 and 15% of this equals Rs 1,20,000. Rs 1,38,000 incorrectly takes commission on profit before commission. Rs 48,000 and Rs 55,200 wrongly apply the profit sharing fraction to commission.

Step 3: Conclusion Sumit's commission is $\boxed{\text{Rs } 1,20,000}$. Hence, the correct option is (A).

Quick Tip to Solve: For commission after charging itself, replace the denominator 100 by 100 plus the rate.

OR

6(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 on capital must be reversed and the resulting increase in divisible profit allocated in the profit sharing ratio.
- With fixed capitals, adjustment is made through partners' current accounts.

Step 1: Calculate the two effects The excess rate is $10\% - 5\% = 5\%$. Excess interest credited to P, Q and R is respectively Rs 10,000, Rs 5,000 and Rs 2,500. The total Rs 17,500 should instead have been distributed as profit in $2:2:1$, giving Rs 7,000, Rs 7,000 and Rs 3,500.

Step 2: Find the net adjustment P is debited by $10,000 - 7,000 = \text{Rs } 3,000$; Q is credited by $7,000 - 5,000 = \text{Rs } 2,000$; R is credited by $3,500 - 2,500 = \text{Rs } 1,000$. Option (A) has incorrect amounts, while (C) and (D) use capital accounts despite fixed capitals.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	P's Current A/c Dr.		3,000	
	To Q's Current A/c			2,000
	To R's Current A/c			1,000
	(Being excess interest on capital rectified)			

Step 3: Conclusion Debit P's Current Account by Rs 3,000 and credit Q's and R's Current Accounts by Rs 2,000 and Rs 1,000. Hence, the correct option is (B).

Quick Tip to Solve: Net the reversal of excess interest against the extra profit share; use current accounts for fixed capitals.

7(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) General Reserve A/c Dr. 2,00,000
To Profit and Loss A/c 2,00,000
(B) 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) 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) 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) 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 reserves and profits existing before a ratio change belong to partners in their old profit sharing ratio.
- Debit the reserve and accumulated profit accounts to transfer their credit balances to partners' capital accounts.

Step 1: Identify the amount and ratio The General Reserve is Rs 2,00,000 and the credit balance of Profit and Loss Account is Rs 4,00,000. These accumulated profits total Rs 6,00,000 and arose before the change. Therefore they are distributed in the old ratio $5 : 3 : 2$, rather than the new equal ratio.

Step 2: Calculate the capital credits L receives $6,00,000 \times 5/10 =$ Rs $3,00,000$, M receives Rs 1,80,000, and N receives Rs 1,20,000. Option (A) merely moves one reserve into another account, (B) does not close the stated balances, and (C) incorrectly uses the new ratio.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (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
	(Being accumulated profits distributed)			

Step 3: Conclusion The old partners receive Rs 3,00,000, Rs 1,80,000 and Rs 1,20,000 respectively. Hence, the correct option is (D).

Quick Tip to Solve: Distribute profits accumulated before reconstitution in the old ratio even when future profits are equal.

OR

7(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:

- An unrecorded asset is brought into the books by debiting the relevant asset account.
- The corresponding credit is to Revaluation Account because recognition of an omitted asset increases net assets.

Step 1: Recognise the furniture Furniture is an asset that has not previously been recorded. Its value must therefore be debited to Furniture Account; debiting a partner's capital would neither create the asset nor record the revaluation gain.

Step 2: Identify the corresponding credit The other side of recognition is a revaluation profit, so Revaluation Account is credited. Debiting Revaluation Account would record a loss. Partners receive their share of the net revaluation profit only when the balance of Revaluation Account is transferred in the old ratio.

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

Quick Tip to Solve: For an omitted asset, debit the asset and credit Revaluation Account before distributing the net gain.

8(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:

- Redemption means repayment of the principal amount of a debenture.
- Debentures may be classified separately by security, interest rate, convertibility and repayment terms.

Step 1: Identify the relevant feature The question specifies repayment after a stated period, either as one lump sum or in instalments during the company's lifetime. This is the repayment or redemption feature of a debenture.

Step 2: Distinguish the remaining classifications Secured debentures are classified by the security offered, and specific coupon rate debentures by their interest rate. Convertible debentures carry a right or provision for conversion into shares. None of these descriptions alone identifies repayment after a specified period.

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

Quick Tip to Solve: When the wording describes when principal is repaid, choose the classification based on redemption.

OR

8(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 may be issued at par, at a premium or at a discount.
- A debenture may also be issued for cash or as collateral security for a loan.

Step 1: Test the claim about discount An issue at discount means the issue price is below the nominal value of the debenture. Such an issue is permitted in the accounting treatment of debentures, so the

assertion that debentures cannot be issued at discount is incorrect.

Step 2: Check the other statements A company can receive cash on issuing debentures, issue them at a price above nominal value, or give them as additional security for a borrowing. Thus statements (A), (C) and (D) describe valid possibilities and are not the incorrect statement requested.

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

Quick Tip to Solve: For a negative question, test each statement and select the false one; debentures can be issued at discount.

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 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 calculated on the capital of the particular partner at the deed's annual rate.
- For unchanged capital held throughout the year, interest equals capital multiplied by rate.

Step 1: Select Ishita's capital The capitals are listed respectively for Nitya, Shreya and Ishita. Therefore Ishita's fixed capital is Rs 2,00,000. The amounts Rs 1,80,000 and Rs 1,60,000 belong to the other partners and must not be used.

Step 2: Calculate annual interest Ishita's capital remains Rs 2,00,000 for the year. Therefore

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

The profit-sharing ratio does not determine interest on capital. Nitya's drawings are also irrelevant to interest on Ishita's fixed capital; Rs 10,000 would incorrectly use half a year.

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

Quick Tip to Solve: Match the partner with the capital listed respectively before applying the annual rate.

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 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:

- Equal drawings at regular intervals permit the average-period method.
- For drawings at each quarter-end, count the months from each withdrawal to the financial year-end.

Step 1: Count the outstanding periods The four drawings occur on 30th June, 30th September, 31st December and 31st March. They remain withdrawn until 31st March for 9, 6, 3 and 0 months respectively. The last drawing attracts no interest for this accounting year.

Step 2: Average the four periods All four withdrawals are equal at Rs 7,500, so their periods have equal weights:

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

Six months is not the quarter-end average; beginning-of-quarter drawings would instead give seven and a half months. Three and a half months does not follow from the stated dates.

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

Quick Tip to Solve: For equal quarter-end drawings, average the first period of nine months and the last period of zero months.

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11. 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 on reissue of a forfeited share cannot exceed the amount forfeited on that share.

- For a fully paid reissue, minimum price equals face value less the available forfeiture amount.

Step 1: Identify the available forfeiture The share has nominal value Rs 10 and Rs 6 has already been received. Upon forfeiture, this Rs 6 becomes the amount available in Share Forfeiture Account for that share. The unpaid Rs 4 is not the forfeiture credit.

Step 2: Compute the lowest reissue price Maximum permissible discount is Rs 6 per share. Thus

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

Reissue at Rs 4 uses exactly the Rs 6 forfeiture credit to cover the discount. Prices of Rs 6, Rs 10 and Rs 16 are above this minimum and therefore cannot answer the question asking for the lowest price.

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

Quick Tip to Solve: Subtract the amount already received and forfeited from face value to find the minimum fully paid reissue price.

12. 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 called-up capital on the forfeited shares.
- An uncalled amount is excluded from called-up capital even though it forms part of face value.

Step 1: Find the called-up value per share The face value is Rs 10, but the final call of Rs 2 has not yet been made. Therefore

$$\text{Called-up value per share} = 10 - 2 = \text{Rs } 8.$$

The unpaid first call of Rs 3 was called and remains included in this Rs 8.

Step 2: Calculate the capital debit For 200 forfeited shares,

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

Rs 2,000 would include the uncalled final call. Rs 1,000 is the amount received, not the called-up capital; Rs 2,200 exceeds even the nominal capital of these shares.

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

(B).

Quick Tip to Solve: At forfeiture, multiply shares by called-up value; do not subtract an unpaid call that has already been made.

13. 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:

- A deceased partner's estimated profit share is based on the deed's specified annual profit, time elapsed and profit-sharing fraction.
- A loss enters the average profit calculation as a negative amount.

Step 1: Find the adjusted annual profit The three-year total is $1,20,000 - 50,000 + 1,70,000 =$ Rs $2,40,000$. Average annual profit is $2,40,000/3 =$ Rs $80,000$. Deducting the specified Rs 10,000 gives an adjusted annual profit of Rs 70,000.

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

$$70,000 \times \frac{3}{12} \times \frac{5}{10} = \text{Rs } 8,750.$$

Rs 35,000 ignores the three-month period; Rs 9,583 and Rs 28,750 do not follow the stipulated average after including the loss and the Rs 10,000 deduction.

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 include the loss negatively in the average, deduct Rs 10,000, then apply the time fraction and partner's share.

14. 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 belong to the partners and are distributed in their profit-sharing ratio.
- Realisation Account records disposal of assets and settlement of outside liabilities, rather than distribution of accumulated profit.

Step 1: Identify the nature of the balance The accumulated profit of Rs 40,000 represents profit earned before dissolution and still retained in the business. It must be credited to A, B and C in their profit-sharing ratio by debiting the relevant accumulated-profit account.

Step 2: Select the destination account The destination is Partners' Capital Accounts. Revaluation Account is used for reassessment on reconstitution, while Realisation Account determines profit or loss on dissolution transactions. Bank Account records cash receipts and payments; transferring retained profits creates no immediate cash movement.

Step 3: Conclusion Rs 40,000 will be transferred to Partners' Capital Accounts. Hence, the correct option is (C).

Quick Tip to Solve: On dissolution, transfer accumulated profits directly to partners' capitals in the profit-sharing ratio.

15. 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 involves an agreement to share business profits 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. The business may be conducted by all partners or by any one of them acting for all; this last feature establishes mutual agency.

Step 2: Judge Reason (R) The reason is also correct. A partner carrying on a competing business of the same nature must account for and pay its profits to the firm. This describes a duty of a partner towards the firm.

Step 3: Test the explanatory link The duty concerning competing business does not explain why partnership is a contractual relation based on profit sharing and mutual agency. Therefore the more specific statement (D) is correct; (B) and (C) are false, while (A) does not state the required explanatory relationship.

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

Quick Tip to Solve: For an assertion-reason item, test truth separately before testing whether the reason explains the assertion.

16(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 Forfeiture Account is credited with the amount already received towards the face value of forfeited shares.
- Securities premium already received is excluded from Share Forfeiture Account.

Step 1: Find capital received per share The face value is Rs 10. The unpaid first and final calls total $2 + 3 =$ Rs 5 per share. Therefore capital already received per share is $10 - 5 =$ Rs 5. The 20% premium amounts to Rs 2 per share, but is not part of share capital.

Step 2: Calculate the forfeiture credit For $1,10,000$ shares, the credit is

$$1,10,000 \times 5 = \text{Rs } 5,50,000.$$

Option (B) includes the premium received and is incorrect. Option (C) equals only the premium amount; option (D) does not equal the capital received on all forfeited shares.

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

Quick Tip to Solve: Subtract unpaid capital calls from face value before multiplying by the number of forfeited shares.

OR

16(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 capital specified in the Memorandum of Association.
- Called-up capital is the part of subscribed capital demanded; paid-up capital is the amount actually paid.

Step 1: Identify the true statement Option (C) states the limit imposed by the capital clause of the Memorandum of Association. A company cannot raise share capital beyond its authorised capital as currently specified there. To exceed that amount it must first increase its authorised capital through the prescribed procedure.

Step 2: Check the other statements Option (A) is false because shares of a public limited company are freely transferable. Option (B) defines called-up capital, not paid-up capital, since calls may remain unpaid. Option (D) confuses reserve capital with capital reserve: uncalled capital reserved for winding up is called reserve capital.

Step 3: Conclusion The true statement is that the company cannot raise more capital than specified in its Memorandum of Association. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish reserve capital (uncalled share capital) from capital reserve (a reserve arising from capital profits).

17(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:

- Gaining share equals new share minus old share; a negative result is a sacrifice.
- When goodwill is not retained in the books, gaining partners compensate sacrificing and retiring partners directly through capital accounts.

Step 1: Calculate gains and sacrifice The old shares of Tarun, Abhishek, Kamal and Vivek are respectively $5/12, 3/12, 2/12, 2/12$. Each continuing partner now receives $1/3 = 4/12$. Thus Tarun sacrifices $5/12 - 4/12 = 1/12$, Abhishek gains $4/12 - 3/12 = 1/12$, and Vivek gains $4/12 - 2/12 = 2/12$. Kamal gives up his entire $2/12$ share. The total gain $3/12$ equals the total share surrendered by Tarun and Kamal.

Step 2: Calculate goodwill adjustments At goodwill of Rs 9,00,000, Tarun receives $9,00,000 \times 1/12 =$ Rs $75,000$, and Kamal receives $9,00,000 \times 2/12 =$ Rs $1,50,000$. Abhishek bears Rs 75,000 and Vivek bears Rs 1,50,000. Total debits and credits both equal Rs 2,25,000; no Goodwill Account is opened.

Step 3: Record the adjustment Journal of the firm (31st March, 2022)

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 Tarun's Capital A/c			75,000
	To Kamal's Capital A/c			1,50,000
	(Being goodwill adjusted through partners' capital accounts in their gaining and sacrificing shares)			

Step 4: Conclusion Abhishek and Vivek are debited by Rs 75,000 and Rs 1,50,000; Tarun and Kamal are credited by Rs 75,000 and Rs 1,50,000 respectively.

Quick Tip to Solve: Compute every continuing partner's gain: a continuing partner may sacrifice even when another partner retires.

OR

17(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:

- The new partner's capital divided by her profit share gives the required total capital.
- Unless otherwise stated, old partners retain their relative ratio in the remaining share. Excess capital is repaid and deficient capital is brought in.

Step 1: Calculate the new ratio Ira receives $1/4$, leaving $3/4$ for Atul and Geeta. Their new shares are $(3/4)(3/5) = 9/20$ and $(3/4)(2/5) = 6/20$. Ira has $5/20$, so the new profit-sharing ratio is $9 : 6 : 5$.

Step 2: Calculate required capitals and cash Ira's capital of Rs 40,000 represents one-fourth of total capital. Hence required total capital is $40,000 \div (1/4) =$ Rs $1,60,000$. Atul's required capital is $1,60,000 \times 9/20 =$ Rs $72,000$, while Geeta's is $1,60,000 \times 6/20 =$ Rs $48,000$. Against adjusted balances of Rs 60,000 and Rs 40,000, the respective deficiencies are Rs 12,000 and Rs 8,000. Both bring in cash; neither receives a refund. Afterwards the capitals Rs 72,000, Rs 48,000 and Rs 40,000 agree with 9:6:5.

Step 3: Record cash brought in 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 additional cash brought in by the old partners to adjust capitals in the new profit-sharing ratio)			

Step 4: Conclusion Atul brings in Rs 12,000 and Geeta brings in Rs 8,000.

Quick Tip to Solve: Use Ira's capital to infer total capital, then compare each required capital with its already adjusted balance.

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:

- First distribute profit in the agreed ratio and compare the guaranteed partner's share with the guaranteed amount.
- In the absence of a specified guarantor, the other partners bear the deficiency in their mutual profit-sharing ratio.

Step 1: Calculate the normal profit shares The profit of Rs 1,20,000 is initially shared in the ratio $2:3:1$. Thus Asha receives $1,20,000 \times 2/6 =$ Rs $40,000$, Disha receives $1,20,000 \times 3/6 =$ Rs $60,000$, and Raghav receives $1,20,000 \times 1/6 =$ Rs $20,000$. Raghav's guarantee of Rs 40,000 exceeds his normal share by Rs 20,000.

Step 2: Adjust the guarantee deficiency Asha and Disha bear the deficiency in their mutual ratio $2:3$, because no individual guarantor is specified. Asha bears $20,000 \times 2/5 =$ Rs $8,000$, and Disha bears $20,000 \times 3/5 =$ Rs $12,000$. Their final shares are therefore Rs 32,000 and Rs 48,000; Raghav receives Rs 40,000. The guarantee redistributes the same profit and does not create an additional expense.

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

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	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	(Net profit)		
	To Raghav's Capital A/c	40,000			
	Total	1,20,000	Total	1,20,000	

The full net profit is appropriated, so there is no balance carried down in this account.

Step 4: Conclusion Final profit shares: Asha Rs 32,000; Disha Rs 48,000; Raghav Rs 40,000. The appropriation account totals Rs 1,20,000 on each side.

Quick Tip to Solve: Find Raghav's shortfall first, then charge only that shortfall to Asha and Disha in their mutual ratio 2:3.

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:

- Interest on capital and a partner's salary are appropriations of profit. A salary already charged must first be added back to obtain profit available for appropriation.
- Interest on capital equals capital multiplied by the annual rate. The remaining profit is shared by Akhil and Nikhil in the agreed ratio of $3:2$; fixed capitals imply transfers to current accounts.

Step 1: Restore profit before appropriations The reported profit of Rs 1,20,000 is after deducting Nikhil's salary of Rs 9,200. Therefore profit transferred from the Profit and Loss Account, before all appropriations, is $1,20,000 + 9,200 =$ Rs $1,29,200$. Adding back salary prevents deducting the same appropriation twice.

Step 2: Calculate interest and divisible profit Akhil's interest is $1,00,000 \times 6/100 =$ Rs $6,000$; Nikhil's interest is $80,000 \times 6/100 =$ Rs $4,800$. After total interest of Rs 10,800 and salary of Rs 9,200, divisible profit is $1,29,200 - 10,800 - 9,200 =$ Rs $1,09,200$. Akhil receives $1,09,200 \times 3/5 =$ Rs $65,520$, and Nikhil receives $1,09,200 \times 2/5 =$ Rs $43,680$.

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	6,000		
Nikhil	4,800		
To Nikhil's Salary	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

All profit is appropriated, so no balance is carried down in this nominal account.

Step 4: Conclusion The account totals Rs 1,29,200 on each side. Residual profit transferred to Akhil and Nikhil is Rs 65,520 and Rs 43,680 respectively.

Quick Tip to Solve: Add back the salary already charged before showing it on the debit side of the appropriation account.

19. 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 the return expected on capital invested at the normal rate: Normal profit $=$ Capital employed $\times$ Normal rate$/100$.
- Super profit is average profit less normal profit. Firm goodwill is super profit times years' purchase; an incoming partner's premium equals firm goodwill times the share acquired.

Step 1: Calculate normal profit Capital investment is Rs 50,000 and the normal rate of return is 10% per annum. The expected annual return on this investment is therefore

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

This is the benchmark return, not the firm's actual average earnings.

Step 2: Value goodwill using super profits The firm earns average annual net profit of Rs 20,000. Its excess earnings over the normal return are

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

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

$$\text{Firm's goodwill} = 15,000 \times 3 = \text{Rs } 45,000.$$

The years' purchase multiplier applies to super profit, not to total average profit.

Step 3: Calculate the incoming partner premium Naveen acquires one-fourth of the future profit share and must compensate the existing partners for that proportion of goodwill. Thus

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

The old ratio of 3:2 describes Aayush and Aarushi's existing profit shares; it does not change the total premium paid by Naveen. A distribution of the premium is not asked for here.

Step 4: Conclusion Naveen must bring a goodwill premium of Rs 11,250.

Quick Tip to Solve: First subtract normal profit, then multiply by years' purchase, and only then take Naveen's one-fourth share.

20. Kuber Ltd. purchased assets worth Rs. 10,00,000 and took over liabilities of Rs. 1,00,000 of Amrit Ltd. for a purchase consideration of Rs. 8,00,000. Kuber Ltd. paid Rs. 2,60,000 through a cheque and the balance was settled by issuing 12% debentures of Rs. 100 each at a discount of 10%. Pass necessary journal entries in the books of Kuber Ltd. for the above transactions. [3 marks]

Solution:

Concept:

- Net assets acquired equal assets taken over less liabilities assumed. When net assets exceed purchase consideration, the difference is capital reserve.
- Debentures issued at a discount settle the vendor at their issue price. Discount on issue is debited separately; the debenture liability is credited with face value.

Step 1: Calculate capital reserve and debentures Net assets acquired are $10,00,000 - 1,00,000 =$ Rs $9,00,000$. Against purchase consideration of Rs 8,00,000, capital reserve is $9,00,000 - 8,00,000 =$ Rs $1,00,000$. The amount due after the cheque is $8,00,000 - 2,60,000 =$ Rs $5,40,000$. Each Rs 100 debenture is issued for $100 - 10 =$ Rs 90; hence $5,40,000/90 = 6,000$ debentures are issued. Face value is Rs 6,00,000 and discount is Rs 60,000. The 12% is the interest rate, not the issue discount.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr. To Amrit Ltd. (Being business purchased for agreed consideration)		8,00,000	 8,00,000
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Business Purchase A/c To Capital Reserve A/c (Being assets and liabilities taken over and capital reserve recognised)		10,00,000	 1,00,000 8,00,000 1,00,000
	Amrit Ltd. Dr. Discount on Issue of Debentures A/c Dr. To Bank A/c To 12% Debentures A/c (Being vendor paid by cheque and 6,000 debentures of Rs 100 issued at 10% discount)		8,00,000 60,000	 2,60,000 6,00,000

The vendor's account is fully settled. The last entry balances at Rs 8,60,000 on each side, while the debenture liability remains at its contractual face value.

Step 3: Conclusion Capital reserve is Rs 1,00,000; 6,000 debentures are issued with face value Rs 6,00,000 and discount Rs 60,000.

Quick Tip to Solve: Divide the unpaid purchase consideration by Rs 90, the issue price, rather than by Rs 100 face value.

21. Unnati Ltd. was registered with an authorised capital of Rs. 8,00,000 divided into equity shares of Rs. 10 each. The company issued a prospectus inviting applications for 60,000 equity shares. The company received applications for 58,000 equity shares. All calls were made and were duly received except the second and final call of Rs. 3 per share on 3,000 shares held by Manit. 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:

- Authorised capital is the maximum registered capital; issued capital is the face value of shares offered for subscription.
- After forfeiture, subscribed fully paid capital excludes the forfeited shares. The amount already received on forfeited shares is disclosed separately under share capital until reissue.

Step 1: Calculate the subscribed capital and forfeited amount Of the 60,000 shares offered, applications were received for 58,000 shares. Hence the subscription before forfeiture was $58,000 \times \text{Rs } 10 = \text{Rs } 5,80,000$. The unpaid final call on Manit's shares was $3,000 \times \text{Rs } 3 = \text{Rs } 9,000$. These 3,000 shares were forfeited, so they no longer form part of subscribed share capital.

$$\text{Fully paid shares remaining} = 58,000 - 3,000 = 55,000,$$

$$\text{Subscribed fully paid capital} = 55,000 \times \text{Rs } 10 = \text{Rs } 5,50,000,$$

$$\text{Amount received on forfeited shares} = 3,000 \times \text{Rs } (10 - 3) = \text{Rs } 21,000.$$

The unpaid call is removed when the shares are forfeited; it is not deducted again from the capital of the remaining shareholders.

Step 2: Present the Balance Sheet extract and supporting note **(a) Balance Sheet of Unnati Ltd. (Extract)**

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	5,71,000

(b) Notes to Accounts: Note 1 – Share Capital

Particulars	Amount (Rs)
Authorised capital: 80,000 equity shares of Rs 10 each	8,00,000
Issued capital: 60,000 equity shares of Rs 10 each	6,00,000
Subscribed and fully paid-up capital: 55,000 equity shares of Rs 10 each Add: Forfeited shares (amount originally paid on 3,000 shares)	5,50,000 21,000
Total Share Capital	5,71,000

There are no subscribed partly paid shares remaining after forfeiture. The forfeited amount is included as a separate disclosure, rather than treating the forfeited shares as outstanding fully paid shares.

Step 3: Conclusion The Balance Sheet shows Share Capital of Rs $5,71,000$, comprising fully paid capital of Rs $5,50,000$ and forfeited-share receipts of Rs $21,000$.

Quick Tip to Solve: Remove the face value of forfeited shares first, then add only the amount already received on those shares.

22. A, B and C were partners in a printer 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 A, B and C as on 31st March, 2022

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Land and Building	3,00,000
A – 1,50,000		Plant and Machinery	2,50,000
B – 2,00,000		Debtors	80,000
C – 2,00,000	5,50,000	Stock	70,000
General Reserve	2,50,000	Cash in hand	60,000
Creditors	30,000	Cash at Bank	90,000
Bills Payable	20,000		
Total	8,50,000	Total	8,50,000

B died on 30th June, 2022. According to the partnership deed, his legal representatives are entitled to:

(i) Rs. 24,000 for his share of Goodwill.

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

(iii) His share of profit till the date of death calculated on the basis of sales. The sales from 1st April, 2022 to 30th June, 2022 were Rs. 1,25,000. The sales and profits of the firm for the year ending 31st March, 2022 were Rs. 10,00,000 and Rs. 2,50,000 respectively.

Prepare B's Capital Account to be rendered to his legal representatives. [4 marks]

Solution:

Concept:

- A deceased partner is credited with the opening capital, the share of accumulated reserves, goodwill compensation, interest on capital and profit earned up to death.
- Profit to the date of death is estimated using the previous profit-to-sales ratio, then multiplied by the deceased partner's profit share. The balance is transferred to the executor's account.

Step 1: Compute reserves and interest on capital B's opening capital on 1st April, 2022 was Rs 2,00,000. The general reserve belongs to the partners in their old profit-sharing ratio of $2:2:1$, so B's share is

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

Interest on B's capital is allowed for three months, from 1st April to 30th June, 2022:

$$\text{Rs } 2,00,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 6,000.$$

The goodwill compensation specified in the deed is Rs 24,000, and is credited in addition to these amounts.

Step 2: Estimate B's share of profit up to death Use the ratio of the previous year's profit to sales, since the deed requires estimation on a sales basis:

$$\text{Profit-to-sales ratio} = \frac{2,50,000}{10,00,000} \times 100 = 25\%,$$

$$\text{Estimated firm profit to 30th June} = \text{Rs } 1,25,000 \times 25\% = \text{Rs } 31,250,$$

$$\text{B's share} = \text{Rs } 31,250 \times \frac{2}{5} = \text{Rs } 12,500.$$

A further three-month fraction is unnecessary here: the supplied sales of Rs 1,25,000 already relate only to the period up to B's death.

Step 3: Prepare the deceased partner's capital account **B's Capital Account**

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To B's Executor's A/c	3,42,500	By Balance b/d	2,00,000	
			By General Reserve A/c	1,00,000	
			By A's Capital A/c (goodwill)	16,000	
			By C's Capital A/c (goodwill)	8,000	
			By Interest on Capital A/c	6,000	
			By Profit and Loss Suspense A/c	12,500	
	Total	3,42,500	Total	3,42,500	

In the absence of a changed ratio, A and C continue in their old relative ratio $2:1$, which is also their gaining ratio. They bear B's goodwill of Rs 24,000 as Rs 16,000 and Rs 8,000 respectively. The debit transfer closes B's capital account and establishes the amount payable to his legal representatives; it does not assume immediate cash payment.

Step 4: Conclusion B's legal representatives are entitled to $\boxed{\text{Rs } 3,42,500}$. B's share of profit up to death is Rs 12,500.

Quick Tip to Solve: For a sales-based death adjustment, apply the old profit margin to current-period sales; do not multiply by months again.

23(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:		Land and Building	1,70,000
Kamal 1,20,000		Plant and Machinery	2,60,000
Rahul 1,20,000		Stock	1,00,000
Neeraj 1,20,000	3,60,000	Debtors	80,000
General Reserve	1,20,000	Cash	50,000
Sundry Creditors	1,80,000		
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 and are distributed in their old profit-sharing ratio, $5:3:2$.
- The retiring partner is credited with his share of goodwill; the gaining partners bear this amount in their gaining ratio. Revaluation records changes in asset and liability values.
- After all adjustments, compare each continuing partner's capital with the required capital. A shortfall is introduced in cash and an excess is withdrawn.

Step 1: Determine the gaining ratio and goodwill adjustment Kamal and Neeraj continue in the relative ratio $5:2$. Their new shares are $5/7$ and $2/7$. Hence 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 share is Rs $3,50,000 \times 3/10 =$ Rs $1,05,000$. Debit Kamal's capital by Rs 75,000 and Neeraj's capital by Rs 30,000, and credit Rahul's capital by Rs

1,05,000. No goodwill asset is raised.

Step 2: Distribute the reserve and prepare Revaluation Account General reserve of Rs 1,20,000 is credited to Kamal, Rahul and Neeraj by Rs 60,000, Rs 36,000 and Rs 24,000 respectively. Stock falls by Rs 10,000, while the unclaimed creditors give a gain of Rs 10,000. The revaluation result is therefore nil.

Revaluation Account

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

Step 3: Determine adjusted and required capitals After reserve and goodwill adjustments:

$$Kamal = 1,20,000 + 60,000 - 75,000 = 1,05,000,$$
$$Rahul = 1,20,000 + 36,000 + 1,05,000 = 2,61,000,$$
$$Neeraj = 1,20,000 + 24,000 - 30,000 = 1,14,000.$$

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

Step 4: Prepare the capital accounts Kamal's Capital Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Rahul: Goodwill	75,000	By Balance b/d	1,20,000	
	To Balance c/d	1,50,000	By General Reserve	60,000	
			By Cash	45,000	
	Total	2,25,000	Total	2,25,000	

Rahul's Capital Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Rahul's Loan	2,61,000	By Balance b/d	1,20,000	
			By General Reserve	36,000	
			By Kamal: Goodwill	75,000	
			By Neeraj: Goodwill	30,000	
	Total	2,61,000	Total	2,61,000	

Neeraj's Capital Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Rahul: Goodwill	30,000	By Balance b/d	1,20,000	
	To Cash	54,000	By General Reserve	24,000	
	To Balance c/d	60,000			
	Total	1,44,000	Total	1,44,000	

Step 5: Conclusion Revaluation profit/loss is nil. Rahul's loan is Rs 2,61,000. Closing capitals are Kamal Rs 1,50,000 and Neeraj Rs 60,000; Kamal introduces Rs 45,000 and Neeraj withdraws Rs 54,000.

Quick Tip to Solve: Adjust reserve and goodwill before comparing each remaining partner's capital with the fixed total.

OR

23(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 2,000	78,000
Capitals:			
Ashish 3,00,000		Stock	1,12,000
Vishesh 2,00,000	5,00,000	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 incoming partner's capital is credited to her capital account, while goodwill premium compensates the sacrificing old partners.
- Accumulated losses appearing on the assets side are written off against old partners' capitals in their old ratio. Revaluation losses also belong to old partners.
- Payment of an existing liability reduces both bank and that liability; it is not a fresh revaluation expense.

Step 1: Calculate the sacrifice and premium distribution Manya acquires $1/4$ of profits. Since no different arrangement is given, Ashish and Vishesh retain their relative ratio of $3:2$. The new ratio is

$$\left(\frac{3}{4}\times\frac{3}{5}\right):\left(\frac{3}{4}\times\frac{2}{5}\right):\frac{1}{4}=9:6:5.$$

Ashish sacrifices $3/5-9/20=3/20$, and Vishesh sacrifices $2/5-6/20=2/20$. Their sacrificing ratio is $3:2$, so goodwill premium Rs 50,000 is credited Rs 30,000 to Ashish and Rs 20,000 to Vishesh. Manya's capital credit is Rs 1,00,000; total bank receipt is Rs 1,50,000.

Step 2: Calculate losses and distinguish payment of the liability The debit balance of Profit and Loss Account, Rs 10,000, is an accumulated loss: Ashish bears Rs 6,000 and Vishesh Rs 4,000. Stock is overvalued by Rs 12,000, so its corrected value is Rs 1,00,000. Debit Revaluation Account and credit Stock Account by Rs 12,000. The revaluation loss is borne by Ashish and Vishesh as Rs 7,200 and Rs

4,800 respectively. The outstanding electricity bill is already a recorded liability of Rs 20,000. Paying it creates no further loss: debit the liability and credit Bank Account. The existing provision for bad debts remains unchanged because no revision is required.

Step 3: Record the journal entries Journal of the Firm (1st April, 2022)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,50,000	
	To Manya's Capital A/c			1,00,000
	To Premium for Goodwill A/c			50,000
	(Being capital and goodwill premium received from Manya)			
	Premium for Goodwill A/c Dr.		50,000	
	To Ashish's Capital A/c			30,000
	To Vishesh's Capital A/c			20,000
	(Being goodwill premium credited in sacrificing ratio 3:2)			
	Ashish's Capital A/c Dr.		6,000	
	Vishesh's Capital A/c Dr.		4,000	
	To Profit and Loss A/c			10,000
	(Being accumulated loss written off in old ratio 3:2)			
	Outstanding Electricity Bill A/c Dr.		20,000	
	To Bank A/c			20,000
	(Being outstanding electricity bill paid)			
	Revaluation A/c Dr.		12,000	
	To Stock A/c			12,000
	(Being overvaluation of stock corrected)			
	Ashish's Capital A/c Dr.		7,200	
	Vishesh's Capital A/c Dr.		4,800	
	To Revaluation A/c			12,000
	(Being revaluation loss transferred in old ratio 3:2)			

Step 4: Verify the effects The bank balance increases by Rs $1,50,000 - 20,000 = 1,30,000$, becoming Rs 1,80,000. Ashish's capital becomes Rs $3,00,000 + 30,000 - 6,000 - 7,200 = 3,16,800$. Vishesh's capital becomes Rs $2,00,000 + 20,000 - 4,000 - 4,800 = 2,11,200$. Manya's capital is Rs 1,00,000. These checks ensure that goodwill is allocated only to the sacrificing partners and that pre-admission losses are not charged to Manya.

Step 5: Conclusion Credit Manya's capital by Rs 1,00,000; allocate goodwill Rs 30,000 to Ashish and Rs 20,000 to Vishesh; write off accumulated loss Rs 10,000 and revaluation loss Rs 12,000 in ratio 3:2; pay the electricity liability Rs 20,000.

Quick Tip to Solve: Separate the existing electricity liability payment from stock revaluation; only stock creates a new loss.

24(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:

- Application and allotment contains Rs 3 capital and Rs 1 premium per share. Excess application money is a liability in Calls in Advance until the relevant call becomes due.
- On forfeiture, debit only called-up share capital; premium already received is not reversed. Reissue discount is charged to Share Forfeiture and only the surplus relating to reissued shares becomes Capital Reserve.

Step 1: Determine allotment, advances and arrears The allotment ratio is $1,00,000 : 1,50,000 = 2 : 3$. Application receipts are $1,50,000 \times 4 =$ Rs $6,00,000$. Of this, Rs 4,00,000 is due on application and allotment and Rs 2,00,000 is excess, transferred to Calls in Advance. Parth receives $600 \times 2/3 = 400$ shares. His payment is Rs 2,400, of which $400 \times 4 =$ Rs $1,600$ belongs to application and allotment and Rs 800 is advance. His first call is $400 \times 4 =$ Rs $1,600$, so the unpaid balance is Rs 800. Total first-call bank receipts are $4,00,000 - 2,00,000 - 800 =$ Rs $1,99,200$.

Step 2: Record issue and first call Journal of Vani Limited (issue and call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,00,000	
	To Share Application and Allotment A/c			6,00,000
	(Being application money received for 1,50,000 shares)			
	Share Application and Allotment A/c Dr.		6,00,000	
	To Equity Share Capital A/c			3,00,000
	To Securities Premium A/c			1,00,000
	To Calls in Advance A/c			2,00,000
	(Being 1,00,000 shares allotted pro-rata and excess retained towards calls)			
	Equity Share First Call A/c Dr.		4,00,000	
	To Equity Share Capital A/c			4,00,000
	(Being first call of Rs 4 per share made due)			
	Bank A/c Dr.		1,99,200	
	Calls in Advance A/c Dr.		2,00,000	
	Calls in Arrears A/c Dr.		800	
	To Equity Share First Call A/c			4,00,000
	(Being first call settled by bank receipts and adjustment of advances, with Parth in arrears)			

Step 3: Calculate forfeiture and reissue surplus Called-up capital on Parth's shares is $400 \times (3 + 4) =$ Rs $2,800$. Capital received is $2,800 - 800 =$ Rs $2,000$, including his advance adjusted against the call.

The final call of Rs 3 has not been made, so it is excluded from forfeiture. Half the shares, namely 200, are reissued fully paid: bank receives Rs 1,600 and capital credited is Rs 2,000. The Rs 400 discount is charged to forfeiture. Forfeiture attributable to these 200 shares is $2,000 \times 200/400 = \text{Rs } 1,000$; therefore the realised capital profit is Rs 600.

Step 4: Record forfeiture, reissue and capital profit Journal of Vani Limited (forfeiture and reissue)

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

Step 5: Conclusion Capital Reserve is Rs 600. Share Forfeiture retains Rs 1,000 relating to the 200 shares not reissued. No second and final call entry is required.

Quick Tip to Solve: Separate premium from application capital before computing forfeiture; apply excess money to Parth's call before finding his arrears.

OR

24(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 credits the capital already received to Share Forfeiture. Premium collected earlier is not reversed.
- Reissue discount is debited to Share Forfeiture. Transfer only the surplus attributable to shares actually reissued to Capital Reserve.

Step 1: Compute forfeiture and reissue amounts The whole face value has been called, because the unpaid amount is the second and final call. Capital cancelled is $10,000 \times 10 = \text{Rs } 1,00,000$. The unpaid call is $10,000 \times 2 = \text{Rs } 20,000$, leaving capital received of Rs 80,000. The Rs 1 premium per share was received before this call, so Securities Premium is unaffected. Reissued shares are $10,000 \times 60\% = 6,000$. Bank receipts equal $6,000 \times 7 = \text{Rs } 42,000$, and fully paid capital equals Rs

60,000. Discount is Rs 18,000. The related forfeiture is $80,000 \times 60\% = \text{Rs } 48,000$, giving a realised surplus of Rs 30,000.

Step 2: Pass the journal entries

Journal of Vipin Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Capital A/c Dr.		1,00,000	
	To Equity Share Second and Final Call A/c			20,000
	To Share Forfeiture A/c			80,000
	(Being 10,000 shares forfeited for non-payment of the final call)			
	Bank A/c Dr.		42,000	
	Share Forfeiture A/c Dr.		18,000	
	To Equity Share Capital A/c			60,000
	(Being 6,000 shares reissued fully paid at Rs 7 per share)			
	Share Forfeiture A/c Dr.		30,000	
	To Capital Reserve A/c			30,000
	(Being realised surplus on 6,000 reissued shares transferred)			

Step 3: Conclusion Capital Reserve is Rs 30,000; Share Forfeiture retains Rs 32,000 for the 4,000 shares not yet reissued.

Quick Tip to Solve: Compute the forfeiture attached to the 60 percent reissued first, then deduct their reissue discount.

24(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:

- Forfeiture reverses the amount called up, not automatically the face value. Amount already received towards capital is credited to Share Forfeiture.
- When shares are reissued fully paid above face value, credit their face value to Share Capital and the excess to Securities Premium. No reissue discount reduces forfeiture.

Step 1: Calculate amounts for both transactions Only Rs 8 per share has been called. The cancelled capital is therefore $800 \times 8 = \text{Rs } 6,400$, rather than Rs 8,000. First-call arrears are $800 \times 3 = \text{Rs } 2,400$. The amount already received towards capital is $800 \times (8 - 3) = \text{Rs } 4,000$, which goes to Share Forfeiture. On reissue, all 800 shares become fully paid at their Rs 10 face value. Bank receives $800 \times 12 = \text{Rs } 9,600$; Share Capital receives $800 \times 10 = \text{Rs } 8,000$; and Securities Premium receives the difference, Rs 1,600. Since reissue is above face value, no discount is charged against forfeiture. All forfeited shares have been reissued, so the entire Rs 4,000 forfeiture balance is a realised capital profit.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Capital A/c Dr.		6,400	
	To Equity Share First Call A/c			2,400
	To Share Forfeiture A/c			4,000
	(Being 800 shares forfeited, Rs 8 called up, for unpaid first call of Rs 3)			
	Bank A/c Dr.		9,600	
	To Equity Share Capital A/c			8,000
	To Securities Premium A/c			1,600
	(Being 800 shares reissued at Rs 12 each as fully paid)			
	Share Forfeiture A/c Dr.		4,000	
	To Capital Reserve A/c			4,000
	(Being entire forfeiture surplus transferred on reissue of all shares)			

Step 3: Conclusion Capital Reserve is Rs 4,000 and Securities Premium on reissue is Rs 1,600. The Share Forfeiture balance is nil.

Quick Tip to Solve: Use Rs 8 called-up value at forfeiture, but Rs 10 fully-paid face value at reissue; keep the Rs 2 reissue premium separate.

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25. Pass necessary Journal Entries for the following transactions on the dissolution of a partnership firm of Mita and Sonu on 31st March, 2022 after the various assets other than cash and third party liabilities have been transferred to the Realisation Account.

(a) Creditors of Rs. 90,000 took over Land and Building of Rs. 2,00,000 in full settlement of their claim.

(b) Sonu took over debtors amounting to Rs. 50,000 at Rs. 40,000.

(c) Realisation expenses Rs. 1800 were paid by Sonu.

(d) A machine which was not recorded in the books was taken over by Mita at Rs. 11,000 while its expected market value was Rs. 15,000.

(e) Sonu agreed to pay off his wife's loan of Rs. 20,000.

(f) Profit on dissolution amounted to Rs. 50,000. [6 marks]

Solution:

Concept:

- After transfers to Realisation Account, assets taken over by partners are recorded by debiting their capital accounts at agreed values.
- Liabilities and expenses paid or assumed by a partner credit that partnerś capital account; realisation profit is credited to partners in their profit-sharing ratio.

Step 1: (a) Settlement of creditors by transfer of an asset No journal entry is required. Both the creditors of Rs 90,000 and Land and Building of Rs 2,00,000 have already been transferred to Realisation Account. When a creditor takes an asset in full settlement, neither cash nor a partner account is involved. The difference between their book values is already absorbed through the

transfers to Realisation Account. Recording another settlement entry would duplicate the effect.

Step 2: (b) Debtors taken over by Sonu Journal of Mita and Sonu on 31st March, 2022.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sonu's Capital A/c Dr.		40,000	
	To Realisation A/c			40,000
	(Being debtors taken over by Sonu at the agreed value)			

Sonu is charged the agreed amount of Rs 40,000, not the book value of Rs 50,000. The debtors have already been credited in their own account when transferred to Realisation.

Step 3: (c) Realisation expenses paid by Sonu Journal of Mita and Sonu.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		1,800	
	To Sonu's Capital A/c			1,800
	(Being realisation expenses paid personally by Sonu on behalf of the firm)			

These are expenses of the firm; Sonu is reimbursable through his capital account.

Step 4: (d) Unrecorded machine taken over by Mita Journal of Mita and Sonu.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Mita's Capital A/c Dr.		11,000	
	To Realisation A/c			11,000
	(Being unrecorded machine taken over by Mita at the agreed value)			

The expected market value of Rs 15,000 does not determine the entry; the actual agreed takeover value is Rs 11,000.

Step 5: (e) Sonu assumes his wife's loan Journal of Mita and Sonu.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		20,000	
	To Sonu's Capital A/c			20,000
	(Being Sonu assuming responsibility for repayment of his wife's loan)			

The loan is a third party liability already transferred to Realisation. Its assumption by Sonu credits his capital account.

Step 6: (f) Distribution of realisation profit No profit-sharing ratio is specified, so the partners share profits equally. Each partner receives $50,000 \div 2 = \text{Rs } 25,000$.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		50,000	
	To Mita's Capital A/c			25,000
	To Sonu's Capital A/c			25,000
	(Being profit on dissolution transferred equally to the partners)			

Step 7: Conclusion No entry is required for (a). The other transactions are recorded above; the Rs 50,000 realisation profit is divided equally, Rs 25,000 each.

Quick Tip to Solve: First check whether both an asset and a liability already stand transferred to Realisation; their direct settlement needs no new entry.

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 face value. Bank is debited with actual issue proceeds; premium on issue is credited to Securities Premium Account.
- Loss on issue equals discount on issue plus premium payable on redemption. The latter is a liability recorded separately at the date of issue.
- The 10% rate is the coupon interest rate; it does not determine either the issue proceeds or redemption premium.

Step 1: (a) Issue at premium and redemption at premium Face value issued is $2,000 \times 100 =$ Rs $2,00,000$. Issue premium is $2,00,000 \times 10\% =$ Rs $20,000$, so cash received is Rs 2,20,000. Redemption premium is $2,00,000 \times 5\% =$ Rs $10,000$, which is recognised as loss on issue. Securities premium is credited separately; it does not reduce the debenture liability.

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 A/c			20,000
	To Premium on Redemption of Debentures A/c			10,000
	(Being 2,000 debentures issued on the stated terms, with redemption premium provided)			

Step 2: (b) Issue at discount and redemption at premium Face value issued is $2,000 \times 100 =$ Rs $2,00,000$. Issue discount is $2,00,000 \times 5\% =$ Rs $10,000$, so cash received is Rs 1,90,000. Redemption premium is $2,00,000 \times 10\% =$ Rs $20,000$. Total loss on issue is Rs 10,000 + Rs 20,000 = Rs 30,000. Both parts of this capital loss are debited together.

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 2,000 debentures issued on the stated terms, with redemption premium provided)			

Step 3: (c) Issue at par and redemption at premium Face value issued is $2,000 \times 100 =$ Rs $2,00,000$. At par, cash received equals face value, Rs 2,00,000. Redemption premium is $2,00,000 \times 10\% =$ Rs $20,000$. There is no issue discount, so loss on issue consists only of the redemption premium. This liability is recognised when the debentures are issued.

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 2,000 debentures issued on the stated terms, with redemption premium provided)			

Step 4: Conclusion The loss on issue in cases (a), (b) and (c) is Rs 10,000, Rs 30,000 and Rs 20,000 respectively. Each case is an independent issue, with Debentures Account credited by Rs 2,00,000.

Quick Tip to Solve: Compute issue proceeds and redemption premium separately on face value; never apply the 10% coupon rate to the journal entry for issue.

Part B (20 marks)

OPTION – I (Analysis of Financial Statements)

27(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 actual inflow or outflow of cash or cash equivalents.
- Exchanging equity shares for a non-current asset is a non-cash investing and financing transaction.

Step 1: Examine the share exchange In option (C), the company receives machinery and issues equity shares as consideration. Machinery increases and share capital increases, but no bank or cash account is affected. Hence the transaction has no cash flow.

Step 2: Test the remaining options Purchase of machinery for cash involves an investing outflow, sale of investments for cash gives an investing inflow, and redemption of debentures involves a financing outflow. These ordinary cash transactions therefore fail the requirement of no flow of cash. The explicit share consideration in option (C) identifies the non-cash transaction.

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

Quick Tip to Solve: Look at the consideration paid: issuing shares directly for an asset leaves cash and bank balances unchanged.

OR

27(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 include cash paid to acquire long-term assets, including intangible assets such as goodwill.
- Financing activities change the size or composition of capital and borrowings; interest paid is classified as financing for a non-financial enterprise.

Step 1: Match investing and financing activities Purchase of goodwill acquires an intangible asset, so (a) matches (ii). Interest paid is the cost of borrowed funds, so (b) matches (i).

Step 2: Match operating activity and check options Cash receipts from sale of goods arise from the principal revenue-producing activity, so (c) matches (iii). Option (A) wrongly treats sale receipts as investing; (C) treats interest paid as investing; (D) treats sale receipts as financing. Only (B) gives all three classifications correctly.

Step 3: Conclusion Investing: purchase of goodwill; financing: interest paid; operating: sale receipts. Hence, the correct option is (B).

Quick Tip to Solve: Classify goodwill as a long-term asset before matching the other two transactions.

28(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 accounting data; tools of analysis process or interpret those data.
- Ratio analysis and cash flow statements are recognised tools of financial statement analysis.

Step 1: Distinguish statements from analytical tools The income statement reports income, expenses and profit for a period. The balance sheet reports assets, equity and liabilities at a date. These are the basic financial statements on which analysis is performed, so (ii) and (iii) are not themselves tools of financial analysis.

Step 2: Check the offered combinations Cash flow statements analyse cash inflows and outflows, and ratio analysis establishes useful relationships between figures. Thus (i) and (iv) are tools. Options (A), (B) and (D) each include at least one of these tools and cannot be the required pair.

Step 3: Conclusion Income Statement and Balance Sheet, (ii) and (iii), are the required items. Hence, the correct option is (C).

Quick Tip to Solve: Separate the basic statements providing data from the methods used to analyse that data.

OR

28(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:

- The current ratio is current assets divided by current liabilities.
- The acid test ratio is the quick ratio: quick assets divided by current liabilities; quick assets exclude inventories and prepaid expenses.

Step 1: Test the statement about the acid test ratio Statement (B) is incorrect because the current ratio includes all current assets, whereas the acid test ratio focuses on assets that can be converted into cash promptly. The two ratios are distinct liquidity measures.

Step 2: Check the remaining statements Statement (A) correctly links liquidity ratios to short-term solvency. Statement (C) correctly links solvency ratios to long-term debt servicing ability. Statement (D) correctly expresses the proprietary ratio as proprietor's funds in relation to total assets. These statements do not supply another incorrect option.

Step 3: Conclusion The incorrect statement is "Current ratio is also known as Acid Test Ratio." Hence, the correct option is (B).

Quick Tip to Solve: Remember: acid test means quick assets, so inventories are excluded from its numerator.

29. 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 other activities that are neither investing nor financing.
- A non-cash transaction is excluded from the cash flow statement because it produces no cash inflow or outflow.

Step 1: Identify operating receipts and payments Payment of employee benefit expenses, (ii), is an operating cash outflow incurred in running the business. Cash receipts from royalties and fees, (iii), are operating cash inflows from revenue-producing activities.

Step 2: Exclude the other activities and check options Dividend and interest received on securities, (i), are investing inflows for a non-financial enterprise. Issue of shares to purchase machinery, (iv), is a non-cash investing and financing transaction. Option (A) includes (i); (B) includes (iv); and (C) includes both excluded items. Only (D) contains the two operating activities.

Step 3: Conclusion Only (ii) and (iii) are operating activities. Hence, the correct option is (D).

Quick Tip to Solve: First remove any transaction with no cash movement; then classify ordinary business receipts and payments.

30. 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 less current liabilities: $WC = CA - CL$.
- Working capital turnover ratio is $\dfrac{\text{Revenue from operations}}{\text{Working capital}}$.

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

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

The denominator is the excess of current assets over current liabilities, rather than either balance alone.

Step 2: Find revenue from operations Rearranging the ratio,

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

Dividing each option by Rs 50,000 gives 4, 6, 5 and 3 times respectively; only option (B) reproduces the given ratio.

Step 3: Conclusion Revenue from operations is $\boxed{\text{Rs } 3,00,000}$. Hence, the correct option is (B).

Quick Tip to Solve: Subtract current liabilities first, then multiply the resulting working capital by 6.

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

(a) Cheques-Drafts on hand

(b) Work-in-Progress

(c) Balance in Statement of Profit and Loss [3 marks]

Solution:

Concept:

- Schedule III separates the asset side into non-current assets and current assets and presents shareholders' funds within equity and liabilities.
- The sub-head follows the nature of the item: immediately available balances are cash equivalents, production stocks are inventories and accumulated profit forms reserves and surplus.

Step 1: Classify cheques-drafts on hand Cheques and drafts on hand are available monetary balances awaiting deposit or collection. They are presented on the assets side under the major head Current Assets and the sub-head Cash and Cash Equivalents. They are not trade receivables merely because a customer may have issued the cheque.

Step 2: Classify work-in-progress Work-in-progress consists of goods whose production is incomplete at the reporting date. It is inventory expected to be completed and realised during the normal operating cycle. It therefore appears under Current Assets, sub-head Inventories, rather than property, plant and equipment.

Step 3: Classify the profit and loss balance The balance in the Statement of Profit and Loss represents accumulated surplus or deficit. It is shown under Shareholders' Funds, within Reserves and Surplus. A debit balance is shown as a negative amount in this sub-head. The classifications are summarised below.

Balance Sheet classification (Schedule III)

Item	Major head	Sub-head
Cheques-Drafts on hand	Current Assets	Cash and Cash Equivalents
Work-in-Progress	Current Assets	Inventories
Balance in Statement of Profit and Loss	Shareholders' Funds	Reserves and Surplus

Step 4: Conclusion Cheques-drafts: Current Assets – Cash and Cash Equivalents; work-in-progress: Current Assets – Inventories; profit and loss balance: Shareholders' Funds – Reserves and Surplus.

Quick Tip to Solve: For each item, give both levels: the major head first and then the specific sub-head.

32. 'It is a technique which involves regrouping of data by application of arithmetical relationships.' Identify the technique and state any two advantages of the technique identified. [3 marks]

Solution:

Concept:

- Ratio analysis establishes arithmetical relationships between related accounting figures, expressed as a proportion, percentage or number of times.
- Ratios turn absolute accounting amounts into comparable indicators, enabling evaluation of financial performance and position.

Step 1: Identify the technique The technique is Ratio Analysis. The description refers to regrouping financial statement data and relating one relevant amount to another. For example, current assets divided by current liabilities gives the current ratio, which connects two figures to assess liquidity.

Step 2: Advantage 1: assess financial position and performance Ratio analysis helps assess liquidity, solvency, operating efficiency and profitability. Related figures reveal information which isolated totals may conceal: for instance, a large current asset balance alone says little about short-term solvency until it is compared with current liabilities. Such analysis helps management and other users make informed decisions.

Step 3: Advantage 2: facilitate comparison Ratios facilitate comparisons across accounting periods

and between similar enterprises by placing figures on a common relative basis. Comparing the same ratio over time helps identify improvement or deterioration; comparison with an appropriate industry benchmark helps identify strengths and weaknesses. Comparable accounting policies and business circumstances should be considered when interpreting the results.

Step 4: Conclusion The technique is Ratio Analysis. Two advantages are assessment of financial position and performance, and facilitation of comparisons over time or between similar enterprises.

Quick Tip to Solve: The clue "arithmetical relationships" points to ratios; explain each advantage by showing how it helps a user.

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. Thus, average inventory equals cost of revenue from operations divided by the turnover ratio.
- Gross profit equals revenue from operations less its cost. Average inventory is half the sum of opening and closing inventories, not closing inventory alone.

Step 1: Calculate cost of revenue from operations Gross profit is 20% of revenue from operations, so apply the percentage to sales rather than to cost.

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

Step 2: Calculate average inventory Using the given turnover of 4 times,

$$\text{Average inventory} = \frac{\text{Cost of revenue from operations}}{\text{Inventory turnover ratio}} = \frac{8,00,000}{4} = \text{Rs } 2,00,000.$$

Therefore, opening inventory plus closing inventory equals twice this average, or Rs 4,00,000. Dividing the cost directly by closing inventory would incorrectly ignore the opening stock.

Step 3: Calculate the two inventories Let closing inventory be C rupees. Opening inventory is 25%

of closing inventory, so it is $0.25C$.

$$0.25C + C = 4,00,000,$$
$$1.25C = 4,00,000,$$
$$C = 3,20,000,$$
$$\text{Opening inventory} = 0.25 \times 3,20,000 = 80,000.$$

As a check, the average of Rs 80,000 and Rs 3,20,000 is Rs 2,00,000. Dividing the cost of Rs 8,00,000 by this average gives the required turnover of 4 times. Also, Rs 80,000 is exactly one-fourth of Rs 3,20,000.

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, since 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 $\dfrac{\text{Long-term debt}}{\text{Shareholders' funds}}$. Shareholders' funds include share capital and reserves and surplus. Trade creditors are current liabilities, excluded from long-term debt.
- For the given ratio of 2:1, a reduction in the ratio is described as an improvement because long-term debt becomes smaller relative to shareholders' funds. Judge each transaction independently against the original ratio.

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

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

Step 2: Cash received from debtors of Rs 1,00,000 The ratio will not change and remains 2:1. Cash increases by Rs 1,00,000 while trade receivables decrease by the same amount. This is merely a change in the composition of current assets. Neither long-term debt nor shareholders' funds changes.

Step 3: Redemption of Rs 10,00,000 debentures The ratio will improve (decrease). Redemption reduces long-term debt by Rs 10,00,000. Payment reduces cash but does not itself reduce shareholders' funds. Accordingly, the numerator decreases while the denominator remains unchanged:

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

Step 4: Purchase of goods on credit of Rs 4,00,000 The ratio will not change and remains 2:1. Inventory increases by Rs 4,00,000 and trade creditors, a current liability, increase by Rs 4,00,000. Creditors are excluded from long-term debt, and shareholders' funds do not change.

Step 5: Conclusion (i) Improves (decreases); (ii) no change; (iii) improves (decreases); (iv) no change. Transactions (ii) and (iv) leave the ratio at 2:1.

Quick Tip to Solve: Track only long-term debt and shareholders' funds: a change in cash, debtors, inventory or trade creditors alone does not change this ratio.

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:

- Investing activities include cash paid to purchase machinery and cash received from its sale. The gain on sale is not the sale proceeds.
- For a non-financial enterprise, share issue proceeds are financing inflows; debenture redemption, redemption premium, interest paid and dividend paid are financing outflows.

- Working notes reconcile opening balances, additions and disposals with closing balances. All amounts below are in Rs.

Step 1: Find depreciation and proceeds on the machine sold **Working Notes**
Accumulated depreciation removed on sale is the balancing amount:

$$60,000 + 50,000 - 90,000 = 20,000.$$

Thus the carrying amount of the machine sold is

$$4,00,000 - 20,000 = 3,80,000.$$

Since the machine was sold at a gain, add the gain to its carrying amount:

$$\text{Sale proceeds} = 3,80,000 + 30,000 = 4,10,000.$$

The gain of Rs 30,000 alone is not the investing cash receipt.

Step 2: Calculate the purchase of machinery Reconcile the machinery balances at cost. Opening cost plus purchases, less the original cost of the machine sold, equals closing cost:

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

Therefore, machinery purchased during the year cost Rs 12,00,000. Depreciation is not deducted in this calculation because the balance-sheet figures for machinery are explicitly at cost.

Step 3: Prepare the investing activities extract **Fizz Ltd.: Cash Flow Statement (Extract)**
For the 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)**

Parentheses indicate a cash outflow. The depreciation charge is a non-cash expense and is not separately included in this extract.

Step 4: Calculate financing receipts and redemption payment The increase in equity share capital gives cash proceeds of

$$90,00,000 - 60,00,000 = 30,00,000.$$

Debentures redeemed at face value amount to

$$50,00,000 - 30,00,000 = 20,00,000.$$

The redemption premium is $20,00,000 \times 10\% = 2,00,000$, so total cash paid for redemption is Rs 22,00,000. Interest is taken at the expressly given cash payment of Rs 5,50,000; redemption occurred on the last day of the year.

Step 5: Prepare the financing activities extract **Fizz Ltd.: Cash Flow Statement (Extract, continued)**
For the 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 redemption premium is included once in the redemption payment. Dividend paid is a distribution to shareholders and hence a financing outflow.

Step 6: Conclusion Net cash used in investing activities is Rs 7,90,000. Net cash used in financing activities is Rs 50,000. Both represent negative cash flows.

Quick Tip to Solve: First reconcile accumulated depreciation to find the sold asset's carrying amount; then add the gain to obtain its actual sale proceeds.

OPTION - II (Computerised Accounting)

27. 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 meaningful letters or abbreviations so that the identity of an account or item is easy to remember.
- Sequential codes follow a numerical sequence; block codes reserve groups of codes for particular classes.

Step 1: Identify the coding feature The question specifies alphabets or abbreviations. For example, a short form such as BANK represents the bank account through a recognisable name. This is the mnemonic method of coding.

Step 2: Eliminate the other code types Sequential codes rely on consecutive numbering. Block codes identify a category through an allocated range, while number codes use digits. None describes the use of meaningful alphabets or abbreviations as directly as mnemonic codes.

Step 3: Conclusion Codes comprising alphabets or abbreviations are mnemonic codes. Hence, the correct option is (D).

Quick Tip to Solve: Link mnemonic to memory: meaningful letter abbreviations help recall the account or item.

28(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; its naming limit differs from the size of the data stored in that field.
- The maximum length permitted for an MS Access field name is 64 characters.

Step 1: Apply the field-name limit The question asks about the name of the field, not the number of characters that may be entered as a field value. The relevant MS Access naming limit is 64 characters.

Step 2: Compare all the choices The limits 28 and 32 are smaller than the permitted maximum and therefore do not answer the question. The value 104 exceeds that limit. The choice 64 alone states the maximum number of characters allowed in the field name.

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

Quick Tip to Solve: Separate a field name from field contents before selecting a database character limit.

OR

28(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 performed in a worksheet.
- Redo reapplies an action that was previously undone; Cut and Paste move or insert clipboard contents.

Step 1: Identify the required operation Reversing the last action means returning the worksheet to the state before that action, such as restoring a cell after an accidental edit. The command that performs this operation is Undo.

Step 2: Distinguish the alternatives Cut removes a selected item for moving it, and Paste inserts clipboard contents. Redo has the opposite role to Undo: it repeats or reinstates an action after it has

been undone. These commands do not describe reversing the last action.

Step 3: Conclusion The required command is Undo. Hence, the correct option is (A).

Quick Tip to Solve: Use Undo immediately after an accidental change; Redo restores an action you have undone.

29. 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 summarises large datasets by grouping records and calculating totals, counts or other aggregates.
- It permits filtering and rearranging fields between rows and columns to examine data from different viewpoints.

Step 1: Identify the genuine advantages Filtering data is a Pivot table feature. Its user-friendly arrangement makes summaries convenient, and moving rows to columns or columns to rows changes the presentation without re-entering the source data. Thus (A), (B) and (C) describe advantages.

Step 2: Test the negative statement The statement that a Pivot table cannot summarise a large amount of data contradicts its central purpose. Summarising many records is precisely why Pivot tables are useful. Because the question asks which statement is not an advantage, this negative claim must be selected.

Step 3: Conclusion "Cannot summarise large amount of data is not an advantage of a Pivot table. Hence, the correct option is (D).

Quick Tip to Solve: For a NOT question, identify true features first; Pivot tables are built to summarise data.

30(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 has the syntax IF(logical_test, value_if_true, value_if_false).
- The logical test selects which of the two result arguments will be returned.

Step 1: List the three arguments IF first evaluates a logical test. When the test is true it returns value-if-true; when the test is false it returns value-if-false. These are the three standard argument names.

Step 2: Compare the printed names Value-if-true in (A), value-if-false in (C), and logical test in (D) match the syntax. Value-when-false in (B) is not the standard argument name. Although it sounds similar in ordinary language, the question tests the named arguments of the function.

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

Quick Tip to Solve: Remember the sequence: logical test, value-if-true, value-if-false; both result names use if.

OR

30(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 a spreadsheet file containing individual worksheets; the tabs at the bottom identify those worksheets.
- The spreadsheet version used in this syllabus opens a new workbook with three blank worksheets by default.

Step 1: Identify the default workbook A new workbook initially displays three worksheet tabs, conventionally named Sheet1, Sheet2 and Sheet3. Each tab represents a separate blank worksheet within the same workbook.

Step 2: Compare the alternatives Three agrees with this default, so (A) is correct. Four and two

do not give the prescribed initial worksheet count. One is also not the default in the spreadsheet environment referred to in this question. Worksheets can subsequently be inserted or deleted, but that does not change the initial default asked here.

Step 3: Conclusion A new workbook contains three blank worksheets. Hence, the correct option is (A).

Quick Tip to Solve: Count the initial sheet tabs, not the number of workbook windows.

31. Explain the following sub-systems of Accounting Information System:

(a) Cash and Bank Sub-system

(b) Sales and Accounts Receivable Sub-system [3 marks]

Solution:

Concept:

- An Accounting Information System (AIS) collects, processes and reports financial transaction data through related sub-systems.
- Each sub-system handles a particular transaction stream and supplies information for the accounts and managerial control.

Step 1: (a) Cash and Bank Sub-system This sub-system records cash and bank receipts and payments, including deposits, withdrawals and transfers between cash and bank accounts. It maintains the cash book and bank-related records and updates the relevant balances. It therefore provides information about cash in hand and cash at bank, supports the preparation of bank reconciliation statements, and helps management monitor the availability and use of funds. Recording each receipt and payment also provides a basis for checking cash and bank transactions.

Step 2: (b) Sales and Accounts Receivable Sub-system This sub-system records sales transactions and maintains customer-wise accounts, particularly for credit sales. It processes sales invoices, sales returns and amounts received from customers, and updates the amount outstanding from each debtor. Its reports include sales information, customer balances and details of overdue debts. These enable the business to follow up collections, control credit allowed to customers and determine the total accounts receivable to be reported in the financial statements.

Step 3: Conclusion The Cash and Bank Sub-system controls receipts, payments and liquid balances; the Sales and Accounts Receivable Sub-system records sales and tracks amounts due from customers.

Quick Tip to Solve: For each sub-system, name the transactions processed and the useful reports produced.

32. Explain - 'Number formatting', 'Percentages' and 'Dates' as data formatting tools. [3 marks]

Solution:

Concept:

- Data formatting determines how a cell value is displayed so that its meaning is clear to the reader.

- A number, percentage or date format changes the presentation of a stored value; it does not ordinarily change the underlying value used in calculations.

Step 1: Number formatting Number formatting controls the appearance of numerical data, including the number of decimal places, the use of digit-grouping separators and the display of negative values. For example, a stored value of 1250.5 can be displayed as 1,250.50 by selecting a number format with a grouping separator and two decimal places. This makes amounts consistent and easier to read while the original numerical value remains available for calculations.

Step 2: Percentages The percentage format displays a numerical value multiplied by 100 followed by the percent sign. For example, a cell containing 0.25 displays 25% when percentage formatting is applied. The stored value is still 0.25, so it can be used directly as a rate in a calculation. Decimal places can be selected to show the required precision, such as 12.50%.

Step 3: Dates Date formatting displays a date value in a chosen arrangement of day, month and year, for example 15/03/2023 or 15-Mar-2023. A spreadsheet stores dates as serial numbers and uses the selected date format to show them in a readable form. The same stored date may therefore be displayed in different styles, while remaining usable for sorting dates and calculating time intervals.

Step 4: Conclusion Number formatting presents numerical values clearly, percentage formatting shows rates with a percent sign, and date formatting displays dates in a selected day-month-year style.

Quick Tip to Solve: Apply percentage format to a decimal rate; 0.25 becomes 25 percent, while 25 would become 2500 percent.

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 through which financial transactions are identified, recorded, classified, summarised and reported for an accounting period.
- The cycle ends with closing the temporary accounts; the permanent account balances are carried forward to begin the next accounting period.

Step 1: Identify and analyse transactions Identify business transactions from source documents such as invoices, receipts, payment vouchers and bank advice. Analyse each transaction to determine the accounts affected, the amount involved and the appropriate debit and credit. Only transactions capable of being expressed in money are recorded in the financial accounts.

Step 2: Record and classify transactions Record the transactions chronologically in the journal or appropriate subsidiary books. Post the entries to their respective ledger accounts, thereby bringing together all transactions relating to each account. Balance the ledger accounts at the end of the accounting period.

Step 3: Prepare the trial balance and make adjustments Prepare a trial balance from the ledger balances to check the arithmetical agreement of debits and credits. Identify and record period-end adjustments such as outstanding expenses, prepaid expenses, accrued income and depreciation.

Incorporate these adjustments in the relevant accounts so that income and expenditure relate to the correct accounting period.

Step 4: Prepare financial statements and close the books Use the adjusted account balances to prepare the trading and profit and loss account, or statement of profit and loss as applicable, and the balance sheet. These report the profit or loss and financial position. Close revenue and expense accounts through the appropriate closing entries and transfer the result to capital or the relevant equity account. Carry forward asset, liability and capital balances to the next period; a post-closing trial balance may be prepared to confirm their agreement.

Step 5: Conclusion The main phases are identification and analysis, journalising, ledger posting, trial balance preparation, adjustments, preparation of financial statements, and closing the books for the next period.

Quick Tip to Solve: Remember the order: source documents, journal, ledger, trial balance, adjustments, statements, 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 controls access to accounting records and helps protect their integrity.
- Password security identifies authorised users, while data audit provides a record of changes made to accounting data.

Step 1: Password Security Password security is the protection of a computerised accounting system through a secret password associated with an authorised user. A user must enter the correct password to obtain access to the system or its permitted functions. Thus, an unauthorised person cannot freely open the accounting data or alter records.

Different users can be given different access rights according to their responsibilities. For example, an accounts clerk may be allowed to enter vouchers, while only the accounts manager may approve changes or access confidential reports. Passwords should be kept confidential and changed periodically so that the protection remains effective.

Step 2: Data Audit Data audit is the facility that maintains an audit trail of additions, alterations and deletions in accounting records. The trail enables an authorised person to examine what was changed, who made the change and when it was made. Where the software maintains previous and revised details, these can also be compared.

For example, if the amount of a previously entered sales voucher is altered, the audit record helps trace that alteration to the responsible user. This makes unauthorised or incorrect changes easier

to detect and investigate, supports accountability and helps verify the reliability of accounting data. The audit facility records and reveals changes; it does not by itself establish that every recorded transaction is correct.

Step 3: Conclusion Password security restricts access to authorised users; data audit makes changes to accounting records traceable and reviewable.

Quick Tip to Solve: Link password security with permission to enter the system, and data audit with tracing who changed a record and when.

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 spreadsheet formula uses cell references to identify the cells from which values are taken.
- The `#REF!` error indicates an invalid cell reference: the formula can no longer identify a cell or range that it requires.

Step 1: Identify the error and its cause The error is `#REF!`, called the reference error. It appears when a formula contains a reference that is no longer valid. A common cause is deleting a cell, row or column that a formula refers to. An invalid reference may also arise when a formula is copied or moved in a way that produces a reference outside the valid worksheet area.

For example, suppose cell C1 contains the formula `=A1+B1`. If column B is deleted, the formula loses the referenced cell B1 and can contain `=A1+#REF!`. The spreadsheet then displays the reference error instead of a numerical result. This error concerns the address used by a formula, rather than the spelling of a function name or division by zero.

Step 2: Restore an accidentally deleted reference If the error appeared immediately after an accidental deletion, use the Undo command to reverse that deletion. Restoring the deleted cells, row or column restores the reference and its original data. Check the affected formula after undoing the action to ensure that it again points to the intended cells.

Simply typing a value into the error cell is not the appropriate repair, since doing so would replace the formula and remove its automatic calculation.

Step 3: Correct the formula when the change is intentional Select the cell displaying `#REF!` and inspect its formula in the formula bar. Locate the invalid reference and replace it with the correct, existing cell address or range that contains the required data. If the data has been relocated, use its new address. If necessary, restore the missing source data before correcting the formula.

Press Enter to accept the corrected formula, then check the calculated result and other formulas affected by the same deletion. For example, if the two intended input amounts now occupy A1 and B1, the corrected formula is `=A1+B1`. The replacement address must be chosen from the intended calculation; it should not be guessed merely to remove the error message.

Step 4: Conclusion The error is `#REF!`. Correct it by restoring an accidentally deleted referenced cell using Undo, or by editing the formula to use the correct valid cell reference or range.

Quick Tip to Solve: When `#REF!` appears after deleting a row or column, first try Undo; otherwise inspect the formula and replace its broken address.