CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-1-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

(iv) **Part B** has two options. Candidates have to attempt only **one** of the given options.
Option I : Analysis of Financial Statements
Option II : Computerised Accounting

(v) Questions number **1 to 16** (Part A) and Questions number **27 to 30** (Part B) are multiple choice questions. Each question carries **1** mark.

(vi) Questions number **17 to 20** (Part A) and Questions number **31 and 32** (Part B) are short answer type questions. Each question carries **3 marks**.

(vii) Questions number **21, 22** (Part A) and Question number **33** (Part B) are Long answer type-I questions. Each question carries **4** marks.

(viii) Questions number **23 to 26** (Part A) and Question number **34** (Part B) are Long answer type-II questions. Each question carries **6 marks**.

(ix) There is no overall choice. However, an internal choice has been provided in few questions in each of the parts.

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). Atul, Beena and Sita were partners in a firm sharing profits and losses in the ratio of 8:7:5. Damini was admitted as a new partner for 1/5th share in the profits which she acquired entirely from Atul. The new profit sharing ratio after Damini's admission will be: [1 mark]

(A) 7:7:5:1

(B) 4:7:5:4

(C) 8:7:5:4

(D) 7:5:8:4

Correct Answer: (B) 4:7:5:4

Solution:

Concept:

- A partner's new profit share equals the old share less the share sacrificed to the incoming partner.
- Express all shares with a common denominator; the fractions must add to one.

Step 1: Calculate Atul's remaining share Atul alone gives Damini her $1/5$ share. Hence his new share is

$$\frac{8}{20} - \frac{1}{5} = \frac{8-4}{20} = \frac{4}{20}.$$

Beena and Sita sacrifice nothing, so their shares remain $7/20$ and $5/20$.

Step 2: Write and check the ratio Damini receives $1/5 = 4/20$. In the stated order, the four shares have numerators $4, 7, 5, 4$, whose sum is 20. Option (A) gives Damini only $1/20$; option (C) fails to deduct her share from Atul, and option (D) changes the other partners' shares.

Step 3: Conclusion The new profit sharing ratio is $4 : 7 : 5 : 4$. Hence, the correct option is (B).

Quick Tip to Solve: Convert Damini's share to twentieths first, then subtract all four twentieths only from Atul.

OR

1(b). Rushil and Abheer were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted Sunil as a new partner for 3/7th share in the profits of firm, which he acquired 2/7th share from Rushil and 1/7th share from Abheer. The new profit sharing ratio of Rushil, Abheer and Sunil will be : [1 mark]

(A) 4:3:3

(B) 2:1:3

(C) 2:2:3

(D) 4:3:1

Correct Answer: (C) 2:2:3

Solution:

Concept:

- New share equals old share minus the specific share sacrificed by that partner.
- An incoming partner's share is the sum of the fractions acquired from the old partners.

Step 1: Deduct the stated sacrifices Rushil retains $4/7 - 2/7 = 2/7$. Abheer retains $3/7 - 1/7 = 2/7$. These deductions are fractions of the firm's total profit, rather than fractions of each partner's own share.

Step 2: Check the three resulting shares Sunil receives $2/7 + 1/7 = 3/7$. Therefore the shares in the order Rushil, Abheer and Sunil are $2/7, 2/7, 3/7$, which total one. Option (A) retains both old shares, option (B) wrongly reduces Abheer to $1/7$, and option (D) gives Sunil the wrong share.

Step 3: Conclusion The new profit sharing ratio is $2 : 2 : 3$. Hence, the correct option is (C).

Quick Tip to Solve: All the given shares already have denominator 7; subtract the stated numerator sacrificed by each partner.

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2. Abhay, Boris and Chetan were partners in a firm sharing profits in the ratio of 5:3:2. Boris was guaranteed a profit of Rs. 95,000. Any deficiency on account of this was to be borne by Abhay and Chetan equally. The firm earned a profit of Rs. 2,00,000 for the year ended 31st March, 2023. The amount given by Abhay to Boris as guaranteed amount will be: [1 mark]

(A) Rs. 17,500

(B) Rs. 35,000

(C) Rs. 25,000

(D) Rs. 10,000

Correct Answer: (A) Rs. 17,500

Solution:

Concept:

- The guaranteed partner first receives the normal profit share under the agreed profit sharing ratio.

- Deficiency equals guaranteed profit minus normal share; guarantors bear it in the specified ratio.

Step 1: Find Boris's deficiency Boris's normal share is Rs $2,00,000 \times 3/10 =$ Rs $60,000$. Against the guarantee of Rs 95,000, the shortfall is

$$\text{Rs } 95,000 - \text{Rs } 60,000 = \text{Rs } 35,000.$$

Step 2: Allocate the deficiency equally Abhay and Chetan bear this Rs 35,000 equally, so Abhay gives Rs $35,000/2 =$ Rs $17,500$. Rs 35,000 in option (B) is the entire shortfall, not Abhay's contribution. Neither Rs 25,000 nor Rs 10,000 results from the stipulated equal allocation.

Step 3: Conclusion Abhay gives Boris Rs 17,500. Hence, the correct option is (A).

Quick Tip to Solve: Calculate the guarantee shortfall first; then halve it because Abhay and Chetan bear the deficiency equally.

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3. Aavya, Mitansh and Praveen were partners in a firm. On 31st March, 2023, the firm was dissolved. Creditors took over furniture of book value of Rs. 50,000 at Rs. 45,000 in part settlement of their amount of Rs. 60,000. The balance amount was paid to them through cheque. The amount paid through cheque will be: [1 mark]

(A) Rs. 10,000

(B) Rs. 50,000

(C) Rs. 45,000

(D) Rs. 15,000

Correct Answer: (D) Rs. 15,000

Solution:

Concept:

- An asset taken over by a creditor settles the liability at the agreed takeover value.
- The cheque payment equals the creditor's outstanding claim less the amount settled by the asset.

Step 1: Identify the settlement value The creditors are owed Rs 60,000. They accept the furniture at Rs 45,000, so this amount of their claim is discharged. The furniture's Rs 50,000 book value is relevant to realisation, but it is not the amount accepted in settlement.

Step 2: Calculate the remaining liability The amount still payable is

$$\text{Rs } 60,000 - \text{Rs } 45,000 = \text{Rs } 15,000.$$

Option (A) incorrectly deducts book value. Options (B) and (C) merely repeat the book value and takeover value of the furniture, respectively, and do not represent the balance of the creditor's claim.

Step 3: Conclusion The cheque is issued for Rs 15,000. Hence, the correct option is (D).

Quick Tip to Solve: For a creditor accepting an asset, deduct its agreed takeover value from the debt, not its book value.

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4. Piyush, Rajesh and Avinash were partners in a firm sharing profits and losses equally. Shiva was admitted as a new partner for an equal share. Shiva brought his share of capital and premium for goodwill in cash. The premium for goodwill amount will be divided among: [1 mark]

(A) Old partners in old ratio

(B) New partners in new ratio

(C) New partners in sacrificing ratio

(D) Old partners in sacrificing ratio

Correct Answer: (D) Old partners in sacrificing ratio

Solution:

Concept:

- Premium for goodwill compensates the old partners for the profit shares they surrender to the incoming partner.
- The premium is credited to the sacrificing old partners in their sacrificing ratio, calculated as old share minus new share.

Step 1: Calculate the sacrifice Each old partner initially has $1/3$ of the profits. After Shiva joins for an equal share, each of the four partners has $1/4$. Each old partner therefore sacrifices

$$\frac{1}{3} - \frac{1}{4} = \frac{1}{12}.$$

Their sacrificing ratio is $1 : 1 : 1$.

Step 2: Apply the premium rule The premium belongs to Piyush, Rajesh and Avinash as sacrificing old partners. Options (B) and (C) incorrectly include the incoming partner as a recipient. Here the old ratio also happens to be $1 : 1 : 1$, so option (A) gives the same numerical division in this particular case; option (D) states the governing accounting rule precisely.

Step 3: Conclusion The premium is divided among the old partners in their sacrificing ratio. Hence, the correct option is (D).

Quick Tip to Solve: Identify who gives up profit share: those partners receive goodwill premium in the ratio of their sacrifices.

5. Alex, Benn and Cole were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admitted Dona as a new partner for 1/5th share in the future profits. Dona agreed to contribute proportionate capital. On the date of admission, capitals of Alex, Benn and Cole after all adjustments were Rs. 1,20,000; Rs. 80,000 and Rs. 1,00,000 respectively. The amount of capital brought in by Dona will be : [1 mark]

(A) Rs. 75,000

(B) Rs. 60,000

(C) Rs. 65,000

(D) Rs. 70,000

Correct Answer: (A) Rs. 75,000

Solution:

Concept:

- For proportionate capital, the adjusted combined capital of the old partners represents their combined new profit share.
- Incoming capital equals old partners' adjusted capital multiplied by incoming share divided by the old partners' combined share.

Step 1: Find capital and retained share The old partners' adjusted capitals total

$$\text{Rs } 1,20,000 + \text{Rs } 80,000 + \text{Rs } 1,00,000 = \text{Rs } 3,00,000.$$

They retain $1 - 1/5 = 4/5$ of future profits.

Step 2: Calculate Dona's proportionate capital The total capital implied by the retained share is Rs $3,00,000 \times 5/4 =$ Rs $3,75,000$. Dona brings Rs $3,75,000 \times 1/5 =$ Rs $75,000$. Option (B) wrongly treats Rs 3,00,000 as the new total capital; options (C) and (D) do not give Dona a one-fifth share of combined capital.

Step 3: Conclusion Dona must bring capital of Rs 75,000. Hence, the correct option is (A).

Quick Tip to Solve: When the incoming share is one-fifth, divide the old partners' adjusted combined capital by four.

6. Assertion (A) : Each partner is a principal as well as an agent for all the other partners.

Reason (R) : As per the definition of Partnership Act, partnership business may be carried on by all the partners or any of them acting for all.

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

(A) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(C) Assertion (A) is correct, but Reason (R) is incorrect.

(D) Assertion (A) is incorrect, but Reason (R) is correct.

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

Solution:

Concept:

- Mutual agency means a partner can act on behalf of the firm and bind the other partners in the ordinary course of its business.
- A partner is an agent while acting for the others and a principal when another partner acts on that partner's behalf.

Step 1: Evaluate the assertion The assertion is correct. A partner has both capacities: the partner acts for the other partners as agent and is represented by them as principal. These are reciprocal roles arising from the partnership relationship.

Step 2: Evaluate the reason The reason is correct. The stated definition permits the business to be carried on by all partners or by any one of them acting for all. Every partner need not personally conduct each business transaction.

Step 3: Connect reason and assertion The words "acting for all" establish mutual agency. They explain why the acting partner is an agent for the rest and why the represented partners are principals. Thus option (A) wrongly denies the explanatory link, while options (C) and (D) each wrongly declare one of the two correct statements incorrect.

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

Quick Tip to Solve: In partnership assertion-reason questions, connect "acting for all" directly with the reciprocal principal-agent relationship.

7-8. ***Read the following hypothetical situation and answer questions No. 7 and 8 on the basis of the given information.***

Abha and Babita were partners in a clay toy making firm sharing profits in the ratio of 2 : 1. On 1st April, 2023, their capital accounts showed balances of Rs. 5,00,000 and Rs. 10,00,000 respectively. The partnership deed provides for interest on capital @ 10% p.a. The firm earned a profit of Rs. 90,000 during the year.

7. The amount of interest on capital allowed to Abha will be : [1 mark]

(A) Rs. 50,000

(B) Rs. 1,00,000

(C) Rs. 60,000

(D) Rs. 30,000

Correct Answer: (D) Rs. 30,000

Solution:

Concept:

- Interest on capital provided as an appropriation is allowed only out of available profits.
- If profit is insufficient, distribute it in the ratio of the interest amounts due, rather than the ordinary profit sharing ratio.

Step 1: Calculate the interest due At 10% per annum, Abha's interest is Rs $5,00,000 \times 10\% =$ Rs $50,000$, and Babita's is Rs $10,00,000 \times 10\% =$ Rs $1,00,000$. The total of Rs 1,50,000 exceeds the available Rs 90,000.

Step 2: Restrict interest to the available profit The interest amounts are in the ratio $50,000 : 1,00,000 = 1 : 2$. Abha is therefore allowed Rs $90,000 \times 1/3 =$ Rs $30,000$. Option (A) ignores the shortage, option (B) is Babita's full interest entitlement, and option (C) incorrectly applies the ordinary $2 : 1$ profit sharing ratio.

Step 3: Conclusion Abha is allowed interest on capital of Rs 30,000. Hence, the correct option is (D).

Quick Tip to Solve: Use the ratio of interest due, here 1:2, when profit cannot cover the full interest on capital.

8. Babita's share in profit will be : [1 mark]

(A) Rs. 60,000

(B) Rs. 30,000

(C) Nil

(D) Rs. 1,00,000

Correct Answer: (C) Nil

Solution:

Concept:

- Interest on capital is an appropriation of profit under the given deed.
- Only profit remaining after allowable interest and other appropriations is divided in the profit

sharing ratio.

Step 1: Determine how the available profit is used Interest due is Rs 50,000 for Abha and Rs 1,00,000 for Babita, totalling Rs 1,50,000. Since profit is only Rs 90,000, it is entirely allocated as interest in the ratio $1:2$: Rs 30,000 to Abha and Rs 60,000 to Babita.

Step 2: Separate interest from share of residual profit Profit left for division in the ordinary $2:1$ ratio is

$$\text{Rs } 90,000 - \text{Rs } 30,000 - \text{Rs } 60,000 = \text{Rs } 0.$$

Option (A) is Babita's allowed interest, not residual profit. Option (B) incorrectly divides original profit before interest, and option (D) is her unrestricted interest entitlement.

Step 3: Conclusion Babita's share of residual profit is Nil. Hence, the correct option is (C).

Quick Tip to Solve: Keep interest on capital separate from the final profit share; no residual share remains once all profit is used for interest.

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9. Alfa Ltd. invited applications for 50,000 equity shares of Rs. 10 each at a premium of 30%. The whole amount was payable on application. Applications were received for 2,50,000 shares. The company decided to allot the shares on a pro-rata basis to all the applicants. The amount refunded by the company was: [1 mark]

(A) Rs. 32,50,000

(B) Rs. 15,60,000

(C) Rs. 39,00,000

(D) Rs. 26,00,000

Correct Answer: (D) Rs. 26,00,000

Solution:

Concept:

- Application money includes the face value and the securities premium when the entire issue price is payable on application.
- On pro-rata allotment, excess application money is refunded if no allotment or call amount remains payable.

Step 1: Calculate the issue price The premium per share is $30\% \times \text{Rs } 10 = \text{Rs } 3$. Therefore the application money per share is $\text{Rs } 10 + \text{Rs } 3 = \text{Rs } 13$. Total money received on $2,50,000$ applications is $2,50,000 \times 13 = \text{Rs } 32,50,000$.

Step 2: Determine the excess application money The company retains the full issue price for the $50,000$ shares allotted: $50,000 \times 13 = \text{Rs } 6,50,000$. Thus the refund is

$$\text{Rs } 32,50,000 - \text{Rs } 6,50,000 = \text{Rs } 26,00,000.$$

Option (A) is the entire receipt, not the refund. Options (B) and (C) do not equal the excess receipt after retaining the issue price of allotted shares.

Step 3: Conclusion The amount refunded is Rs $26,00,000$. Hence, the correct option is (D).

Quick Tip to Solve: Multiply excess applications, $2,50,000 - 50,000$, by the full issue price of Rs 13, including premium.

10. Reserve capital is that part of _____ capital which cannot be called except at the time of winding up of the company. [1 mark]

(A) Issued

(B) Called up

(C) Uncalled

(D) Nominal

Correct Answer: (C) Uncalled

Solution:

Concept:

- Uncalled capital is the part of subscribed share capital that the company has not yet demanded from shareholders.
- Reserve capital is the portion of uncalled capital reserved for being called only on winding up.

Step 1: Identify the restriction The decisive words are "cannot be called except at the time of winding up". An amount already called cannot have this restriction on a future call. Reserve capital therefore belongs to capital that is still uncalled.

Step 2: Distinguish the other terms Issued capital is the portion offered for subscription, while nominal capital is the authorised ceiling. Neither term specifically denotes an amount reserved for a call only on winding up. Called-up capital has already been demanded, so option (B) is also unsuitable. The precise category required by the definition is uncalled capital.

Step 3: Conclusion Reserve capital is a part of uncalled capital. Hence, the correct option is (C).

Quick Tip to Solve: Link "called only on winding up" with an amount not yet called: reserve capital is uncalled capital.

11. Xeno Ltd. issued 25,000 equity shares of Rs. 10 each. The amount was payable as follows: On Application - Rs. 4 per share, On Allotment - Rs. 5 per share, On First and Final call - Balance. All the shares offered were applied for and allotted. All the money due on allotment was received except on 1,500 shares. These shares were forfeited immediately after allotment. First and final call was not yet made. At the time of forfeiture, Share Capital Account will be debited by: [1 mark]

(A) Rs. 15,000

(B) Rs. 24,000

(C) Rs. 13,500

(D) Rs. 18,000

Correct Answer: (C) Rs. 13,500

Solution:

Concept:

- On forfeiture, Share Capital Account is debited with the called-up capital relating to the forfeited shares.
- An instalment not yet called is excluded, even when it forms part of the face value of the shares.

Step 1: Find the capital called per share At forfeiture only application money of Rs 4 and allotment money of Rs 5 per share have been called. Hence called-up capital per share is $4 + 5 = \text{Rs } 9$. The final call of $10 - 9 = \text{Rs } 1$ has not been made and is excluded.

Step 2: Calculate the debit For $1,500$ forfeited shares, the debit is

$$1,500 \times \text{Rs } 9 = \text{Rs } 13,500.$$

As a check, paid application capital is Rs 6,000 and unpaid allotment is Rs 7,500; together they equal Rs 13,500. Option (A), Rs 15,000, incorrectly uses the full face value. Options (B) and (D) exceed even the face value of the forfeited shares and cannot be the called-up amount.

Step 3: Conclusion Share Capital Account is debited by Rs $13,500$. Hence, the correct option is (C).

Quick Tip to Solve: Forfeiture reverses capital already called: use Rs 9 per share here, since the final Rs 1 was never called.

12. Assertion (A) : Irredeemable debentures are also known as perpetual debentures.

Reason (R) : The company does not give any undertaking for the repayment of money borrowed by issuing such debentures. They are repayable on the winding up of the company or on the expiry of a long period.

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

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

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

(C) Assertion (A) is incorrect, but Reason (R) is correct.

(D) Assertion (A) is correct, but Reason (R) is incorrect.

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

Solution:

Concept:

- Irredeemable debentures are described as perpetual debentures because they carry no ordinary fixed repayment undertaking.
- For an Assertion–Reason question, test the truth of each statement and then whether the reason explains the assertion.

Step 1: Examine the Assertion The Assertion is correct. Irredeemable debentures are also termed perpetual debentures; their distinguishing feature is the absence of a normal specified redemption commitment.

Step 2: Examine the Reason The Reason is correct in the stated textbook classification. The company gives no undertaking for repayment of the borrowed amount in the ordinary course; repayment occurs on winding up or on expiry of a long period, as stated in the question.

Step 3: Check the explanatory link The lack of a normal repayment undertaking is precisely why these debentures are described as perpetual. Thus the Reason explains the Assertion, ruling out option (B). Since both statements are correct, the alternatives declaring either statement incorrect, (C) and (D), are also ruled out.

Step 4: Conclusion Both Assertion (A) and Reason (R) are correct, and Reason (R) correctly explains Assertion (A). Hence, the correct option is (A).

Quick Tip to Solve: After confirming both statements, connect "no repayment undertaking" to the term "perpetual" to select the explanatory option.

13(a). Money received in advance from shareholders before it is actually called up by the directors is: [1 mark]

(A) debited to calls in advance account

(B) credited to calls in advance account

(C) debited to share capital account

(D) credited to share capital account

Correct Answer: (B) credited to calls in advance account

Solution:

Concept:

- Calls in advance are amounts received from shareholders before the related instalment is called by the company.
- These receipts create a liability until the call becomes due and are credited to Calls in Advance Account.

Step 1: Classify the receipt The money is received before the directors actually call it. It therefore does not yet represent called-up share capital; the company records it separately as calls in advance.

Step 2: Apply the credit treatment Receiving the cash increases Bank Account on the debit side and increases the calls-in-advance liability on the credit side. Accordingly, Calls in Advance Account is credited, not debited, ruling out (A). Neither a debit nor a credit to Share Capital Account describes this advance receipt, ruling out (C) and (D). Transfer to the relevant call account occurs only when that call becomes due.

Step 3: Conclusion The amount is credited to Calls in Advance Account. Hence, the correct option is (B).

Quick Tip to Solve: Before the call becomes due, treat early shareholder money as a liability and credit Calls in Advance Account.

OR

13(b). An offer of securities or invitation to subscribe securities to a select group of persons is termed as: [1 mark]

(A) Buy back of shares

(B) Employee stock option plan

(C) Private placement of shares

(D) Sweat Equity

Correct Answer: (C) Private placement of shares

Solution:

Concept:

- Private placement means an offer of securities or invitation to subscribe made to a select group of persons.

- The defining feature is the restricted group of prospective subscribers, rather than an offer to the public generally.

Step 1: Identify the key phrase The question specifies a "select group of persons". This wording directly identifies private placement of shares, which targets selected subscribers.

Step 2: Eliminate the alternatives Buy-back is the company purchasing its own shares; it is not an invitation to subscribe. An employee stock option plan gives eligible employees an option to acquire shares under the plan. Sweat equity refers to shares issued to eligible employees or directors for know-how, intellectual property or value additions. The question gives neither an employee option nor such consideration; its focus is simply the selected group receiving the offer.

Step 3: Conclusion The offer is termed private placement of shares. Hence, the correct option is (C).

Quick Tip to Solve: Underline "select group of persons": it is the defining phrase for private placement, without an employee-specific condition.

14(a). A share of Rs. 100 on which Rs. 80 is received is forfeited for non-payment of final call of Rs. 20. The minimum price at which this share can be reissued is: [1 mark]

(A) Rs. 120

(B) Rs. 100

(C) Rs. 80

(D) Rs. 20

Correct Answer: (D) Rs. 20

Solution:

Concept:

- The discount allowed on reissue of a forfeited share cannot exceed the amount forfeited on that share.
- Minimum reissue price equals the amount credited as paid-up capital on reissue less the forfeited amount available.

Step 1: Identify the maximum permissible discount The share has a face value of Rs 100 and Rs 80 has already been received and forfeited. Consequently, up to Rs 80 per share can be used to cover discount on its reissue as fully paid.

Step 2: Calculate the minimum receipt The minimum reissue price is

$$\text{Rs } 100 - \text{Rs } 80 = \text{Rs } 20.$$

At this price, the Rs 80 discount exactly uses the forfeited amount, so the company recovers total capital of Rs 100 from the original and new shareholders together. The other listed prices, Rs 120, Rs 100 and Rs 80, are higher permissible receipts, but none is the minimum.

Step 3: Conclusion The minimum reissue price is Rs 20 per share. Hence, the correct option is (D).

Quick Tip to Solve: Subtract the amount already forfeited, Rs 80, from the Rs 100 paid-up value to get the minimum reissue price.

OR

14(b). Shiv Ltd. forfeited 500 shares of Rs. 10 each on which Rs. 7 per share was paid. These shares were reissued for Rs. 9 per share fully paid. Amount transferred to Capital Reserve Account will be: [1 mark]

(A) Rs. 3,000

(B) Rs. 5,000

(C) Rs. 4,500

(D) Rs. 3,500

Correct Answer: (A) Rs. 3,000

Solution:

Concept:

- The amount already received on forfeited shares is credited to Share Forfeiture Account.
- On reissue, the related forfeiture balance less any reissue discount is transferred to Capital Reserve Account.

Step 1: Find the forfeited amount and reissue discount The amount forfeited is $500 \times \text{Rs } 7 = \text{Rs } 3,500$. Reissue is at Rs 9 against a fully paid value of Rs 10, so discount is Rs 1 per share, or $500 \times 1 = \text{Rs } 500$.

Step 2: Determine the realised capital profit All the forfeited shares are reissued. Therefore, the entire remaining balance is transferable:

$$\text{Capital reserve} = \text{Rs } 3,500 - \text{Rs } 500 = \text{Rs } 3,000.$$

Option (D) ignores the discount. Option (B) is nominal capital, 500×10, and option (C) is the reissue receipt, 500×9; neither is the surplus from forfeiture after adjusting reissue discount.

Step 3: Conclusion The amount transferred to Capital Reserve Account is Rs $3,000$. Hence, the correct option is (A).

Quick Tip to Solve: For each reissued share, capital reserve is Rs 7 forfeited minus Rs 1 discount; multiply Rs 6 by 500.

15(a). Dan, Elf and Furhan were partners in a firm sharing profits in the ratio of 5:3:2. With effect from 1st April, 2023, they decided to change their profit sharing ratio to 2:3:5. There existed a General Reserve of Rs. 90,000 on the date of change in profit sharing ratio. The partners decided not to distribute General Reserve. The necessary adjustment entry to show the effect of the above will be: [1 mark]

(A)

Date	Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
	Dan's Capital A/c Dr. To Furhan's Capital A/c	27,000	 27,000

(B)

Date	Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
	Dan's Capital A/c Dr. To Furhan's Capital A/c	90,000	 90,000

(C)

Date	Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
	Furhan's Capital A/c Dr. To Dan's Capital A/c	27,000	 27,000

(D)

Date	Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
	Furhan's Capital A/c Dr. To Dan's Capital A/c	90,000	 90,000

Correct Answer: (C)

Date	Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
	Furhan's Capital A/c Dr. To Dan's Capital A/c	27,000	 27,000

Solution:

Concept:

- An existing general reserve belongs to the partners in their old profit-sharing ratio.
- If the reserve remains undistributed after a ratio change, gaining partners compensate sacrificing partners through capital accounts.

Step 1: Calculate sacrifice and gain Dan sacrifices $5/10 - 2/10 = 3/10$. Elf has no change because $3/10 - 3/10 = 0$. Furhan gains $5/10 - 2/10 = 3/10$. Therefore the adjustment is Rs $90,000 \times 3/10 =$ Rs $27,000$.

Step 2: Pass the capital adjustment Furhan's gain in the retained reserve is transferred to Dan, who sacrifices. The reserve itself remains unchanged.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Furhan's Capital A/c Dr. To Dan's Capital A/c (Being adjustment of retained General Reserve on change in profit-sharing ratio)		27,000	 27,000

Option (A) reverses the required debit and credit. Options (B) and (D) use the entire reserve instead of the Rs 27,000 change in entitlement.

Step 3: Conclusion Debit Furhan's Capital Account and credit Dan's Capital Account by Rs 27,000. Hence, the correct option is (C).

Quick Tip to Solve: For a reserve retained in the books, debit the gaining partner and credit the sacrificing partner for reserve times gain or sacrifice.

OR

15(b). Sia, Tom and Vidhi were partners in a firm sharing profits in the ratio of 3:2:1. With effect from 1st April, 2023, they decided to share profits and losses in the future in the ratio of 1:2:3. There existed a Debit Balance of Rs. 60,000 in Profit and Loss Account on that date. The necessary journal entry for distribution of the balance in the Profit and Loss Account will be: [1 mark]

(A)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Sia's Capital A/c Dr.	30,000	
	Tom's Capital A/c Dr.	20,000	
	Vidhi's Capital A/c Dr.	10,000	
	To Profit and Loss A/c		60,000

(B)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Sia's Capital A/c Dr.	10,000	
	Tom's Capital A/c Dr.	20,000	
	Vidhi's Capital A/c Dr.	30,000	
	To Profit and Loss A/c		60,000

(C)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Sia's Capital A/c Dr.	20,000	
	To Vidhi's Capital A/c		20,000

(D)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Vidhi's Capital A/c Dr.	20,000	
	To Sia's Capital A/c		20,000

Correct Answer: (A)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Sia's Capital A/c Dr.	30,000	
	Tom's Capital A/c Dr.	20,000	
	Vidhi's Capital A/c Dr.	10,000	
	To Profit and Loss A/c		60,000

Solution:

Concept:

- An accumulated debit balance of Profit and Loss Account is a past loss. It is borne by the old partners in their old profit-sharing ratio.
- Debit the partners' capital accounts and credit Profit and Loss Account to close its debit balance.

Step 1: Allocate the past loss The loss arose before the change on 1st April, 2023, so use $3:2:1$, not the future ratio $1:2:3$.

$$\text{Sia's share} = 60,000 \times \frac{3}{6} = \text{Rs } 30,000,$$

$$\text{Tom's share} = 60,000 \times \frac{2}{6} = \text{Rs } 20,000,$$

$$\text{Vidhi's share} = 60,000 \times \frac{1}{6} = \text{Rs } 10,000.$$

Step 2: Record the distribution Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Sia's Capital A/c Dr.		30,000	
	Tom's Capital A/c Dr.		20,000	
	Vidhi's Capital A/c Dr.		10,000	
	To Profit and Loss A/c			60,000
	(Being accumulated loss distributed in the old ratio.)			

Option (B) incorrectly uses the new ratio. Options (C) and (D) transfer amounts between partners without closing Profit and Loss Account, so neither records the required distribution.

Step 3: Conclusion Debit Sia, Tom and Vidhi by Rs 30,000, Rs 20,000 and Rs 10,000 respectively, and credit Profit and Loss Account by Rs 60,000. Hence, the correct option is (A).

Quick Tip to Solve: For distribution of an existing loss, use the old ratio and credit the loss account to close its debit balance.

16(a). Anju, Divya and Bobby were partners in a firm sharing profits and losses in the ratio of 3:2:1. Bobby retired. The new profit sharing ratio between Anju and Divya after Bobby's retirement was 5:3. The gaining ratio of remaining partners will be: [1 mark]

(A) 3:2

(B) 5:3

(C) 3:1

(D) 2:3

Correct Answer: (C) 3:1

Solution:

Concept:

- A continuing partner's gain equals the new share minus the old share.
- The gaining ratio compares these differences, not the continuing partners' old or new shares.

Step 1: Calculate each partner's gain Anju's old share is $3/6$, and Divya's is $2/6$. Their new shares are $5/8$ and $3/8$.

$$\text{Anju's gain} = \frac{5}{8} - \frac{3}{6} = \frac{15-12}{24} = \frac{3}{24},$$
$$\text{Divya's gain} = \frac{3}{8} - \frac{2}{6} = \frac{9-8}{24} = \frac{1}{24}.$$

Step 2: Compare the gains and check the options The gains total $4/24 = 1/6$, exactly Bobby's old share. Their ratio is $(3/24) : (1/24)$. Option (A), $3 : 2$, merely repeats the old relative ratio; option (B), $5 : 3$, is the new ratio. Option (D), $2 : 3$, agrees with neither calculated gain.

Step 3: Conclusion The gaining ratio of Anju and Divya is $3 : 1$. Hence, the correct option is (C).

Quick Tip to Solve: Convert old and new shares to denominator 24, then compare the numerator increases: 3 and 1.

OR

16(b). Mita, Veena and Atul were partners in a firm sharing profits and losses in the ratio of 3:2:1. Atul retired and his share was taken over by Mita and Veena in the ratio of 1:4. The new profit sharing ratio between Mita and Veena after Atul's retirement will be: [1 mark]

(A) 3:2

(B) 8:7

(C) 7:3

(D) 2:3

Correct Answer: (B) 8:7

Solution:

Concept:

- New share equals old share plus the share acquired from the retiring partner.
- The takeover ratio $1:4$ applies only to Atul's $1/6$ share; it is not the new ratio of the whole firm.

Step 1: Distribute Atul's share Atul's old share is $1/(3+2+1) = 1/6$. Mita receives one-fifth and Veena four-fifths of that share:

$$\text{Mita's gain} = \frac{1}{6} \times \frac{1}{5} = \frac{1}{30}, \qquad \text{Veena's gain} = \frac{1}{6} \times \frac{4}{5} = \frac{4}{30}.$$

Step 2: Add each gain to the old share

$$\text{Mita's new share} = \frac{3}{6} + \frac{1}{30} = \frac{16}{30} = \frac{8}{15},$$
$$\text{Veena's new share} = \frac{2}{6} + \frac{4}{30} = \frac{14}{30} = \frac{7}{15}.$$

The new shares add to one. Option (A) retains the old relative ratio without incorporating the unequal gains; options (C) and (D) do not equal the calculated new shares.

Step 3: Conclusion The new profit-sharing ratio of Mita and Veena is $8:7$. Hence, the correct option is (B).

Quick Tip to Solve: Use denominator 30: Mita moves from 15 to 16 parts and Veena from 10 to 14 parts; then simplify 16:14.

17. Aamir, Bashir and Chirag were partners in a firm sharing profits and losses in the ratio of 3:3:2. Chirag retired. Aamir and Bashir decided to share profits and losses in future in the ratio of 1:2. On the day of Chirag's retirement, goodwill of the firm was valued at Rs. 5,40,000. Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill (without opening goodwill account) on Chirag's retirement. [3 marks]

Solution:

Concept:

- Gain equals new profit share minus old profit share. A negative gain means sacrifice, even for a continuing partner.
- Without opening Goodwill Account, debit gaining partners' capital accounts and credit sacrificing or retiring partners for goodwill compensation.

Step 1: Calculate gains and sacrifices **Working Notes**

The old shares of Aamir, Bashir and Chirag are $3/8, 3/8, 2/8$; the new shares are $1/3, 2/3, 0$.

$$\text{Aamir's gain} = \frac{1}{3} - \frac{3}{8} = \frac{8-9}{24} = -\frac{1}{24},$$
$$\text{Bashir's gain} = \frac{2}{3} - \frac{3}{8} = \frac{16-9}{24} = \frac{7}{24}.$$

Thus the signed gaining ratio, Aamir:Bashir, is $-1 : 7$. Aamir sacrifices $1/24$ and Bashir alone gains $7/24$. Their net gain is $6/24 = 2/8$, equal to Chirag's outgoing share.

Step 2: Determine goodwill compensation Goodwill is valued for the whole firm at Rs 5,40,000. Therefore:

$$\text{Aamir's compensation} = 5,40,000 \times \frac{1}{24} = \text{Rs } 22,500,$$
$$\text{Chirag's compensation} = 5,40,000 \times \frac{2}{8} = \text{Rs } 1,35,000,$$
$$\text{Bashir's charge} = 5,40,000 \times \frac{7}{24} = \text{Rs } 1,57,500.$$

Bashir pays for both the retiring partner's share and Aamir's additional sacrifice. Charging only Chirag's goodwill to the continuing partners in their new ratio would overlook that sacrifice.

Step 3: Pass the capital adjustment entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bashir's Capital A/c Dr.		1,57,500	
	To Aamir's Capital A/c			22,500
	To Chirag's Capital A/c			1,35,000
	(Being goodwill adjusted through capital accounts on Chirag's retirement.)			

The debit of Rs 1,57,500 equals the two credits, Rs 22,500 plus Rs 1,35,000. Goodwill Account is not opened.

Step 4: Conclusion Aamir:Bashir has a signed gaining ratio of $-1 : 7$: Aamir sacrifices $1/24$, while Bashir gains $7/24$. Debit Bashir's capital Rs 1,57,500; credit Aamir's capital Rs 22,500 and Chirag's capital Rs 1,35,000.

Quick Tip to Solve: Calculate each continuing partner's change separately; a negative gain must receive goodwill compensation, even though that partner stays in the firm.

18. Pearl and Ruby were partners in a firm with a combined capital of Rs. 2,50,000. The normal rate of return was 10%. The profits of the last four years were as follows:

2019-20: Rs. 35,000; 2020-21: Rs. 25,000; 2021-22: Rs. 32,000; 2022-23: Rs. 33,000.

The closing stock for the year 2022-23 was overvalued by Rs. 5,000. Calculate goodwill of the firm based on three years' purchase of the last four years' average super profit. [3 marks]

Solution:

Concept:

- Super profit is the excess of average maintainable profit over normal profit. Normal profit equals capital employed multiplied by the normal rate of return.
- Goodwill under the super-profit method equals average super profit multiplied by the agreed number of years' purchase.
- An overvalued closing stock overstates the reported profit of that year by the same amount; deduct it before averaging profits.

Step 1: Correct the last year's profit **Working Notes**

The closing stock for 2022-23 was overstated by Rs 5,000. Since closing stock is credited in determining gross profit, this error inflated the reported profit. Correct only the affected year's figure:

$$\text{Adjusted profit for 2022-23} = 33,000 - 5,000 = \text{Rs } 28,000.$$

The earlier three years' profits remain Rs 35,000, Rs 25,000 and Rs 32,000.

Step 2: Calculate average profit and normal profit

$$\begin{aligned}\text{Total adjusted profit} &= 35,000 + 25,000 + 32,000 + 28,000\\ &= \text{Rs } 1,20,000,\\ \text{Average profit} &= \frac{1,20,000}{4} = \text{Rs } 30,000,\\ \text{Normal profit} &= 2,50,000 \times \frac{10}{100} = \text{Rs } 25,000.\end{aligned}$$

Use the given combined capital as capital employed and apply the normal return to that amount. The stock error is an adjustment to the reported profit; the question supplies no separate revision to the stated capital base.

Step 3: Apply three years' purchase to super profit

$$\begin{aligned}\text{Average super profit} &= 30,000 - 25,000 = \text{Rs } 5,000,\\ \text{Goodwill} &= 5,000 \times 3 = \text{Rs } 15,000.\end{aligned}$$

The four years determine the average earning capacity, while the three years' purchase is the multiplier applied afterwards. Multiplying the average total profit by three would value all earnings, including the normal return, instead of only the excess earnings.

Step 4: Conclusion Goodwill of the firm, based on three years' purchase of average super profit, is Rs 15,000.

Quick Tip to Solve: First subtract the Rs 5,000 stock overvaluation from 2022-23 profit; average four years, subtract normal profit, then multiply by three.

19(a). Sunrise Ltd. acquired assets of Rs. 3,60,000 and took over creditors of Rs. 1,00,000 from Moonlight Ltd. for an agreed purchase consideration of Rs. 4,80,000. Sunrise Ltd. issued 9% Debentures of Rs. 100 each at a discount of 4% in satisfaction of the purchase consideration. Pass necessary journal entries in the books of Sunrise Ltd. Show your workings clearly. [3 marks]

Solution:

Concept:

- Goodwill equals purchase consideration less the net assets acquired, where net assets are assets taken over minus liabilities assumed.
- Debentures issued at discount settle the vendor at their issue price, while Debentures Account is credited with their face value.
- The discount on issue is debited separately. The 9% rate describes the debentures' interest and does not determine their issue price.

Step 1: Calculate net assets and goodwill **Working Notes**

$$\text{Net assets acquired} = 3,60,000 - 1,00,000 = \text{Rs } 2,60,000,$$
$$\text{Goodwill} = 4,80,000 - 2,60,000 = \text{Rs } 2,20,000.$$

The agreed purchase consideration exceeds identifiable net assets, so the difference is goodwill. Credit Moonlight Ltd. with the agreed amount payable; the creditors taken over remain a separate liability.

Step 2: Determine the debentures and discount

$$\text{Issue price per debenture} = 100 - \left(100 \times \frac{4}{100}\right) = \text{Rs } 96,$$
$$\text{Number issued} = \frac{4,80,000}{96} = 5,000,$$
$$\text{Face value issued} = 5,000 \times 100 = \text{Rs } 5,00,000,$$
$$\text{Discount on issue} = 5,000 \times 4 = \text{Rs } 20,000.$$

The issue proceeds represented by these debentures are Rs 4,80,000, exactly the vendor's claim. Dividing by face value would ignore the discount and leave part of the consideration unpaid.

Step 3: Record the acquisition and its settlement Journal of Sunrise Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		3,60,000	
	Goodwill A/c Dr.		2,20,000	
	To Sundry Creditors A/c			1,00,000
	To Moonlight Ltd.			4,80,000
	(Being assets and creditors taken over for the agreed purchase consideration.)			
	Moonlight Ltd. Dr.		4,80,000	
	Discount on Issue of Debentures A/c Dr.		20,000	
	To 9% Debentures A/c			5,00,000
	(Being 5,000 debentures of Rs 100 each issued at 4% discount to settle the vendor.)			

The acquisition entry balances at Rs 5,80,000 and the settlement entry at Rs 5,00,000. The vendor's

account is fully cleared by the second entry.

Step 4: Conclusion Record goodwill of Rs 2,20,000 and issue 5,000 9% debentures of Rs 100 each, recognising Rs 20,000 as discount on issue.

Quick Tip to Solve: Divide the purchase consideration by Rs 96, the issue price, then credit Debentures Account at the Rs 100 face value.

OR

19(b). Grapple Ltd. took over assets of Rs. 25,00,000 and liabilities of Rs. 5,00,000 from Allore Ltd. for an agreed purchase consideration of Rs. 18,00,000. Grapple Ltd. issued 11% Debentures of Rs. 100 each at 20% premium in satisfaction of the purchase consideration. Pass necessary journal entries in the books of Grapple Ltd. Show your workings clearly. [3 marks]

Solution:

Concept:

- Net assets acquired equal assets taken over less liabilities assumed. Any excess of net assets over the agreed purchase consideration is credited to Capital Reserve.
- Debentures issued at premium discharge the vendor at their issue price. Face value is credited to Debentures A/c and premium to Securities Premium A/c.

Step 1: Calculate the purchase surplus **Working Notes:** Grapple Ltd. acquires assets of Rs 25,00,000 and assumes liabilities of Rs 5,00,000. Therefore,

$$\text{Net assets} = 25,00,000 - 5,00,000 = \text{Rs } 20,00,000,$$
$$\text{Capital reserve} = 20,00,000 - 18,00,000 = \text{Rs } 2,00,000.$$

The purchase consideration is the agreed amount of Rs 18,00,000; it is not increased to the net asset value. Since consideration is lower than net assets, the difference is capital reserve rather than goodwill.

Step 2: Determine the number and value of debentures Each Rs 100 debenture is issued at a premium of 20%, so its issue price is $100 + 20 = \text{Rs } 120$.

$$\text{Number issued} = \frac{18,00,000}{120} = 15,000,$$
$$\text{Face value} = 15,000 \times 100 = \text{Rs } 15,00,000,$$
$$\text{Securities premium} = 15,000 \times 20 = \text{Rs } 3,00,000.$$

The 11% rate is the interest rate on the debentures, not their issue premium. No interest entry is needed on acquisition.

Step 3: Record the acquisition and settlement **Journal of Grapple Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Allore Ltd. A/c To Capital Reserve A/c (Being assets and liabilities taken over for the agreed purchase consideration)		25,00,000	 5,00,000 18,00,000 2,00,000
	Allore Ltd. A/c Dr. To 11% Debentures A/c To Securities Premium A/c (Being 15,000 debentures of Rs 100 each issued at a premium of 20% to settle the vendor)		18,00,000	 15,00,000 3,00,000

Step 4: Conclusion Grapple Ltd. records Capital Reserve of Rs 2,00,000 and issues 15,000 debentures, crediting 11% Debentures A/c with Rs 15,00,000 and Securities Premium A/c with Rs 3,00,000. Allore Ltd.'s balance is fully discharged.

Quick Tip to Solve: Divide purchase consideration by Rs 120, the issue price, to find the number of debentures; use Rs 100 only to calculate their face value.

20(a). Mohan, Suhaan and Adit were partners in a firm sharing profits and losses in the ratio of 3:2:1. Their fixed capitals were: Rs. 2,00,000, Rs. 1,00,000 and Rs. 1,00,000 respectively. For the year ended 31st March, 2023, interest on capital was credited to their accounts @ 8% p.a. instead of 5% p.a. Pass necessary adjusting journal entry. Show your workings clearly. [3 marks]

Solution:

Concept:

- Excess interest on capital must be reversed. The resulting increase in distributable profit is credited to partners in their profit-sharing ratio.
- With fixed capitals, adjustments for interest and profit are made through partners' Current Accounts; the fixed Capital Accounts remain unchanged.

Step 1: Calculate excess interest credited **Working Notes:** Interest was credited at 8% instead of 5%. Hence excess interest equals 3% of each fixed capital for the year.

Particulars (Rs)	Mohan	Suhaan	Adit
Fixed capital	2,00,000	1,00,000	1,00,000
Interest credited at 8%	16,000	8,000	8,000
Correct interest at 5%	10,000	5,000	5,000
Excess interest to reverse	6,000	3,000	3,000

Total excess interest is $6,000 + 3,000 + 3,000 =$ Rs $12,000$. Reversing it requires debiting the respective Current Accounts, but this is only the first side of the correction.

Step 2: Redistribute the increase in profit As interest is an appropriation of profit, correcting excess interest increases the profit available for distribution by Rs 12,000. Allocate this increase in the ratio

$3:2:1$:

$$\text{Mohan} = 12,000 \times \frac{3}{6} = \text{Rs } 6,000,$$
$$\text{Suhaan} = 12,000 \times \frac{2}{6} = \text{Rs } 4,000,$$
$$\text{Adit} = 12,000 \times \frac{1}{6} = \text{Rs } 2,000.$$

Mohan's debit and credit of Rs 6,000 cancel. Suhaan requires a net credit of $4,000 - 3,000 = \text{Rs } 1,000$; Adit requires a net debit of $3,000 - 2,000 = \text{Rs } 1,000$. The net adjustment therefore balances without changing total partners' funds.

Step 3: Pass the single adjusting entry **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 March 2023	Adit's Current A/c Dr.		1,000	
	To Suhaan's Current A/c			1,000
	(Being excess interest on fixed capitals adjusted together with the consequential correction of profit shares)			

Step 4: Conclusion Debit Adit's Current Account and credit Suhaan's Current Account by Rs 1,000 each. Mohan needs no net adjustment, and all three fixed capitals remain unchanged.

Quick Tip to Solve: Reverse the extra 3% interest, then redistribute the total reversal in the 3:2:1 profit ratio; with fixed capitals use Current Accounts.

OR

20(b). Manoj and Nitin were partners in a firm sharing profits and losses in the ratio of 2:1. On 31st March, 2023, the balances in their capital accounts after making adjustments for profits and drawings were Rs. 90,000 and Rs. 80,000 respectively. The net profit for the year ended 31st March, 2023 amounted to Rs. 30,000. During the year Manoj withdrew Rs. 40,000 and Nitin withdrew Rs. 20,000. Subsequently, it was noticed that Interest on Capital @ 10% p.a. was not provided to the partners. Also Interest on Drawings to Manoj Rs. 3,000 and to Nitin Rs. 2,000 was not charged. Pass necessary adjusting journal entry. Show your workings clearly. [3 marks]

Solution:

Concept:

- Opening capital equals closing capital plus drawings less the profit already credited, when no fresh capital has been introduced.
- Omitted interest on capital credits partners, while omitted interest on drawings debits them. Their combined effect on divisible profit must also be redistributed in the agreed ratio.

Step 1: Reconstruct opening capitals **Working Notes:** The Rs 30,000 profit was already distributed in the ratio $2:1$, giving Manoj Rs 20,000 and Nitin Rs 10,000. Reverse those credits and add back

drawings to find the capitals on which annual interest is calculated:

$$\begin{aligned}\text{Manoj's opening capital} &= 90,000 + 40,000 - 20,000\\ &= \text{Rs } 1,10,000,\\ \text{Nitin's opening capital} &= 80,000 + 20,000 - 10,000\\ &= \text{Rs } 90,000.\end{aligned}$$

Thus interest at 10% is Rs 11,000 for Manoj and Rs 9,000 for Nitin. Closing capitals cannot be used directly because they already include the year's drawings and profit.

Step 2: Calculate each partner's net adjustment Total omitted interest on capital is Rs 20,000 and total interest on drawings is Rs 5,000. Correct divisible profit is

$$30,000 + 5,000 - 20,000 = \text{Rs } 15,000.$$

Profit shares should therefore be Rs 10,000 and Rs 5,000 instead of Rs 20,000 and Rs 10,000. Their excess profit credits must be reversed along with recording the omitted interest.

Adjustment (Rs)	Manoj	Nitin
Interest on capital: credit	11,000	9,000
Interest on drawings: debit	3,000	2,000
Excess profit share: debit	10,000	5,000
Net adjustment	2,000 Dr.	2,000 Cr.

Manoj's net entitlement from the year is $11,000 - 3,000 + 10,000 = \text{Rs } 18,000$, Rs 2,000 below the Rs 20,000 already credited. Nitin's entitlement is $9,000 - 2,000 + 5,000 = \text{Rs } 12,000$, Rs 2,000 above the Rs 10,000 credited.

Step 3: Record the adjusting journal entry **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 March 2023	Manoj's Capital A/c Dr.		2,000	
	To Nitin's Capital A/c			2,000
	(Being omitted interest on capital and drawings, and the resulting change in profit shares, adjusted)			

Step 4: Conclusion Debit Manoj's Capital Account and credit Nitin's Capital Account with Rs 2,000 each. Corrected closing capitals are Rs 88,000 and Rs 82,000 respectively, retaining their combined total of Rs 1,70,000.

Quick Tip to Solve: First add drawings back and subtract profit already credited to reconstruct opening capital; then adjust both the omitted interest and its effect on profit shares.

21. Shivalik Limited was registered with an authorized capital of Rs. 10,00,000 divided into equity shares of Rs. 10 each. It offered 50,000 equity shares to the public. The amount was payable as follows: On Application - Rs. 2 per share, On Allotment - Rs. 6 per share, On First and Final call - Balance. The issue was fully subscribed. All the amounts were duly received except the allotment and first and final call money on 4,000 equity shares. These equity shares were forfeited. Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same. [4 marks]

Solution:

Concept:

- Authorised capital is the maximum share capital registered; issued capital is the face value of shares offered for subscription.
- Forfeiture removes the called-up capital of forfeited shares from subscribed capital. Amount already received on those shares is shown as shares forfeited under Share Capital until reissue.

Step 1: Calculate the capital remaining after forfeiture **Working Notes.** The first and final call is Rs $10 - 2 - 6 = 2$ per share. Thus the full face value of Rs 10 has been called up. Of the 50,000 shares subscribed, 4,000 are forfeited and 46,000 remain fully paid.

$$\begin{aligned} \text{Subscribed and fully paid capital} &= 46,000 \times 10 \\ &= \text{Rs } 4,60,000. \\ \text{Amount received on forfeited shares} &= 4,000 \times 2 \\ &= \text{Rs } 8,000. \end{aligned}$$

Unpaid allotment of Rs 24,000 and unpaid call of Rs 8,000 relate entirely to shares that have been forfeited. Therefore these arrears are cancelled on forfeiture and are not deducted again from the surviving fully paid capital. No reissue is stated, so the Rs 8,000 forfeiture balance remains within Share Capital.

Step 2: Present the Balance Sheet extract **Shivalik Limited**

Balance Sheet (Extract)

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share capital	1	4,68,000

Step 3: Prepare the supporting note to accounts **Notes to Accounts**

Note 1: Share Capital

Particulars	Amount (Rs)
Authorised capital	
1,00,000 equity shares of Rs 10 each	10,00,000
Issued capital	
50,000 equity shares of Rs 10 each	5,00,000
Subscribed and fully paid-up capital	
46,000 equity shares of Rs 10 each fully paid	4,60,000
Add: Shares forfeited (amount originally paid on 4,000 shares)	8,000
Total Share Capital	**4,68,000**

Authorised and issued capital are disclosed separately as limits and issue information; they are not added to the amount carried in the Balance Sheet. The amount carried is the subscribed fully paid capital plus the forfeiture balance.

Step 4: Conclusion Share Capital under Shareholders' funds is Rs $4,60,000$ + Rs $8,000$ = $\boxed{\text{Rs } 4,68,000}$, with authorised capital Rs 10,00,000 and issued capital Rs 5,00,000 disclosed in Note 1.

Quick Tip to Solve: Remove the full face value of the 4,000 forfeited shares from subscribed capital, then add back only their application money actually received.

22. Archana, Vandana and Arti were partners in a firm sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet on 31st March, 2023 was as follows:

Liabilities	Amount	Assets	Amount
Capitals: Archana 80,000 / Vandana 70,000 / Arti 60,000	2,10,000	Investments	80,000
General Reserve	30,000	Plant	1,00,000
Creditors	60,000	Stock	40,000
		Debtors	50,000
		Cash at Bank	30,000
	3,00,000		3,00,000

The firm was dissolved on the above date. (i) Assets were realised as follows: Debtors - Rs. 40,000; Stock - Rs. 50,000; Plant - Rs. 60,000. (ii) 25% of the Investments were taken over by Vandana at Rs. 18,000. Remaining Investments were taken over by Archana at 10% less than its book value. (iii) Expenses of realisation Rs. 20,000 were paid by Arti. Prepare Realisation Account. [4 marks]

Solution:

Concept:

- On dissolution, non-cash assets are transferred at book value to the debit of Realisation Account and outside liabilities to its credit. Cash at bank, partners' capitals and reserves are not transferred to this account.
- Realisation receipts and assets taken over by partners are credited; payments to creditors and realisation expenses are debited. The resulting profit or loss is transferred to partners' capital accounts in their profit-sharing ratio.

Step 1: Work out the investment takeovers and expenses **Working Notes.** Vandana takes over one-quarter of investments, whose book value is $80,000 \times 25\% =$ Rs $20,000$, for the agreed value of Rs 18,000. The remaining investments have a book value of Rs 60,000 and are taken over by Archana at 10% below book value:

$$\text{Archana's takeover value} = 60,000 \times 90\% = \text{Rs } 54,000.$$

Each agreed takeover value is credited to Realisation Account and debited to the relevant partner's capital account; there is no bank receipt for these investments. Cash realisations from debtors, stock

and plant total $40,000 + 50,000 + 60,000 = \text{Rs } 1,50,000$. Creditors are paid at their book value, Rs 60,000, since no different settlement amount is given. Arti pays the firm's realisation expenses of Rs 20,000, so Realisation Account is debited and her capital account is credited.

Step 2: Prepare Realisation Account **Realisation Account**

For the dissolution on 31st March, 2023

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Investments A/c	80,000	By Creditors A/c	60,000
To Plant A/c	1,00,000	By Bank A/c:	
To Stock A/c	40,000	Debtors	40,000
To Debtors A/c	50,000	Stock	50,000
To Bank A/c (creditors paid)	60,000	Plant	60,000
To Arti's Capital A/c (expenses)	20,000	By Vandana's Capital A/c	18,000
		By Archana's Capital A/c	54,000
		By Partners' Capital A/cs (loss):	
		Archana	34,000
		Vandana	20,400
		Arti	13,600
Total	**3,50,000**	**Total**	**3,50,000**

The opening bank balance of Rs 30,000 is excluded, since it is already cash. General Reserve of Rs 30,000 is transferred directly to partners' capital accounts in their profit-sharing ratio and does not affect realisation profit or loss.

Step 3: Verify the loss and its allocation Before transferring the loss, the debit total is Rs 3,50,000 and the credit total is $60,000 + 1,50,000 + 18,000 + 54,000 = \text{Rs } 2,82,000$. Hence the realisation loss is Rs 68,000. It is allocated in the ratio $5 : 3 : 2$:

$$\text{Archana} = 68,000 \times \frac{5}{10} = \text{Rs } 34,000,$$
$$\text{Vandana} = 68,000 \times \frac{3}{10} = \text{Rs } 20,400,$$
$$\text{Arti} = 68,000 \times \frac{2}{10} = \text{Rs } 13,600.$$

Their capital accounts are debited with these losses and Realisation Account is credited, bringing both sides to Rs 3,50,000. As the account is closed by this transfer, no balance is carried forward.

Step 4: Conclusion The realisation loss is $\boxed{\text{Rs } 68,000}$, shared by Archana, Vandana and Arti as Rs 34,000, Rs 20,400 and Rs 13,600 respectively. Realisation Account closes with equal totals of Rs 3,50,000.

Quick Tip to Solve: Credit investment takeovers at the agreed values of Rs 18,000 and Rs 54,000; debit expenses paid by Arti and credit her capital, not Bank.

23. Azhar, Sumit and Robit were partners in a firm sharing profits and losses in the ratio of 3:1:1. Their Balance Sheet as at 31st March, 2023 was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	90,000	Bank	20,000
General Reserve	60,000	Stock	40,000
Capitals:		Debtors	1,50,000
Azhar 60,000		Fixed Assets	60,000
Sumit 40,000			
Robit 20,000	1,20,000		
	2,70,000		2,70,000

Robit died on 30th June, 2023. According to the Partnership deed, Robit's legal representatives were entitled to: (i) Balance in his Capital Account. (ii) His share of General Reserve. (iii) Interest on capital @ 10% p.a. (iv) His share of goodwill. Goodwill of the firm was valued on the basis of thrice the average of the past four years' profits. (v) His share in profits up to the date of death on the basis of the profit for the last year.

Profit for the previous years (Rs) were: 2019-20: (3,000); 2020-21: 28,000; 2021-22: 16,000; 2022-23: 15,000. Prepare Robit's Capital Account to be rendered to his legal representatives.

[6 marks]

Solution:

Concept:

- A deceased partner's capital account is credited with the opening capital, share of accumulated reserves, interest on capital, share of goodwill and profit earned up to death. The amount due is transferred to the executor's account.
- Robit's old profit-sharing fraction is $1/5$. General reserve and the profit up to death are distributed in the old profit-sharing ratio, while goodwill compensation is borne by the continuing partners in their gaining ratio.
- Goodwill equals average past profit multiplied by the agreed years' purchase. A past loss must be deducted when calculating the average. Interest and interim profit are calculated for the period from the last balance-sheet date to death.

Step 1: Determine the capital, reserve and interest due Robit's opening capital on 1st April, 2023 is Rs 20,000. His share of the general reserve is

$$60,000 \times \frac{1}{5} = \text{Rs } 12,000.$$

The period from 1st April to 30th June, 2023 is three months. Interest is calculated on his existing capital, not on the reserve or goodwill subsequently credited:

$$20,000 \times \frac{10}{100} \times \frac{3}{12} = \text{Rs } 500.$$

Both the reserve and the interest increase the amount payable to his legal representatives.

Step 2: Value goodwill and calculate Robit's compensation The parentheses around the 2019–20

figure denote a loss. Therefore,

$$\begin{aligned}\text{Total past profits} &= -3,000 + 28,000 + 16,000 + 15,000\\ &= \text{Rs } 56,000,\\ \text{Average profit} &= 56,000 \div 4 = \text{Rs } 14,000,\\ \text{Firm's goodwill} &= 14,000 \times 3 = \text{Rs } 42,000,\\ \text{Robit's goodwill share} &= 42,000 \times \frac{1}{5} = \text{Rs } 8,400.\end{aligned}$$

No new profit-sharing ratio is specified, so Azhar and Sumit continue in their relative ratio of $3:1$. Their new shares are $3/4$ and $1/4$; the gains are $3/4 - 3/5 = 3/20$ and $1/4 - 1/5 = 1/20$, respectively. Accordingly, Azhar bears $8,400 \times 3/4 = \text{Rs } 6,300$, and Sumit bears $8,400 \times 1/4 = \text{Rs } 2,100$. These amounts are credited to Robit's capital without raising a goodwill asset.

Step 3: Calculate the profit earned up to death Use the last year's profit of Rs 15,000, as the deed directs, rather than the four-year average used for goodwill. The estimated profit for the three-month period is $15,000 \times 3/12 = \text{Rs } 3,750$. Robit's share is

$$15,000 \times \frac{3}{12} \times \frac{1}{5} = \text{Rs } 750.$$

Credit this amount to his capital through the Profit and Loss Suspense Account because the current year's final profit has not yet been determined.

Step 4: Prepare the account to be rendered to the legal representatives **Robit's Capital Account**

For the period 1st April to 30th June, 2023

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Robit's Executor's A/c	41,650	By Balance b/d	20,000	
			By General Reserve A/c	12,000	
			By Interest on Capital A/c	500	
			By Azhar's Capital A/c	6,300	
			By Sumit's Capital A/c	2,100	
			By Profit and Loss Suspense A/c	750	
	Total	41,650	Total	41,650	

The debit entry transfers the full amount due to Robit's Executor's Account and closes Robit's Capital Account. It does not record payment through Bank, since payment is not stated in the question.

Step 5: Conclusion The amount payable to Robit's legal representatives is $20,000 + 12,000 + 500 + 8,400 + 750 = \boxed{\text{Rs } 41,650}$, transferred to Robit's Executor's Account.

Quick Tip to Solve: Deduct the Rs 3,000 loss when averaging profits for goodwill; use only the last year's Rs 15,000 profit and three months for the profit up to death.

24. On 1st April, 2022, Zubian Ltd. issued Rs. 10,00,000, 7% Debentures of Rs. 100 each at a premium of 6%, redeemable at a premium of 4% after five years. The company had a balance of Rs. 30,000 in Securities Premium Account.

(a) Pass necessary journal entries for issue of debentures and for writing off 'Loss on Issue of Debentures' utilising Securities Premium Account at the end of the first year itself.

(b) Prepare 'Loss on Issue of Debentures Account' for the year ended 31st March, 2023. [6 marks]

Solution:

Concept:

- Debentures are credited at their nominal value. A premium received on issue is credited separately to Securities Premium Account, while Bank is debited with the total money received.
- The premium payable on redemption is a liability recognised when the debentures are issued. The corresponding debit is Loss on Issue of Debentures Account, even when the issue itself is at a premium.
- Securities premium may be utilised to write off the loss on issue. Compare the loss with the total available securities premium, including both the opening balance and premium received on the current issue.

Step 1: Calculate the issue proceeds and redemption premium The nominal amount of debentures is Rs 10,00,000, consisting of $10,00,000 \div 100 = 10,000$ debentures. Each is issued for Rs 106 and will be redeemed for Rs 104. Therefore,

$$\text{Premium on issue} = 10,00,000 \times 6\% = \text{Rs } 60,000,$$
$$\text{Bank receipt} = 10,00,000 + 60,000 = \text{Rs } 10,60,000,$$
$$\text{Premium on redemption} = 10,00,000 \times 4\% = \text{Rs } 40,000.$$

There is no discount on issue. Thus, the entire loss on issue is the redemption premium of Rs 40,000. The 7% rate specifies the periodic interest rate; it is not the rate for computing either premium.

Step 2: Part (a): Journalise the issue and write off the loss **Journal of Zubian Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2022	Bank A/c Dr.		10,60,000	
	Loss on Issue of Debentures A/c Dr.		40,000	
	To 7% Debentures A/c			10,00,000
	To Securities Premium A/c			60,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being 10,000 debentures of Rs 100 each issued at 6% premium, redeemable at 4% premium after five years)			
31 Mar 2023	Securities Premium A/c Dr.		40,000	
	To Loss on Issue of Debentures A/c			40,000
	(Being the entire loss on issue written off against securities premium at the end of the first year)			

In the first entry, total debits are $10,60,000 + 40,000 =$ Rs $11,00,000$, equal to total credits of $10,00,000 + 60,000 + 40,000$. The second entry also has equal debit and credit amounts. No redemption payment is recorded in this year because redemption is due after five years.

Step 3: Confirm that securities premium covers the entire loss The opening securities premium balance is Rs 30,000 and the current issue adds Rs 60,000. The available credit balance is therefore

$$30,000 + 60,000 = \text{Rs } 90,000.$$

This exceeds the loss of Rs 40,000, so the complete loss can be written off immediately as required. Securities premium remaining after the write-off is $90,000 - 40,000 =$ Rs $50,000$. There is no residual loss to charge to the Statement of Profit and Loss or carry forward over the five-year term.

Step 4: Part (b): Prepare the Loss on Issue of Debentures Account **Loss on Issue of Debentures Account**

For the year ended 31st March, 2023

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	1 Apr 2022: To Premium on Redemption of Debentures A/c	40,000	31 Mar 2023: By Securities Premium A/c	40,000	
	Total	40,000	Total	40,000	

The debit for the redemption premium is fully offset by the credit for the write-off. The account therefore closes with a nil balance on 31st March, 2023; no balance is carried down.

Step 5: Conclusion Loss on issue is $\boxed{\text{Rs } 40,000}$, fully written off against Securities Premium Account on 31st March, 2023. The loss account closes at nil, and securities premium retains a credit balance of $\boxed{\text{Rs } 50,000}$.

Quick Tip to Solve: Add the new Rs 60,000 issue premium to the opening Rs 30,000 before deciding how to write off the Rs 40,000 redemption loss.

25(a). Qumtan Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 6 per share. The amount was payable as follows: On Application and Allotment - Rs. 8 per share (including premium Rs. 3); On First and Final call - Balance (including premium). Applications for 1,60,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received on application and allotment was returned. Dheeraj, who was allotted 200 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at Rs. 5 per share fully paid up. Pass necessary journal entries in the books of Qumtan Ltd. [6 marks]

Solution:

Concept:

- Share Capital is credited only with the face-value component; Securities Premium is credited separately with the premium due.
- On forfeiture, debit called-up Share Capital and reverse premium that was due but never received.

Credit Share Forfeiture only with capital already received on those shares.

- The discount on reissue cannot exceed the forfeited capital of the reissued shares. Only the remaining forfeiture balance is transferred to Capital Reserve.

Step 1: Working Notes: separate capital, premium and refunds Application and allotment of Rs 8 comprises Rs 5 capital and Rs 3 premium. The balance call is also Rs 8, comprising Rs 5 capital and Rs 3 premium. After rejecting 10,000 applications, the allotment ratio is $1,00,000 : 1,50,000 = 2 : 3$.

$$\text{Application money received} = 1,60,000 \times 8 = \text{Rs } 12,80,000,$$
$$\text{Rejected applications refunded} = 10,000 \times 8 = \text{Rs } 80,000,$$
$$\text{Pro-rata excess refunded} = 50,000 \times 8 = \text{Rs } 4,00,000.$$

Thus the total refund is Rs 4,80,000. Since all excess is returned, none is available to meet Dheeraj's call. On his 200 shares, unpaid call is $200 \times 8 = \text{Rs } 1,600$, unpaid premium is $200 \times 3 = \text{Rs } 600$, and capital already received is $200 \times 5 = \text{Rs } 1,000$.

Step 2: Record application, allotment and the call

Journal of Qumtan Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		12,80,000	
	To Share Application and Allotment A/c			12,80,000
	(Being application and allotment money received on 1,60,000 shares)			
	Share Application and Allotment A/c Dr.		12,80,000	
	To Share Capital A/c			5,00,000
	To Securities Premium A/c			3,00,000
	To Bank A/c			4,80,000
	(Being capital and premium transferred and rejected and excess application money refunded)			
	Share First and Final Call A/c Dr.		8,00,000	
	To Share Capital A/c			5,00,000
	To Securities Premium A/c			3,00,000
	(Being first and final call of Rs 8 per share due on 1,00,000 shares)			
	Bank A/c Dr.		7,98,400	
	To Share First and Final Call A/c			7,98,400
	(Being call received except Rs 1,600 due from Dheeraj)			

Step 3: Record forfeiture and reissue The debit to Securities Premium reverses only the unpaid premium on Dheeraj's call. Premium already collected on application remains credited. The reissue discount is $200(10 - 5) = \text{Rs } 1,000$, exactly equal to the forfeiture credit available.

Journal of Qumtan Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		2,000	
	Securities Premium A/c Dr.		600	
	To Share First and Final Call A/c			1,600
	To Share Forfeiture A/c			1,000
	(Being 200 shares forfeited for non-payment of first and final call)			
	Bank A/c Dr.		1,000	
	Share Forfeiture A/c Dr.		1,000	
	To Share Capital A/c			2,000
	(Being 200 forfeited shares reissued at Rs 5 each as fully paid)			

Each entry balances. The entire forfeited capital is used against the reissue discount; consequently no transfer entry to Capital Reserve is required.

Step 4: Conclusion The forfeiture credit of Rs 1,000 is fully utilised on reissue. Capital Reserve is nil; final Share Capital is Rs 10,00,000 and Securities Premium is Rs 5,99,400.

Quick Tip to Solve: Split each Rs 8 instalment into Rs 5 capital and Rs 3 premium. Refund the excess first; do not adjust it against Dheeraj's unpaid call.

OR

25(b). Printkit Limited invited applications for issue of 80,000 equity shares of Rs. 10 each. The amount was payable as follows: On Application - Rs. 3 per share; On Allotment - Rs. 2 per share; On First and Final call - Balance. Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis: Category A - Applicants for 80,000 shares were allotted 40,000 shares. Category B - Applicants for 60,000 shares were allotted 40,000 shares. Excess money received on application was adjusted towards amount due on allotment and first and final call. All the amounts due on allotment and first and final call were duly received. Pass necessary journal entries in the books of Printkit Limited. [6 marks]

Solution:

Concept:

- Pro-rata allotment creates excess application money. Allocate that excess separately for each category, first against allotment and then against the first and final call.
- Money received for a call before it becomes due is credited to Calls in Advance and transferred to the call account when the call is made.
- Share Capital is credited when each instalment becomes due; the bank receives only the amount left after adjusting advance payments.

Step 1: Working Notes: allocate excess application money by category The first and final call per share is $10 - 3 - 2 =$ Rs 5. Rejected applications are refunded $10,000 \times 3 =$ Rs $30,000$.

Particulars	Category A (Rs)	Category B (Rs)
Application received	2,40,000	1,80,000
Application required on 40,000 shares	1,20,000	1,20,000
Excess application	1,20,000	60,000
Allotment due: $40,000 \times 2$	80,000	80,000
Excess adjusted against allotment	80,000	60,000
Balance allotment received in cash	Nil	20,000
Excess carried as Calls in Advance	40,000	Nil
First and final call due	2,00,000	2,00,000
Balance call received in cash	1,60,000	2,00,000

Category A's excess exceeds its own allotment by Rs 40,000; it cannot pay Category B's allotment. Thus allotment receipts are Rs 20,000 and call receipts are Rs 3,60,000.

Step 2: Record application and its allocation Total application received is $1,50,000 \times 3 =$ Rs $4,50,000$. Transfer Rs 2,40,000 to capital, Rs 1,40,000 to allotment and Rs 40,000 to Calls in Advance; refund Rs 30,000.

Journal of Printkit Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,50,000	
	To Share Application A/c			4,50,000
	(Being application money received on 1,50,000 shares at Rs 3 each)			
	Share Application A/c Dr.		4,50,000	
	To Share Capital A/c			2,40,000
	To Share Allotment A/c			1,40,000
	To Calls in Advance A/c			40,000
	To Bank A/c			30,000
	(Being application money allocated to capital, allotment and advance call, and rejected applications refunded)			

Step 3: Record allotment and first and final call Allotment due on the 80,000 allotted shares is Rs 1,60,000. The credit of Rs 1,40,000 already in the allotment account reduces the cash receipt to Rs 20,000. Call due is Rs 4,00,000, of which Rs 40,000 is settled from Calls in Advance.

Journal of Printkit Limited (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Allotment A/c Dr.		1,60,000	
	To Share Capital A/c			1,60,000
	(Being allotment of Rs 2 per share due on 80,000 shares)			
	Bank A/c Dr.		20,000	
	To Share Allotment A/c			20,000
	(Being balance allotment money received after adjustment of excess application)			
	Share First and Final Call A/c Dr.		4,00,000	
	To Share Capital A/c			4,00,000
	(Being first and final call of Rs 5 per share due)			
	Calls in Advance A/c Dr.		40,000	
	To Share First and Final Call A/c			40,000
	(Being advance from Category A adjusted against the call now due)			
	Bank A/c Dr.		3,60,000	
	To Share First and Final Call A/c			3,60,000
	(Being remaining first and final call money received)			

Check: net bank receipts are $4,50,000 - 30,000 + 20,000 + 3,60,000 = \text{Rs } 8,00,000$, equal to fully paid capital on 80,000 shares of Rs 10 each.

Step 4: Conclusion Allotment cash received is Rs 20,000 and first and final call cash received is Rs 3,60,000. The entire issue is fully paid, giving Share Capital of Rs 8,00,000 with no call arrears or advance balance.

Quick Tip to Solve: Prepare a separate excess-application calculation for A and B: A's Rs 40,000 remaining excess pays its call, while B must still pay Rs 20,000 allotment.

26(a). **Shubhi and Revanshi were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2023 was as follows:**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Shubhi 60,000 / Revanshi 32,000	92,000	Fixed Assets	90,000
General Reserve	30,000	Stock	38,000
Bank Loan	18,000	Debtors	30,000
Creditors	70,000	Cash	52,000
	2,10,000		2,10,000

On 1st April, 2023 they admitted Pari into the partnership on the following terms: (i) Pari will bring Rs. 50,000 as her capital and Rs. 50,000 for her share of premium for goodwill for 1/4th share in the profits of the firm. (ii) Fixed assets were depreciated @ 30%. (iii) Stock was valued at Rs. 45,000. (iv) Bank loan was paid off. (v) After all adjustments capitals of Shubhi and Revanshi were to be adjusted taking Pari's capital as the base. Actual cash was to be paid off or brought in by the old partners as the case may be. Prepare Revaluation Account and Partners' Capital Accounts. [6 marks]

Solution:

Concept:

- Revaluation gains and losses, and accumulated reserves, belong to the old partners in their old profit-sharing ratio, $3:2$.
- Goodwill premium is credited to sacrificing partners in the sacrificing ratio. Pari receives $1/4$; the remaining $3/4$ is shared by Shubhi and Revanshi in $3:2$.
- Total capital based on the incoming partner is her capital divided by her profit share. Compare each old partner's adjusted capital with the required capital to determine cash paid or brought in.

Step 1: Determine the new ratio and goodwill allocation Shubhi's new share is $(3/5)(3/4) = 9/20$, Revanshi's is $(2/5)(3/4) = 6/20$, and Pari's is $5/20$. Thus the new ratio is $9:6:5$. Sacrifices are $3/20$ and $2/20$, so the sacrificing ratio is $3:2$. The goodwill premium of Rs 50,000 is credited as Rs 30,000 to Shubhi and Rs 20,000 to Revanshi. General Reserve of Rs 30,000 is also distributed in $3:2$: Rs 18,000 and Rs 12,000 respectively.

Step 2: Prepare the Revaluation Account Fixed assets fall by $90,000 \times 30\% = \text{Rs } 27,000$, while stock rises by $45,000 - 38,000 = \text{Rs } 7,000$. The net loss is Rs 20,000, borne by Shubhi and Revanshi as Rs 12,000 and Rs 8,000. Paying the bank loan at its book value creates no revaluation gain or loss.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Fixed Assets	27,000	By Stock	7,000
		By Shubhi's Capital	12,000
		By Revanshi's Capital	8,000
Total	27,000	Total	27,000

Step 3: Calculate required capitals and cash adjustments Pari's Rs 50,000 capital represents $1/4$ of the total, so total capital is $50,000 \div (1/4) = \text{Rs } 2,00,000$. Required capitals are Shubhi Rs 90,000,

Revanshi Rs 60,000 and Pari Rs 50,000. Before cash adjustment:

$$\text{Shubhi} = 60,000 + 18,000 + 30,000 - 12,000 = 96,000,$$
$$\text{Revanshi} = 32,000 + 12,000 + 20,000 - 8,000 = 56,000.$$

Shubhi therefore withdraws Rs 6,000 and Revanshi brings Rs 4,000. Premium is credited to the old partners; it is separate from Pari's capital.

Step 4: Prepare Shubhi's Capital Account Shubhi's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	12,000	By Balance b/d	60,000
To Cash	6,000	By General Reserve	18,000
To Balance c/d	90,000	By Premium for Goodwill	30,000
Total	1,08,000	Total	1,08,000

Step 5: Prepare Revanshi's Capital Account Revanshi's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	8,000	By Balance b/d	32,000
To Balance c/d	60,000	By General Reserve	12,000
		By Premium for Goodwill	20,000
		By Cash	4,000
Total	68,000	Total	68,000

Step 6: Prepare Pari's Capital Account Pari's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance c/d	50,000	By Cash	50,000
Total	50,000	Total	50,000

Cash after all transactions is $52,000 + 50,000 + 50,000 - 18,000 - 6,000 + 4,000 =$ Rs $1,32,000$. The Rs 18,000 loan payment reduces cash and the loan liability; it does not enter partners' capital accounts.

Step 7: Conclusion Revaluation loss is Rs 20,000. Closing capitals are Shubhi Rs 90,000, Revanshi Rs 60,000 and Pari Rs 50,000; Shubhi withdraws Rs 6,000 and Revanshi brings Rs 4,000.

Quick Tip to Solve: First credit reserves and goodwill and debit revaluation loss; only then compare the old capitals with Rs 90,000 and Rs 60,000.

OR

26(b). Rishi, Shashi and Trishi were partners in a firm sharing profits and losses in proportion of 1/2, 1/6 and 1/3 respectively. Their Balance Sheet as at 31st March, 2023 was as follows:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Rishi 36,000 / Shashi 30,000 / Trishi 20,000	86,000	Fixed Assets	80,000
General Reserve	30,000	Stock	20,000
Creditors	54,000	Debtors	30,000
		Cash	40,000
	1,70,000		1,70,000

Shashi retired from the firm on 1st April, 2023 on the following terms: (i) Fixed Assets were valued at Rs. 56,000. (ii) Stock was taken over by Shashi at Rs. 26,000. (iii) Goodwill of the firm was valued at Rs. 18,000 on Shashi's retirement. (iv) Balance in Shashi's Capital Account was transferred to her loan account. Prepare Revaluation Account and Partners' Capital Accounts. [6 marks]

Solution:

Concept:

- The old ratio $1/2 : 1/6 : 1/3$ simplifies to $3 : 1 : 2$. Revaluation and accumulated reserves are distributed in this old ratio.
- Continuing partners share in their existing relative ratio when no changed ratio is given. Their ratio is $3 : 2$; the retiring partner's goodwill share is borne in the gaining ratio.
- An asset taken over by a retiring partner is debited to that partner's capital at the agreed value. The remaining credit balance becomes a loan when payment is deferred.

Step 1: Prepare the Revaluation Account Fixed assets decrease by $80,000 - 56,000 = \text{Rs } 24,000$. Stock is revalued from Rs 20,000 to the takeover value Rs 26,000, creating a Rs 6,000 gain. Net revaluation loss is Rs 18,000, allocated in $3 : 1 : 2$ as Rishi Rs 9,000, Shashi Rs 3,000 and Trishi Rs 6,000.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Fixed Assets	24,000	By Stock	6,000
		By Rishi's Capital	9,000
		By Shashi's Capital	3,000
		By Trishi's Capital	6,000
Total	24,000	Total	24,000

Step 2: Allocate reserve and adjust goodwill General Reserve of Rs 30,000 is credited to Rishi, Shashi and Trishi as Rs 15,000, Rs 5,000 and Rs 10,000 respectively. Continuing partners' new shares are $3/5$ and $2/5$. Hence:

$$\text{Rishi's gain} = 3/5 - 1/2 = 1/10,$$

$$\text{Trishi's gain} = 2/5 - 1/3 = 1/15.$$

Their gaining ratio is $3 : 2$. Shashi's goodwill share is $18,000 \times 1/6 = \text{Rs } 3,000$. Debit Rishi's capital Rs 1,800 and Trishi's capital Rs 1,200 and credit Shashi's capital Rs 3,000. No goodwill asset is retained in the books.

Step 3: Record stock takeover and determine Shashi's loan Debit Shashi's capital with Rs 26,000 for stock taken over. This is distinct from the Rs 6,000 stock revaluation gain already recorded. Her balance transferred to the loan account is:

$$30,000 + 5,000 + 3,000 - 3,000 - 26,000 = \text{Rs } 9,000.$$

The transfer closes her capital account without a cash payment.

Step 4: Prepare Rishi's Capital Account Rishi's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	9,000	By Balance b/d	36,000
To Shashi's Capital	1,800	By General Reserve	15,000
To Balance c/d	40,200		
Total	51,000	Total	51,000

Step 5: Prepare Shashi's Capital Account Shashi's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	3,000	By Balance b/d	30,000
To Stock	26,000	By General Reserve	5,000
To Shashi's Loan	9,000	By Rishi's Capital	1,800
		By Trishi's Capital	1,200
Total	38,000	Total	38,000

Step 6: Prepare Trishi's Capital Account Trishi's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	6,000	By Balance b/d	20,000
To Shashi's Capital	1,200	By General Reserve	10,000
To Balance c/d	22,800		
Total	30,000	Total	30,000

Check: continuing capitals total Rs 63,000. With Shashi's loan Rs 9,000 and creditors Rs 54,000, liabilities total Rs 1,26,000, equal to fixed assets Rs 56,000, debtors Rs 30,000 and cash Rs 40,000. Stock is no longer held by the firm.

Step 7: Conclusion Revaluation loss is Rs 18,000. Rishi's closing capital is Rs 40,200 and Trishi's is Rs 22,800; Rs 9,000 is transferred to Shashi's Loan Account.

Quick Tip to Solve: Revalue stock to Rs 26,000 first, then debit the full takeover value to Shashi; goodwill compensation uses only her one-sixth share.

Part B (20 marks)

OPTION I (Analysis of Financial Statements)

27. The Quick Ratio of a company is 1:2. Which of the following transactions will result in an increase in this ratio? [1 mark]

(A) Cash received from debtors

(B) Sold goods on credit

(C) Purchased goods on credit

(D) Purchased goods on cash

Correct Answer: (B) Sold goods on credit

Solution:

Concept:

- Quick ratio is Quick Assets/Current Liabilities. Quick assets include cash and debtors but exclude inventory and prepaid expenses.
- The given ratio $1 : 2$ means quick assets are half the current liabilities. A credit sale increases debtors without increasing current liabilities.

Step 1: Test the transaction that increases quick assets Selling goods on credit increases debtors, which are quick assets. Inventory falls, but inventory is excluded from quick assets already. With current liabilities unchanged, the quick ratio rises. For example, if quick assets are Rs 100 and current liabilities Rs 200, a credit sale of Rs 20 raises the ratio from $100/200$ to $120/200$.

Step 2: Eliminate the other options In (A), collecting debtors exchanges one quick asset for another, so the ratio is unchanged. In (C), a credit purchase increases inventory and current liabilities; quick assets do not rise, so the ratio falls. In (D), a cash purchase replaces cash, a quick asset, with inventory, which is excluded, so the ratio falls. Thus only the credit sale increases the numerator while leaving the denominator unchanged.

Step 3: Conclusion Sold goods on credit increases the quick ratio. Hence, the correct option is (B).

Quick Tip to Solve: Exclude stock before testing each transaction: a credit sale adds debtors, but a credit purchase adds only stock and creditors.

28. Identify which of the following transactions will result in 'Cash Inflow From Operating Activities': [1 mark]

(A) Payment to creditors

(B) Interest received by a non-finance company

(C) Dividend received by a non-finance company

(D) Amount received from debtors

Correct Answer: (D) Amount received from debtors

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of a business, including collections from customers and payments to suppliers.
- For a non-finance company, interest and dividends received are investing cash inflows; the direction of cash movement must also be checked.

Step 1: Identify the customer receipt An amount received from debtors represents collection of money due from credit sales. Sales arise from the normal revenue-producing operations, so their collection increases cash through operating activities.

Step 2: Eliminate the remaining choices Payment to creditors is an operating cash outflow, so (A) has the wrong direction. Interest received and dividend received by a non-finance company are investing inflows, so (B) and (C) have the wrong activity classification.

Step 3: Conclusion Amount received from debtors gives a cash inflow from operating activities. Hence, the correct option is (D).

Quick Tip to Solve: Check both words: a customer collection is operating, and money received is an inflow.

29(a). Analysis of Financial Statements is useful and significant to different users. Which of the following users is particularly interested in the firm's ability to meet their claims over a very short period of time? [1 mark]

(A) Labour Unions

(B) Trade Payables

(C) Top Management

(D) Finance Manager

Correct Answer: (B) Trade Payables

Solution:

Concept:

- Financial statement users focus on information relevant to their own decisions and claims against the business.
- Trade payables are suppliers who have extended short-term credit and therefore focus on liquidity and prompt settlement of their dues.

Step 1: Identify the short-term claimant Trade payables arise when goods or services are obtained on

credit. The suppliers expect payment within the agreed short credit period, so they are particularly concerned with the firm's ability to meet near-term claims.

Step 2: Compare the other users Labour unions mainly consider wages, employee benefits and employment security. Top management examines overall performance and policy. The finance manager manages funding and liquidity, but is not the outside short-term claimant described in the question.

Step 3: Conclusion The users particularly interested in settlement of their claims over a very short period are trade payables. Hence, the correct option is (B).

Quick Tip to Solve: Link the phrase "their claims over a very short period" with suppliers who sell on credit.

OR

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

(A) Liquidity

(B) Turnover

(C) Solvency

(D) Profitability

Correct Answer: (C) Solvency

Solution:

Concept:

- Solvency means the ability of a business to meet its long-term financial obligations and remain financially sound.
- Solvency ratios examine long-term debt and the capacity to service it; examples include debt-equity and interest coverage ratios.

Step 1: Match the time horizon The key words are "service its debt in the long run". Servicing debt includes paying interest and repaying principal, and the long-term ability to do so is assessed through solvency ratios.

Step 2: Distinguish the other ratio groups Liquidity ratios assess short-term payment capacity. Turnover ratios assess how efficiently assets are used in business operations. Profitability ratios assess earnings in relation to sales, investment or capital; they are not the ratio category specifically named for long-term debt servicing.

Step 3: Conclusion Solvency ratios determine the ability of the business to service debt in the long run. Hence, the correct option is (C).

Quick Tip to Solve: Use the time horizon: short-term payment capacity points to liquidity; long-term debt points to solvency.

30(a). The transaction 'Acquisition of machinery by issue of equity shares of Rs. 5,00,00,000' will result in: [1 mark]

(A) Cash inflow of Rs. 5,00,00,000 from financing activities

(B) Cash outflow of Rs. 5,00,00,000 from financing activities

(C) Cash outflow of Rs. 5,00,00,000 from investing activities

(D) No flow of cash

Correct Answer: (D) No flow of cash

Solution:

Concept:

- A cash flow requires an actual movement of cash or cash equivalents into or out of the enterprise.
- Investing and financing transactions without cash movement are excluded from the cash flow statement and disclosed separately as appropriate.

Step 1: Identify the consideration paid The machinery worth Rs 5,00,00,000 is acquired by issuing equity shares directly to its supplier. Machinery and share capital increase, but no money is received or paid in this exchange.

Step 2: Test each cash-flow alternative Option (A) would require shares to be issued for cash, which did not happen. Option (B) incorrectly describes a financing payment. Option (C) would apply to a cash purchase of machinery. Merely increasing a fixed asset or equity capital does not establish a cash flow.

Step 3: Conclusion The acquisition is a non-cash investing and financing transaction and produces no flow of cash. Hence, the correct option is (D).

Quick Tip to Solve: Ask what the supplier received: equity shares mean no cash purchase and no cash share issue.

OR

30(b). The transaction 'Capital Gains Tax paid on sale of fixed assets' is classified under which of the following: [1 mark]

(A) Operating Activities

(B) Investing Activities

(C) Financing Activities

(D) Cash and Cash Equivalents

Correct Answer: (B) Investing Activities

Solution:

Concept:

- Cash flows from acquiring or disposing of fixed assets belong to investing activities.
- Income taxes are normally operating cash flows, except when they can be specifically identified

with financing or investing transactions.

Step 1: Trace the tax to its source The question identifies the payment as capital gains tax on the sale of fixed assets. It is therefore directly attributable to a specific investing transaction, namely disposal of a fixed asset.

Step 2: Apply the specific classification The tax paid is an investing cash outflow. The usual operating classification for income tax does not apply when this direct link is given. It is not a financing transaction, and cash and cash equivalents are the funds whose movement is measured, not the activity classification for this payment.

Step 3: Conclusion Capital gains tax paid on sale of fixed assets is classified under investing activities. Hence, the correct option is (B).

Quick Tip to Solve: Trace a specifically identified tax to the activity that generated it: sale of a fixed asset means investing.

31. Classify the following items under major heads and sub-heads (if any) in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013:

(a) Long Term Loans from Bank

(b) Loose Tools

(c) Outstanding Expenses [3 marks]

Solution:

Concept:

- Schedule III presents liabilities and assets under their prescribed major heads, followed by the relevant sub-heads.
- Classify by the nature and maturity of the item: long-term borrowings are non-current liabilities, while inventories are current assets.

Step 1: Classify the bank loan A long-term loan from a bank is an amount borrowed for repayment over a period beyond the short-term cycle. Its major head is Non-current Liabilities and its sub-head is Long-term Borrowings. The question identifies the loan as long term and does not specify a current maturity to separate.

Step 2: Classify loose tools and accrued expenses Loose tools form part of inventories under the CBSE Schedule III classification. They therefore appear under Current Assets, with Inventories as the sub-head. Outstanding expenses are expenses already incurred but not yet paid. They are liabilities due in the short term and are classified under Current Liabilities, with Other Current Liabilities as the sub-head.

Step 3: Present the required classification

Item	Major head	Sub-head
(a) Long Term Loans from Bank	Non-current Liabilities	Long-term Borrowings
(b) Loose Tools	Current Assets	Inventories
(c) Outstanding Expenses	Current Liabilities	Other Current Liabilities

The sub-head is shown separately so that the classification specifies both levels requested in the question.

Step 4: Conclusion Long-term bank loans: Non-current Liabilities / Long-term Borrowings; loose tools: Current Assets / Inventories; outstanding expenses: Current Liabilities / Other Current Liabilities.

Quick Tip to Solve: Do not classify loose tools as fixed assets here: in the prescribed classification, they are included in inventories.

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32. From the given information, calculate:

(a) Quick Ratio

(b) Inventory Turnover Ratio

Particulars	Amount (Rs.)
Current Assets	4,00,000
Inventory	1,00,000
Current Liabilities	2,00,000
Net Profit Before Tax	7,20,000
Revenue from Operations	10,00,000
Gross Profit Ratio	20%

[3 marks]

Solution:

Concept:

- Quick ratio equals quick assets divided by current liabilities. Quick assets exclude inventory and prepaid expenses from current assets.
- Inventory turnover equals cost of revenue from operations divided by average inventory. Cost of revenue from operations is sales less gross profit; gross profit ratio expresses gross profit as a percentage of sales.

Step 1: Calculate quick assets and quick ratio No prepaid expenses are stated. Deduct the given inventory from current assets, then divide by current liabilities:

$$\text{Quick Assets} = 4,00,000 - 1,00,000 = \text{Rs } 3,00,000.$$

$$\text{Quick Ratio} = \frac{3,00,000}{2,00,000} = 1.5 : 1.$$

Each rupee of current liabilities is covered by Rs 1.50 of quick assets.

Step 2: Calculate the cost of revenue from operations Use the gross profit ratio to find gross profit and deduct it from sales. Let COR denote cost of revenue from operations:

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

$$\text{COR} = 10,00,000 - 2,00,000 = \text{Rs } 8,00,000.$$

Net profit before tax is not needed: inventory turnover compares the cost of goods sold with inventory

at cost, rather than using net profit or sales as the numerator.

Step 3: Calculate inventory turnover Only one inventory figure is supplied. With no separate opening and closing inventories, use Rs 1,00,000 as the inventory base for this calculation:

$$\text{Inventory Turnover Ratio} = \frac{8,00,000}{1,00,000} = 8 \text{ times.}$$

This shows how many times the inventory base is represented by the year's cost of sales.

Step 4: Conclusion (a) Quick Ratio $= 1.5 : 1$. (b) Inventory Turnover Ratio $= 8$ times.

Quick Tip to Solve: Deduct inventory for the quick ratio; multiply sales by 80 percent for cost of sales because gross profit is 20 percent.

33(a). From the given Balance Sheet of Geox Ltd., prepare Common Size Balance Sheet:
Balance Sheet of Geox Ltd. as at 31st March, 2023

Particulars	Note No.	31.3.2023 (Rs)	31.3.2022 (Rs)
I – Equity and Liabilities:			
1. Shareholders' Funds			
(a) Share Capital		**4,00,000**	**2,50,000**
2. Non-Current Liabilities			
(a) Long-term Borrowings		**2,00,000**	**1,50,000**
3. Current Liabilities			
(a) Trade Payables		**2,00,000**	**1,00,000**
Total		**8,00,000**	**5,00,000**
II – Assets:			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets		**4,00,000**	**3,50,000**
2. Current Assets			
(a) Inventories		**2,00,000**	**70,000**
(b) Trade Receivables		**2,00,000**	**80,000**
Total		**8,00,000**	**5,00,000**

[4 marks]

Solution:

Concept:

- A common size balance sheet expresses each asset as a percentage of total assets and each equity or liability item as a percentage of total equity and liabilities for the same year.
- The formula is Common size percentage $= \dfrac{\text{Individual item}}{\text{Balance sheet total}} \times 100$. Each year's total is independently taken as 100%; percentages are not calculated using the previous year's item.

Step 1: Determine the bases and calculate the percentages The balance sheet total is Rs 8,00,000 on 31st March, 2023 and Rs 5,00,000 on 31st March, 2022. Thus, for 2023, share capital and fixed assets each equal $4,00,000/8,00,000 \times 100 = 50\%$. Each of long-term borrowings, trade payables,

inventories and trade receivables equals $2,00,000/8,00,000 \times 100 = 25\%$.

For 2022, share capital is $2,50,000/5,00,000 \times 100 = 50\%$, long-term borrowings are 30% and trade payables are 20%. On the assets side, fixed assets are $3,50,000/5,00,000 \times 100 = 70\%$, inventories are $70,000/5,00,000 \times 100 = 14\%$, and trade receivables are $80,000/5,00,000 \times 100 = 16\%$.

Step 2: Prepare the statement in the prescribed classification **Geox Ltd. — Common Size Balance Sheet**
As at 31st March, 2023 and 31st March, 2022

Particulars	2023 Rs	2022 Rs	2023 %	2022 %
I. Equity and Liabilities				
1. Shareholders' funds				
Share capital	4,00,000	2,50,000	50	50
2. Non-current liabilities				
Long-term borrowings	2,00,000	1,50,000	25	30
3. Current liabilities				
Trade payables	2,00,000	1,00,000	25	20
Total	**8,00,000**	**5,00,000**	**100**	**100**
II. Assets				
1. Non-current assets				
Fixed assets/Property, plant and equipment and intangible assets	4,00,000	3,50,000	50	70
2. Current assets				
Inventories	2,00,000	70,000	25	14
Trade receivables	2,00,000	80,000	25	16
Total current assets	4,00,000	1,50,000	50	30
Total	**8,00,000**	**5,00,000**	**100**	**100**

The current assets subtotal includes inventories and receivables and is counted only once in the assets total. The equity and liabilities percentages add to $50+25+25 = 100\%$ in 2023 and $50+30+20 = 100\%$ in 2022. The asset percentages independently add to 100% in both years.

Step 3: Conclusion The common size balance sheet shows share capital unchanged at 50% of total financing. Fixed assets fall from 70% to 50% of total assets, while current assets rise from 30% to 50%. Each side totals 100% in each year.

Quick Tip to Solve: Divide every 2023 amount by Rs 8,00,000 and every 2022 amount by Rs 5,00,000; check that each side totals 100% separately.

OR

33(b). From the following information, prepare a Comparative Statement of Profit and Loss for the year ended 31st March, 2022 and 2023:

Particulars	Note No.	2022–23 (Rs)	2021–22 (Rs)
Revenue from operations		10,00,000	8,00,000
Employee benefit expenses		2,50,000	1,00,000
Other expenses		5,50,000	4,00,000
Tax rate 50%			

[4 marks]

Solution:

Concept:

- A comparative statement shows the previous year and current year amounts, the absolute change and the percentage change. Here 2021–22 is the base year and 2022–23 is the current year.
- Absolute change $=$ Current year $-$ Previous year, and Percentage change $=\dfrac{\text{Absolute change}}{\text{Previous year}}\times 100$. A negative change represents a decrease.
- Profit before tax equals total revenue less total expenses. Tax is 50% of profit before tax for both years; profit after tax is profit before tax less tax expense.

Step 1: Determine total expenses, profit and tax for each year No other income is given, so total revenue equals revenue from operations. For 2021–22, total expenses are Rs $1,00,000 + 4,00,000 = 5,00,000$. Profit before tax is Rs $8,00,000 - 5,00,000 = 3,00,000$, tax is Rs $3,00,000 \times 50\% = 1,50,000$, and profit after tax is Rs $3,00,000 - 1,50,000 = 1,50,000$.

For 2022–23, total expenses are Rs $2,50,000 + 5,50,000 = 8,00,000$. Profit before tax is Rs $10,00,000 - 8,00,000 = 2,00,000$, tax is Rs $2,00,000 \times 50\% = 1,00,000$, and profit after tax is Rs $2,00,000 - 1,00,000 = 1,00,000$.

Step 2: Calculate changes using the previous year as the denominator Revenue rises by Rs 2,00,000, or $2,00,000/8,00,000 \times 100 = 25\%$. Employee benefit expenses rise by Rs 1,50,000, or 150%, and other expenses rise by Rs 1,50,000, or 37.50%. Total expenses rise by Rs 3,00,000, or 60%.

Profit before tax falls by Rs 1,00,000: $-1,00,000/3,00,000 \times 100 = -33.33\%$. Tax and profit after tax each fall by Rs 50,000: $-50,000/1,50,000 \times 100 = -33.33\%$, rounded to two decimal places. The negative sign must be retained for these decreases.

Step 3: Present the comparative statement **Comparative Statement of Profit and Loss For the years ended 31st March, 2022 and 31st March, 2023**

Particulars	2021–22 Rs	2022–23 Rs	Change Rs	Change %
I. Revenue from operations	8,00,000	10,00,000	2,00,000	25.00
II. Total revenue	**8,00,000**	**10,00,000**	**2,00,000**	**25.00**
III. Expenses:				
Employee benefit expenses	1,00,000	2,50,000	1,50,000	150.00
Other expenses	4,00,000	5,50,000	1,50,000	37.50
Total expenses	**5,00,000**	**8,00,000**	**3,00,000**	**60.00**
IV. Profit before tax (II–III)	3,00,000	2,00,000	$-1,00,000$	-33.33
V. Tax expense (50%)	1,50,000	1,00,000	$-50,000$	-33.33
VI. Profit after tax (IV–V)	**1,50,000**	**1,00,000**	$-50,000$	-33.33

Amounts in the change column represent increases unless preceded by a minus sign. The total expenses subtotal includes both expense heads and is deducted once from total revenue.

Step 4: Conclusion Profit after tax decreased from Rs 1,50,000 in 2021–22 to Rs 1,00,000 in 2022–23, a fall of Rs 50,000 or 33.33%. Revenue increased by 25%, but total expenses increased more rapidly at 60%.

Quick Tip to Solve: Use 2021–22 as the denominator for every percentage change, even though the question prints 2022–23 first; apply the 50% tax rate to profit before tax.

34. From the following information, calculate 'Cash Flows From Operating Activities':

Particulars	Amount (Rs.)
Surplus i.e. Balance in Statement of Profit and Loss	**6,28,000**
Provision for Tax	**1,50,000**
Proposed Dividend for the previous year	**72,000**
Depreciation	**1,40,000**
Loss on Sale of Machinery	**30,000**
Gain on Sale of Investments	**20,000**
Dividend Received on Investments	**6,000**
Increase in Current Liabilities	**1,61,000**
Increase in Current Assets (other than cash and cash equivalents)	**6,00,000**
Decrease in Current Liabilities	**64,000**
Income Tax Paid	**1,18,000**

[6 marks]

Solution:

Concept:

- Under the indirect method, profit before tax and extraordinary items is adjusted for non-cash expenses, non-operating incomes and changes in operating working capital.
- An increase in operating current assets reduces operating cash flow; an increase in operating

current liabilities increases it. Tax actually paid is deducted from cash generated from operations.

- When starting from the surplus after appropriations, add back the previous year's proposed dividend and the provision for tax to obtain profit before tax. Dividend paid itself is a financing cash flow.

Step 1: Calculate net profit before tax The given surplus is the balance in the Statement of Profit and Loss. Restore the tax provision and the previous year's proposed dividend to obtain the profit before tax used in the indirect method:

$$\begin{aligned}\text{Profit before tax} &= 6,28,000 + 1,50,000 + 72,000\\ &= \text{Rs } 8,50,000.\end{aligned}$$

The previous year's proposed dividend is added back as an appropriation; it is not an operating expense. The tax provision is an accounting charge, whereas the amount actually paid will be deducted later.

Step 2: Adjust for non-cash and non-operating items Depreciation and loss on sale of machinery reduced accounting profit without constituting operating cash outflows, so add them back. The gain on sale of investments and dividend received are investing items, so deduct them from profit while calculating operating cash flow.

$$\begin{aligned}\text{Operating profit before working-capital changes} &= 8,50,000 + 1,40,000 + 30,000\\ &\quad - 20,000 - 6,000\\ &= \text{Rs } 9,94,000.\end{aligned}$$

Only the loss or gain included in profit is reversed here; the proceeds from sale of machinery or investments belong under investing activities.

Step 3: Prepare the operating activities statement **Cash Flow Statement (Extract): Operating Activities**

Particulars	**Amount (Rs)**
Net profit before tax	8,50,000
Adjustments for:	
Add: Depreciation	1,40,000
Add: Loss on sale of machinery	30,000
Less: Gain on sale of investments	(20,000)
Less: Dividend received on investments	(6,000)
Operating profit before working-capital changes	**9,94,000**
Add: Increase in current liabilities	1,61,000
Less: Increase in current assets (other than cash and cash equivalents)	(6,00,000)
Less: Decrease in current liabilities	(64,000)
Cash generated from operations	**4,91,000**
Less: Income tax paid	(1,18,000)
Net cash from operating activities	**3,73,000**

The increase in current assets absorbs cash. The increase in current liabilities conserves cash, while their decrease uses cash. Thus working-capital adjustments reduce operating profit by Rs 5,03,000. Deduct the actual tax payment once, after these adjustments.

Step 4: Conclusion Cash flows from operating activities amount to $\boxed{\text{Rs } 3,73,000}$, a net cash inflow.

Quick Tip to Solve: Start from surplus, restore tax and the dividend appropriation, then reverse non-cash/non-operating items before adjusting working capital and deducting tax paid.

OPTION II (Computerised Accounting)

27. Data, _____, _____, Hardware and Software are five pillars of Computerised Accounting System (CAS).

From the following, which two pillars of CAS are missing in the above statement : [1 mark]

(A) Printer and Mouse

(B) People and Procedures

(C) Mouse and CPU

(D) Information and Accounts

Correct Answer: (B) People and Procedures

Solution:

Concept:

- A computerised accounting system has five pillars: data, people, procedures, hardware and software.
- People operate and control the system; procedures specify how data is entered, processed and reported.

Step 1: Identify what is already listed The statement already includes data, hardware and software. Comparing these with the five pillars leaves people and procedures as the two missing components.

Step 2: Check the alternatives Printer, mouse and CPU are hardware devices, so options (A) and (C) merely repeat a component already present. Information is an output of processing and accounts are accounting records; they are not the two missing pillars in option (D). Option (B) supplies both required components.

Step 3: Conclusion The missing pillars are People and Procedures. Hence, the correct option is (B).

Quick Tip to Solve: List all five pillars once, then cross out data, hardware and software to identify the missing pair.

28(a). Name the Accounting Information sub-system which deals with receipt and payment of cash and electronic funds transfer: [1 mark]

(A) Sales and Accounts Receivable sub-system

(B) Purchase and Accounts Payable sub-system

(C) Cash and Bank sub-system

(D) Costing sub-system

Correct Answer: (C) Cash and Bank sub-system

Solution:

Concept:

- The Cash and Bank sub-system records and controls cash receipts, cash payments and bank transactions.
- Electronic funds transfers move money through bank accounts and therefore belong to this sub-

system.

Step 1: Match the function to the sub-system The question includes both physical cash transactions and electronic movement of funds. Their common feature is receipt or payment of money, which is handled by the Cash and Bank sub-system.

Step 2: Eliminate narrower functions Sales and Accounts Receivable focuses on sales and customer balances; Purchase and Accounts Payable focuses on purchases and supplier balances. Costing concerns the determination and analysis of costs. None of these describes the complete cash and electronic-funds function stated in the question.

Step 3: Conclusion The required sub-system is the Cash and Bank sub-system. Hence, the correct option is (C).

Quick Tip to Solve: For receipts, payments or electronic funds transfer, look for the Cash and Bank sub-system.

OR

28(b). When the accumulated data from various sources is processed in one shot it is called: [1 mark]

(A) Real time processing

(B) Data validation

(C) Batch processing

(D) Processing and revalidation

Correct Answer: (C) Batch processing

Solution:

Concept:

- Batch processing groups accumulated transactions and processes them together in a single run.
- Real time processing updates records as individual transactions occur; validation checks the acceptability of data.

Step 1: Identify the processing pattern The data is first accumulated from several sources and is then processed in one shot. This describes a batch of records being processed together rather than immediately upon each transaction.

Step 2: Check the other options Real time processing in option (A) would process transactions as they occur, so it contradicts accumulation. Data validation in option (B) is a checking activity. Processing and revalidation in option (D) describes neither the standard name nor the defining timing of the method. Batch processing fits both clues.

Step 3: Conclusion The method is Batch processing. Hence, the correct option is (C).

Quick Tip to Solve: Underline accumulated and one shot: together these clues identify batch processing.

29. How many categories of data can be plotted on a pie chart in Excel software? [1 mark]

(A) 4

(B) 12

(C) 20

(D) 7

Correct Answer: (D) 7

Solution:

Concept:

- A pie chart represents the proportions of categories in a single data series as slices of a circle.
- For the standard textbook guideline, use no more than seven categories so that slices remain distinguishable.

Step 1: Apply the textbook guideline The expected number of categories for a clear pie chart is seven. Too many categories create small slices that are difficult to distinguish and label. Here the question tests this chart-selection guideline.

Step 2: Evaluate the listed numbers Four categories can also be displayed, but four is not the textbook upper guideline asked for. Twelve and twenty exceed the recommended seven-category guideline. Seven is therefore the intended answer among the choices; this guideline concerns readability rather than a strict technical limit of Excel.

Step 3: Conclusion The textbook answer is 7 categories. Hence, the correct option is (D).

Quick Tip to Solve: Remember the seven-category guideline for pie charts; use another chart when numerous slices obscure comparisons.

30(a).

Codes	Dealer Type
100-199	Cycle tyres
200-299	Cycle seats

From the following, identify the type of code used by a trading company : [1 mark]

(A) Block code

(B) Sequential code

(C) Mnemonic code

(D) Secret code

Correct Answer: (A) Block code

Solution:

Concept:

- A block code reserves a range of numbers for a particular group or category.
- Sequential codes number individual records in order; mnemonic codes use letters or symbols that suggest a name.

Step 1: Read the allocation of ranges Codes 100–199 are reserved for cycle tyres, while codes 200–299 are reserved for cycle seats. Each dealer type is assigned its own distinct numerical block, which is the defining feature of block coding.

Step 2: Distinguish the alternatives The table does not simply number all dealers consecutively without class boundaries, so sequential code is not the best description. It contains no memory-aiding letters such as TY for tyres, so it is not mnemonic. No concealment or encryption is indicated, so secret code also does not apply.

Step 3: Conclusion The company uses Block code. Hence, the correct option is (A).

Quick Tip to Solve: Separate number ranges such as 100–199 and 200–299 for separate classes signal a block code.

OR

30(b). Correct ##### appears: [1 mark]

(A) When column is not wide enough.

(B) When a number is divided by zero.

(C) When value is not available.

(D) When there are exceptions of summary of data.

Correct Answer: (A) When column is not wide enough.

Solution:

Concept:

- Excel must have sufficient column width to display a formatted number or date. A sequence of hash signs can indicate insufficient display space.
- A display-width problem is different from a formula error: widening the column reveals the value without changing the calculation.

Step 1: Identify the display problem When a numeric value is wider than its cell's column, Excel can display ##### instead of the value. Thus, option (A), an insufficiently wide column, explains the stated display. Increasing the column width or using AutoFit makes the value visible.

Step 2: Check the other options Division by zero gives the formula error #DIV/0!, so (B) is incorrect. An unavailable value is represented by #N/A, so (C) is incorrect. Exceptions in a summary of data do not describe the column-width display problem, so (D) is also incorrect.

Step 3: Conclusion The correct option is (A): When column is not wide enough.

Quick Tip to Solve: For #####, first use AutoFit on the column; do not change a correct formula merely to make its result visible.

31. Explain the terms 'Doughnut' and 'Exploded Doughnut' as types of charts. [3 marks]

Solution:

Concept:

- A part-to-whole chart represents each category's contribution to the total of a data series.
- Doughnut charts can represent more than one data series by using a separate ring for each series.

Step 1: Explain a Doughnut chart A Doughnut chart is a circular chart with a hole in the centre. Like a pie chart, it shows the relationship of parts to a whole. Each ring represents one data series, and each segment of that ring represents a category's share of the series total. The size of a segment is proportional to its value within that ring. Unlike a pie chart, a doughnut chart can display multiple data series as concentric rings. For example, the distribution of expenses among rent, salaries and electricity for two years can be displayed using one ring for each year.

Step 2: Explain an Exploded Doughnut chart An Exploded Doughnut chart presents the same part-to-whole relationships, but its segments are pulled away from one another and from the centre. This separation highlights the individual category contributions and helps the viewer distinguish them. It can also display more than one data series. Exploding the segments changes their visual separation; it does not change their underlying values or proportions. Thus, in the expense example, the separated segments emphasise the individual expense heads while each ring still represents the total expenses for its year.

Step 3: Conclusion A Doughnut chart shows category shares in one or more rings; an Exploded Doughnut chart separates the segments to emphasise the individual shares.

Quick Tip to Solve: Remember: each ring is a data series, each segment is a category, and exploding changes separation rather than the values.

32. Explain 'Transparency and Control' and 'Accuracy and Speed' as features of Computerised Accounting System.

[3 marks]

Solution:

Concept:

- A Computerised Accounting System (CAS) processes accounting data through software and produces accounting records and reports.
- Standardised processing and suitable controls improve the traceability of transactions and the reliability of the information produced.

Step 1: Explain Transparency and Control CAS gives authorised users ready access to relevant accounting records and reports. Transactions can be traced to their supporting entries, making the accounting process more transparent. User permissions, validation checks and records of changes help management monitor who enters or changes data and detect irregularities. These controls support verification and accountability, while timely reports help management compare results and exercise control over operations. Transparency means that information can be checked by the appropriate

users; it does not mean that confidential records are open to everyone.

Step 2: Explain Accuracy and Speed CAS performs calculations, posting, classification and report preparation quickly. Once transaction data are entered, the software can update related accounts and generate a trial balance and financial reports without repeatedly copying the same figures by hand. Programmed calculations and validation reduce arithmetic and clerical errors, improving accuracy. Large volumes of transactions can therefore be processed in much less time than under a manual system. However, accurate results still require correct input and proper software configuration; a computer does not automatically correct every error in the source data.

Step 3: Conclusion Transparency and Control make accounting records traceable and subject to oversight, while Accuracy and Speed enable prompt processing with fewer arithmetic and clerical errors.

Quick Tip to Solve: Explain both halves of each feature: traceability plus oversight, then reliable calculations plus rapid processing.

33(a). State any four advantages of Computerised Accounting System. [4 marks]

Solution:

Concept:

- A Computerised Accounting System uses accounting software to record, process, store and report financial transactions.
- Its advantages arise from automatic processing, systematic data storage and the ability to generate information from the same accounting database.

Step 1: Speed A computer processes a large volume of transactions very quickly. Calculations, posting to accounts and preparation of reports can be completed much faster than in a manual system. For example, entering a properly classified sales transaction can update the relevant customer and sales records without separately writing each posting.

Step 2: Accuracy Programmed calculations and checks reduce arithmetic and clerical errors. Once correct data are entered and the software is properly configured, totals and balances are calculated consistently. This reduces errors caused by repeated manual calculation or copying, although incorrect input can still produce incorrect information.

Step 3: Up-to-date information Accounts and related reports can be updated as transactions are recorded. Management can therefore obtain current balances and financial information promptly instead of waiting for all manual posting and summarising to be completed. This supports timely decisions, such as following up outstanding amounts due from customers.

Step 4: Efficient storage and retrieval Large quantities of accounting data can be stored electronically in comparatively little physical space. Records can be searched and retrieved quickly by date, account or transaction reference. This makes it easier to locate earlier entries, answer account enquiries and prepare comparative information without manually searching through many registers.

Step 5: Conclusion Four advantages of Computerised Accounting System are speed, accuracy, up-to-date information, and efficient storage and retrieval of records.

Quick Tip to Solve: State four distinct advantages and link each to an accounting task; do not repeat speed under several different headings.

OR

33(b). Explain 'Password security' and 'Data audit' as security features of Computerised Accounting System. [4 marks]

Solution:

Concept:

- Security features protect accounting data against unauthorised access and help establish accountability for changes made to records.
- Password security controls entry into the system; data audit provides a trail through which recorded transactions and subsequent alterations can be examined.

Step 1: Explain password security A password is a confidential sequence of characters used to authenticate a user before access to the Computerised Accounting System is granted. The user enters the prescribed user identification and password; access is allowed only when these agree with the authorised credentials stored by the system. This helps prevent an unauthorised person from opening the accounting data.

Different users can be assigned different access rights according to their duties. For example, a data-entry operator may enter vouchers, while only an authorised supervisor may approve or alter them. Passwords should be kept confidential and changed periodically. Thus, password-based access, together with assigned permissions, helps protect the confidentiality of financial information and restricts operations to authorised users.

Step 2: Explain data audit Data audit enables an authorised auditor or administrator to examine accounting records and changes made to them. The system maintains an audit trail of entries and alterations, recording details such as the user who made a change and the date and time of the action. The auditor can scrutinise newly entered or altered vouchers and compare them with supporting documents.

For example, if a recorded voucher is subsequently changed, its audit information helps identify the change and the responsible user. This makes unauthorised or erroneous alterations easier to detect and investigate, fixes responsibility, and supports the reliability and integrity of accounting data. An audit trail supports review; its existence does not by itself prove that every transaction is correct.

Step 3: Conclusion Password security restricts access to authorised users, while data audit traces and checks transactions and alterations so that errors or unauthorised changes can be identified and responsibility established.

Quick Tip to Solve: Distinguish the features by asking two questions: who is allowed to enter the system, and who changed a recorded transaction?

34. Explain the two syntax forms of 'Lookup' function. [6 marks]

Solution:

Concept:

- The LOOKUP function searches for a value and returns a corresponding value from another position in a specified range. It has two syntax forms: vector and array.
- A vector is a range containing only one row or one column. An array is a range of cells that can contain several rows and columns.
- For reliable LOOKUP results, the row or column searched must be sorted in ascending order. If an exact match is absent, LOOKUP uses the largest value less than or equal to the lookup value.

Step 1: Explain the vector form and its arguments The syntax of the vector form is:

`=LOOKUP(lookup_value, lookup_vector, [result_vector])`

Here, `lookup_value` is the value to be searched for; it may be a number, text, a logical value, or a cell reference containing the value. The `lookup_vector` is the single row or single column in which the search is performed. The optional `result_vector` is the single row or column from which the corresponding result is returned. When supplied, it must contain the same number of cells as the lookup vector. If it is omitted, the result is returned from the lookup vector itself. Square brackets indicate an optional argument and are not typed in the formula.

The function finds the position of the matched value in the lookup vector and returns the value at the same relative position in the result vector. The two vectors need not be adjacent to each other.

Step 2: Illustrate the vector form Suppose cells A2:A4 contain the ascending product codes 101, 102 and 103, and cells C2:C4 contain their respective prices 500, 650 and 800. The formula

`=LOOKUP(102,A2:A4,C2:C4)`

returns 650. The code 102 is in the second position of the lookup vector, so the value in the second position of the result vector, C3, is selected. This form is useful when the search range and the return range are specified separately.

Step 3: Explain the array form and its search direction The syntax of the array form is:

`=LOOKUP(lookup_value, array)`

Here, `lookup_value` has the same meaning as in the vector form, and `array` is the cell range containing both the search values and the values to be returned. The dimensions of this range determine the direction of search.

If the array has more columns than rows, LOOKUP searches its first row and returns the corresponding value from its last row. If the array has as many rows as columns, or more rows than columns, it searches its first column and returns the corresponding value from its last column. Thus, the array form chooses the search direction from the shape of the range.

Step 4: Illustrate the array form and state the matching rule Suppose A2:A4 contain codes 101, 102 and 103, while B2:B4 contain prices 500, 650 and 800. The formula

`=LOOKUP(102,A2:B4)`

returns 650. This array has three rows and two columns, so the function searches the first column and returns the corresponding entry from the last column.

In both forms, the search row or column must be in ascending order. If the exact search value is

missing, the largest value not exceeding it is selected. For instance, searching for 102.5 among 101, 102 and 103 selects 102 and therefore returns its corresponding price. If the search value is smaller than the smallest value in the search range, LOOKUP returns the error `#N/A`.

Step 5: Conclusion The two forms are **vector LOOKUP**, which specifies a search vector and an optional corresponding result vector, and **array LOOKUP**, which uses the shape of a single array to search its first row or column and return from its last row or column.

Quick Tip to Solve: For vector LOOKUP, check that the two vectors have equal lengths; for array LOOKUP, compare rows with columns first to identify the search direction.