CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-1-2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

(iv) **Part B** has two options. 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. 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:

- Goodwill premium compensates existing partners for the profit share they sacrifice on admission.
- Sacrificing share is old share minus new share; distribute premium in that ratio.

Step 1: Identify who sacrifices Shiva receives a share in the future profits of an existing business. The partners who give up their entitlement must be compensated for the goodwill already built up by them.

Step 2: Apply the distribution rule Credit the premium to the old partners in their sacrificing ratio. Here each old partner moves from $1/3$ to $1/4$, sacrificing $1/12$, so they receive equal amounts. Although the old ratio is also equal here, option (D) states the governing rule; new partners do not receive their own admission premium.

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

Quick Tip to Solve: Always calculate old share minus new share before distributing the incoming partner's goodwill premium.

2. 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:

- Adjusted old partners' capitals represent their combined share in the reconstituted firm.
- Incoming capital equals combined adjusted old capital multiplied by new partner's share divided by old partners' retained share.

Step 1: Find the capital represented by the retained share The adjusted capitals total $1,20,000 + 80,000 + 1,00,000 =$ Rs $3,00,000$. Dona receives $1/5$, so the old partners together retain $4/5$. The old profit ratio does not determine this total capital calculation.

Step 2: Calculate Dona's proportionate capital Total capital of the new firm is $3,00,000 \times 5/4 =$ Rs $3,75,000$. Therefore Dona brings $3,75,000 \times 1/5 =$ Rs $75,000$. Rs 60,000 incorrectly treats the old capital as the whole new capital; Rs 65,000 and Rs 70,000 do not provide Dona with one-fifth of total capital.

Step 3: Conclusion Dona brings capital of Rs $75,000$. Correct option: (A).

Quick Tip to Solve: Use new share divided by retained old share, here 1/4, on the adjusted old capital.

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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.
- Cash settlement equals the creditor's claim less the agreed value of the asset accepted.

Step 1: Determine the amount settled through furniture The creditors have a claim of Rs $60,000$ and accept the furniture at Rs $45,000$. This agreed value, rather than its book value of Rs 50,000, reduces their outstanding claim.

Step 2: Calculate the balance paid by cheque The cheque is $60,000 - 45,000 =$ Rs $15,000$. Rs 10,000 incorrectly deducts book value; Rs 50,000 is the book value itself; and Rs 45,000 is the non-cash settlement, not the cheque. The reduction in book value belongs to realisation and does not change the agreed settlement.

Step 3: Conclusion The amount paid through cheque is Rs $15,000$. Correct option: (D).

Quick Tip to Solve: For creditor takeover questions, subtract the agreed takeover value from the liability.

4(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 share equals old share minus the share sacrificed to the incoming partner.
- When one partner alone gives the new share, all other existing shares remain unchanged.

Step 1: Express the shares with a common denominator The old total is $8 + 7 + 5 = 20$. Thus Atul, Beena and Sita hold $8/20, 7/20, 5/20$. Damini receives $1/5 = 4/20$, entirely from Atul.

Step 2: Deduct the sacrifice and form the ratio Atul retains $(8 - 4)/20 = 4/20$. Beena and Sita retain $7/20$ and $5/20$, while Damini has $4/20$. Hence the ratio is $4 : 7 : 5 : 4$, whose parts sum to 20. Option (A) gives Damini only one part; options (C) and (D) neither deduct the stated sacrifice correctly nor preserve the specified shares.

Step 3: Conclusion The new ratio is $4 : 7 : 5 : 4$. Correct option: (B).

Quick Tip to Solve: Convert the incoming share to the old ratio's denominator and deduct it only from the named sacrificing partner.

OR

4(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:

- Use the individual sacrifices stated in the question rather than assuming an old-ratio sacrifice.
- New share equals old share less the stated sacrifice; all new shares must sum to one.

Step 1: Calculate the old partners' remaining shares Rushil originally holds $4/7$ and gives $2/7$, leaving $2/7$. Abheer originally holds $3/7$ and gives $1/7$, also leaving $2/7$. Their unequal sacrifices produce equal remaining shares.

Step 2: Include Sunil and test the options Sunil receives $2/7 + 1/7 = 3/7$. The new shares are therefore $2/7, 2/7, 3/7$, with total $7/7$. Option (A) leaves the old shares undiminished, option (B) incorrectly reduces Abheer to one part, and option (D) gives Sunil the wrong share.

Step 3: Conclusion The new ratio of Rushil, Abheer and Sunil is $2 : 2 : 3$. Correct option: (C).

Quick Tip to Solve: Subtract each specified sacrifice separately; do not redistribute the incoming share again.

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5. 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:

- A guaranteed partner first receives the normal profit share, then any shortfall is made good.
- The guarantors bear the deficiency in the ratio expressly agreed, even if their profit ratio differs.

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

guaranteed amount of Rs 95,000, the shortfall is $95,000 - 60,000 =$ Rs $35,000$.

Step 2: Allocate the deficiency equally Abhay and Chetan bear this shortfall equally, so Abhay contributes $35,000/2 =$ Rs $17,500$. Rs 35,000 is the entire deficiency, not Abhay's contribution. Rs 25,000 and Rs 10,000 result from sharing the shortfall in their normal $5 : 2$ ratio, which contradicts the equal-sharing agreement.

Step 3: Conclusion Abhay gives Boris Rs $17,500$. Correct option: (A).

Quick Tip to Solve: Calculate the guarantee shortfall first, then use the stated deficiency-bearing ratio.

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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 each partner can act for the firm and bind the other partners in the usual business.
- A partner is an agent when acting for others and a principal when bound by another partner's authorised acts.

Step 1: Judge the assertion The assertion is correct. Each partner acts as an agent in conducting partnership business for the firm, while also being a principal because the authorised business acts of other partners bind that partner.

Step 2: Judge the reason The reason is correct: partnership business can be carried on by all the partners or by any one of them acting for all. This states the mutual agency relationship inherent in partnership.

Step 3: Connect the reason to the assertion The words acting for all explain both capacities: the acting partner represents the others as their agent, and the represented partners are principals. Therefore the reason explains the assertion. Option (A) denies this direct explanation, while (C) and (D) incorrectly reject a true statement.

Step 4: Conclusion Both Assertion and Reason are correct, and Reason correctly explains Assertion. Correct option: (B).

Quick Tip to Solve: Look for acting for all: this phrase establishes mutual agency and explains both capacities.

7. 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.

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 is an appropriation of profit unless the deed expressly treats it as a charge.
- If profit is insufficient, allocate available profit in the ratio of interest due, not the profit-sharing ratio.

Step 1: Compute interest due on each capital At 10% per annum, Abha is due $5,00,000 \times 10/100 =$ Rs $50,000$, and Babita is due $10,00,000 \times 10/100 =$ Rs $1,00,000$. The total Rs 1,50,000 exceeds available profit of Rs 90,000.

Step 2: Restrict the interest to available profit The interest claims are in the ratio $50,000 : 1,00,000 = 1 : 2$. Abha receives $90,000 \times 1/3 =$ Rs $30,000$. Rs 50,000 is her unrestricted entitlement; Rs 1,00,000 is Babita's entitlement; Rs 60,000 is Babita's actual interest, not Abha's. The normal $2 : 1$ profit ratio is not used for this allocation.

Step 3: Conclusion Interest on capital allowed to Abha is Rs $30,000$. Correct option: (D).

Quick Tip to Solve: When profit cannot cover interest, divide available profit in the ratio of interest claims.

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8. 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.

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 provided from available profit before the residual profit is divided.

- When interest claims exceed profit, the entire available profit is absorbed by proportionate interest.

Step 1: Compare available profit with interest claims Interest due to Abha is $5,00,000 \times 10/100 =$ Rs $50,000$, and interest due to Babita is $10,00,000 \times 10/100 =$ Rs $1,00,000$. Total claims of Rs 1,50,000 exceed profit of Rs 90,000, so interest is restricted to the available profit.

Step 2: Separate Babita's interest from her share of residual profit The restricted interest is allocated $1 : 2$: Abha receives Rs 30,000 and Babita Rs 60,000. The balance for ordinary profit sharing is $90,000 - 30,000 - 60,000 = 0$, hence Babita's share in profit is nil. Rs 60,000 is her interest, Rs 30,000 would divide gross profit directly in the profit ratio, and Rs 1,00,000 is only her full interest claim.

Step 3: Conclusion Babita's share in residual profit is nil. Correct option: (C).

Quick Tip to Solve: Distinguish interest on capital from residual profit share before choosing the amount.

9(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) Dan's Capital A/c Dr. 27,000
To Furhan's Capital A/c 27,000
(B) Dan's Capital A/c Dr. 90,000
To Furhan's Capital A/c 90,000
(C) Furhan's Capital A/c Dr. 27,000
To Dan's Capital A/c 27,000
(D) Furhan's Capital A/c Dr. 90,000
To Dan's Capital A/c 90,000

Correct Answer: (C) Furhan's Capital A/c Dr. 27,000
To Dan's Capital A/c 27,000

Solution:

Concept:

- An existing general reserve belongs to partners in their old profit sharing ratio. If it remains in the books, compensate a sacrificing partner by debiting the gaining partner.
- Adjustment amount = General reserve multiplied by the change in the partner's share.

Step 1: Calculate sacrifice and gain Dan sacrifices $5/10 - 2/10 = 3/10$. Elf has no change: $3/10 - 3/10 = 0$. Furhan gains $5/10 - 2/10 = 3/10$. Hence Furhan must compensate Dan by Rs $90,000 \times 3/10 =$ Rs $27,000$.

Step 2: Record the adjustment

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Furhan's Capital A/c Dr.		27,000	
	To Dan's Capital A/c			27,000
	(Being adjustment for retained general reserve)			

Option (A) reverses the compensation. Options (B) and (D) wrongly use the whole reserve instead of the change in entitlement.

Step 3: Conclusion Furhan's Capital A/c is debited and Dan's Capital A/c credited by Rs 27,000. The correct option is (C).

Quick Tip to Solve: For a retained reserve, debit the gaining partner and credit the sacrificing partner by reserve times change in share.

OR

9(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) 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) 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) Sia's Capital A/c Dr. 20,000
To Vidhi's Capital A/c 20,000

(D) Vidhi's Capital A/c Dr. 20,000
To Sia's Capital A/c 20,000

Correct Answer: (A) 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:

- A debit balance of Profit and Loss Account represents an accumulated loss; the old partners bear it in their old ratio.
- Debit partners' capital accounts and credit Profit and Loss Account to eliminate the loss.

Step 1: Allocate the past loss The old ratio is $3:2:1$, with total 6. Sia bears $60,000 \times 3/6 =$ Rs $30,000$, Tom $60,000 \times 2/6 =$ Rs $20,000$, and Vidhi $60,000 \times 1/6 =$ Rs $10,000$. The new ratio governs future results only.

Step 2: Record the distribution

Journal of the firm

Date	Particulars	L.F.	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
	(Being accumulated loss distributed in old ratio)			

Option (B) wrongly uses the new ratio. Options (C) and (D) transfer between partners without closing the loss account.

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

Quick Tip to Solve: Distribute a past debit balance in the old ratio, regardless of the ratio agreed for future profits.

10(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 on reissue cannot exceed the amount forfeited on that share.
- Minimum reissue price = paid-up value on reissue minus the amount available in Share Forfeiture Account.

Step 1: Find the permitted discount The share has face value Rs 100 and Rs 80 has already been received and forfeited. Thus up to Rs 80 may be used to meet the discount when it is reissued as fully paid. The unpaid final call of Rs 20 is not an amount already forfeited.

Step 2: Calculate the minimum price and test choices

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

At Rs 20, the Rs 80 discount exactly equals the forfeiture balance. Reissue at Rs 80 or Rs 100 is permissible but neither is the minimum; Rs 120 is an issue at premium and is also higher. A price below Rs 20 would create a discount exceeding the forfeited amount.

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

Quick Tip to Solve: Subtract the amount already received from the fully paid value to obtain the lowest permissible reissue price.

OR

10(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:

- Forfeited amounts are capital profits. After reissue, transfer only the surplus remaining after meeting the reissue discount to Capital Reserve.
- Reissue discount per share = face value minus reissue price, when shares are reissued fully paid below face value.

Step 1: Determine forfeiture and discount The amount forfeited is $500 \times 7 = \text{Rs } 3,500$. Fully paid value is Rs 10 per share and the reissue price is Rs 9, so the discount is Rs 1 per share. Total discount charged against Share Forfeiture Account is $500 \times 1 = \text{Rs } 500$.

Step 2: Find the transferable surplus

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

All 500 forfeited shares have been reissued, so the entire remaining surplus can be transferred. Rs 5,000 is the face value of the shares; Rs 4,500 is the cash received on reissue; Rs 3,500 ignores the discount used on reissue. None of those amounts is the resulting capital profit.

Step 3: Conclusion Rs 3,000 is transferred to Capital Reserve Account. Correct option: (A).

Quick Tip to Solve: For all shares reissued, multiply the number by amount forfeited per share minus reissue discount per share.

11(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:

- Gaining share = new share minus old share of each continuing partner.
- The gaining ratio compares the additional shares, not the old or new profit sharing ratios.

Step 1: Calculate each continuing partner's gain Anju's old share is $3/6 = 1/2$ and new share is $5/8$. Her gain is $5/8 - 1/2 = 1/8 = 3/24$. Divya's old share is $2/6 = 1/3$ and new share is $3/8$. Her gain is $3/8 - 1/3 = 1/24$.

Step 2: Form and check the gaining ratio

$$\text{Anju} : \text{Divya} = \frac{3}{24} : \frac{1}{24} = 3 : 1.$$

Total gain is $4/24 = 1/6$, equal to Bobby's retired share. Option (A), $3 : 2$, is the old ratio between the survivors. Option (B), $5 : 3$, is their new ratio. Option (D), $2 : 3$, is neither the computed ratio nor its correct order.

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

Quick Tip to Solve: Convert old and new shares to a common denominator, subtract old from new, then compare the gains.

OR

11(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:

- Add the share acquired from the retiring partner to each continuing partner's old share.
- The ratio in which the retired share is acquired describes the gains only, not the new total profit shares.

Step 1: Allocate Atul's share Atul's old share is $1/6$. Mita and Veena acquire it in $1 : 4$, so Mita gains $(1/6)(1/5) = 1/30$ and Veena gains $(1/6)(4/5) = 4/30$. These gains total $5/30 = 1/6$.

Step 2: Add gains to old shares Mita's new share is $3/6 + 1/30 = 15/30 + 1/30 = 16/30$. Veena's is $2/6 + 4/30 = 10/30 + 4/30 = 14/30$. Thus their new ratio is $16 : 14 = 8 : 7$; the new shares total one. Option (A) merely retains the old survivors' ratio. Options (C) and (D) do not follow from adding the specified gains to the old shares.

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

Quick Tip to Solve: First split the retiring partner's fraction in the takeover ratio; add each piece to the appropriate old fraction.

12. 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:

- The application price includes the face value and securities premium when the whole issue price is payable on application.
- Refund = application money received minus money required on shares actually allotted, where no further instalment is due.

Step 1: Calculate the application price and receipts Premium per share is Rs $10 \times 30/100 =$ Rs 3. Hence the whole amount payable on application is $10+3 =$ Rs 13 per share. Applications for 2,50,000 shares bring in $2,50,000 \times 13 =$ Rs $32,50,000$.

Step 2: Calculate the excess to refund The company retains $50,000 \times 13 =$ Rs $6,50,000$ for shares allotted. Therefore refund is $32,50,000 - 6,50,000 =$ Rs $26,00,000$. Equivalently, excess applications are for 2,00,000 shares at Rs 13 each. Option (A) is the entire receipt; (B) and (C) do not equal the excess money after retaining the full issue price of the allotted shares.

Step 3: Conclusion The company refunds Rs 26,00,000. Correct option: (D).

Quick Tip to Solve: With the full price due on application, multiply excess applications by face value plus premium to get the refund.

13. 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 on the forfeited shares.
- An amount not yet called is excluded, even though it forms part of the face value.

Step 1: Identify the called-up amount Application is Rs 4 and allotment is Rs 5 per share. The first and final call, $10 - 4 - 5 = \text{Rs } 1$, has not yet been made. Thus only $4 + 5 = \text{Rs } 9$ per share has been called up when forfeiture occurs.

Step 2: Compute the capital debit

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

As a check, the credit for money already received is $1,500 \times 4 = \text{Rs } 6,000$ and unpaid allotment is $1,500 \times 5 = \text{Rs } 7,500$; they total Rs 13,500. Option (A) uses face value instead of called-up value, while Rs 24,000 and Rs 18,000 exceed even the face value of these shares and are incorrect.

Step 3: Conclusion Share Capital Account is debited by Rs 13,500. Correct option: (C).

Quick Tip to Solve: At forfeiture, include only instalments already called; exclude a final call that has not yet been made.

14. 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:

- Reserve capital is the portion of uncalled share capital that the company resolves to call only in the event of winding up.
- Called-up capital has already been demanded; uncalled capital is the undemanded balance of subscribed capital.

Step 1: Apply the definition The blank describes capital which cannot ordinarily be called during the life of the company. That amount must still be uncalled, and is reserved for a demand in the event of winding up. Therefore reserve capital is a designated portion of uncalled capital.

Step 2: Distinguish the other categories Issued capital, option (A), is the portion of authorised capital offered for subscription and is too broad for this definition. Called-up capital, option (B), has already been demanded, so it cannot be an amount callable only on winding up. Nominal capital, option (D), is the authorised maximum capital. Only option (C), uncalled capital, supplies the precise category in the definition; reserve capital should also not be confused with capital reserve, which is an accounting reserve.

Step 3: Conclusion Reserve capital is part of uncalled capital. Correct option: (C).

Quick Tip to Solve: The word "called" signals a demand: reserve capital remains uncalled until the company winds up.

15. 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 or perpetual debentures have no ordinary fixed repayment undertaking by the issuing company.
- The absence of a specified normal redemption date explains the expression perpetual debentures.

Step 1: Judge Assertion (A) Assertion (A) is correct. Irredeemable debentures are also called perpetual debentures because the borrowing does not carry an ordinary fixed maturity date.

Step 2: Judge Reason (R) Reason (R) is correct. The company gives no undertaking to repay the amount in the normal course at a fixed date; repayment is associated with winding up or the expiry of a long period, as stated in the question.

Step 3: Link the statements Reason (R) describes the repayment characteristic that gives these debentures their perpetual character. It therefore explains Assertion (A). Option (B) wrongly denies this explanatory link, while (C) and (D) incorrectly reject one of the true statements.

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: For assertion-reason questions, test each statement before testing their explanatory link.

16(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 directors make the corresponding call.
- The company credits a liability for the advance; share capital is credited only for amounts actually called up.

Step 1: Identify the receipt The money has been received, but the directors have not yet called it up. It is therefore calls in advance and cannot yet form part of called-up share capital.

Step 2: Apply the debit-credit rule Bank Account is debited for the cash received and Calls in Advance Account is credited for the resulting obligation. Option (A) reverses the liability entry. Options (C) and (D) use Share Capital Account even though no call has been made.

Step 3: Conclusion Money received before it is called up is credited to Calls in Advance Account. Hence, the correct option is (B).

Quick Tip to Solve: Ask whether the call is due: money received before the due call creates calls in advance.

OR

16(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 offering securities to a select group of persons instead of inviting the public generally.
- The identifying feature is the restricted group to whom the offer or invitation is addressed.

Step 1: Match the definition The words select group of persons identify a private placement. The company approaches particular persons to subscribe to its securities.

Step 2: Eliminate the other alternatives A buy-back is a company purchasing its own existing shares. An employee stock option plan gives eligible employees an option to acquire shares. Sweat equity relates to shares issued for know-how, intellectual property or value additions. None of these terms describes the general restricted offer given here.

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

Quick Tip to Solve: In a securities question, a select group points directly to private placement.

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17. Akshay, Baljeet and Cizan were partners in a firm sharing profits and losses in the ratio of 2:3:3. Akshay retired. Baljeet and Cizan decided to share profits and losses in future in the ratio of 2:1. On the day of Akshay's retirement, goodwill of the firm was valued at Rs. 2,70,000. Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill (without opening goodwill account), on Akshay's retirement. [3 marks]

Solution:

Concept:

- A continuing partner's gain equals new share minus old share; a negative difference represents a sacrifice.
- On retirement, a partner sacrificing profit share is compensated, just as the retiring partner is, by the gaining partner without raising goodwill.

Step 1: Calculate gains and sacrifices Old shares of Akshay, Baljeet and Cizan are $2/8, 3/8, 3/8$, respectively. The new shares of Baljeet and Cizan are $2/3$ and $1/3$.

$$\text{Baljeet's gain} = \frac{2}{3} - \frac{3}{8} = \frac{7}{24},$$
$$\text{Cizan's gain} = \frac{1}{3} - \frac{3}{8} = -\frac{1}{24}.$$

Thus, the signed gaining ratio is $7 : -1$. Baljeet alone gains, while Cizan sacrifices $1/24$. Baljeet's gain equals Akshay's retiring share $6/24$ plus Cizan's sacrifice $1/24$.

Step 2: Determine goodwill compensation Goodwill of the firm is Rs 2,70,000. Akshay is entitled to $2,70,000 \times 2/8 =$ Rs $67,500$. Cizan must also receive $2,70,000 \times 1/24 =$ Rs $11,250$ for his sacrifice. Baljeet bears $2,70,000 \times 7/24 =$ Rs $78,750$. The debit equals the two credits: $67,500 + 11,250 = 78,750$.

Step 3: Record the goodwill adjustment Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Baljeet's Capital A/c Dr.		78,750	
	To Akshay's Capital A/c			67,500
	To Cizan's Capital A/c			11,250
	(Being goodwill adjusted on Akshay's retirement, without opening Goodwill Account)			

Akshay receives his share of goodwill, and Cizan is compensated because his share also falls. No Goodwill Account is opened.

Step 4: Conclusion The signed gaining ratio of Baljeet and Cizan is $7 : -1$. Debit Baljeet Rs 78,750;

credit Akshay Rs 67,500 and Cizan Rs 11,250.

Quick Tip to Solve: A negative gain is a sacrifice: compensate that continuing partner as well as the retiree.

18. Norah and Mallika were partners in a firm with a combined capital of Rs. 2,00,000. The normal rate of return was 10%. The profits of the last four years were as follows:

2019-20: Rs. 20,000; 2020-21: Rs. 30,000; 2021-22: Rs. 27,000; 2022-23: Rs. 35,000.

The closing stock for the year 2022-23 was undervalued by Rs. 4,000. Calculate goodwill of the firm based on two years' purchase of the last four years' average super profit. [3 marks]

Solution:

Concept:

- Correct an undervalued closing stock by adding the undervaluation to that year's reported profit.
- Normal profit equals capital employed multiplied by the normal rate of return; super profit equals average adjusted profit less normal profit.
- Goodwill under this method equals average super profit multiplied by the agreed years' purchase.

Step 1: Correct the last year profit Closing stock for 2022-23 was undervalued by Rs 4,000. This understated that year's profit by the same amount, so corrected profit is $35,000 + 4,000 = \text{Rs } 39,000$. No adjustment is required to the other three profits given. In particular, the correction relates to the final closing stock within this four-year period.

Step 2: Find average profit and normal profit The corrected total profit is

$$20,000 + 30,000 + 27,000 + 39,000 = \text{Rs } 1,16,000.$$

Hence, average profit is $1,16,000/4 = \text{Rs } 29,000$. With combined capital of Rs 2,00,000 and normal return of 10%, normal profit is $2,00,000 \times 10/100 = \text{Rs } 20,000$. Normal profit represents the return a comparable business is expected to earn on that capital.

Step 3: Calculate super profit and goodwill Average super profit is the excess of average actual profit over normal profit:

$$\text{Average super profit} = 29,000 - 20,000 = \text{Rs } 9,000.$$

The required valuation is two years' purchase of this excess, so

$$\text{Goodwill} = 9,000 \times 2 = \text{Rs } 18,000.$$

The multiplier applies to super profit rather than to the full average profit of Rs 29,000.

Step 4: Conclusion The goodwill of the firm is $\boxed{\text{Rs } 18,000}$.

Quick Tip to Solve: Correct stock first, average the corrected profits, and subtract normal profit before multiplying.

19(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, while the resulting increase in divisible profit is credited in the profit-sharing ratio.
- For fixed capitals, routine adjustments are made through partners' Current Accounts.

Step 1: Reverse excess interest on capital Interest was credited at 8% instead of 5%, an excess of 3%. Mohan's excess is $2,00,000 \times 3/100 =$ Rs $6,000$; Suhaan's and Adit's excesses are each $1,00,000 \times 3/100 =$ Rs $3,000$. Thus, their Current Accounts require debits of Rs 6,000, Rs 3,000 and Rs 3,000, respectively, to reverse the excess allowances.

Step 2: Redistribute the restored profit The reversal restores Rs 12,000 to divisible profit. This belongs to Mohan, Suhaan and Adit in their profit-sharing ratio $3 : 2 : 1$, giving credits of $12,000 \times 3/6 =$ Rs $6,000$, $12,000 \times 2/6 =$ Rs $4,000$ and $12,000 \times 1/6 =$ Rs $2,000$, respectively. Net effect: Mohan nil; Suhaan credit Rs 1,000; Adit debit Rs 1,000. These net amounts total zero, as a past adjustment between partners must.

Step 3: Pass the single adjusting entry Journal of the firm, 31 March 2023

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Adit's Current A/c Dr. To Suhaan's Current A/c (Being excess interest on capital corrected and the restored profit adjusted in the profit-sharing ratio)		1,000	 1,000

The capitals are fixed, so the adjustment is routed through Current Accounts. Mohan needs no entry because his excess interest debit and additional profit credit cancel.

Step 4: Conclusion Debit Adit's Current Account Rs 1,000 and credit Suhaan's Current Account Rs 1,000; Mohan has no net adjustment.

Quick Tip to Solve: Reverse excess interest and redistribute the same total as profit before finding each net adjustment.

OR

19(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:

- Interest on capital is calculated on opening capital. Opening capital equals closing capital plus drawings less profit already credited.
- Omitted interest on capital credits partners, while omitted interest on drawings debits them. The resulting change in divisible profit is shared in the agreed ratio of $2:1$.

Step 1: Restore the opening capitals The net profit of Rs 30,000 has already been distributed: Manoj received $30,000 \times 2/3 = \text{Rs } 20,000$, and Nitin received Rs 10,000. Therefore,

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

At 10% p.a., interest on capital is Rs 11,000 for Manoj and Rs 9,000 for Nitin. The closing balances cannot be used directly because they already include the year's profit and drawings.

Step 2: Calculate the net adjustment Total interest on capital is Rs 20,000; total interest on drawings is Rs 5,000. Hence divisible profit should decrease by $20,000 - 5,000 = \text{Rs } 15,000$. Manoj must bear Rs 10,000 of this reduction and Nitin Rs 5,000.

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

Thus Manoj has received Rs 2,000 in excess, whereas Nitin has received Rs 2,000 less than his entitlement. The debits and credits cancel, as required for a past adjustment.

Step 3: Record the adjusting entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Manoj's Capital A/c Dr.		2,000	
	To Nitin's Capital A/c			2,000
	(Being omitted interest on capital and drawings adjusted)			

Step 4: Conclusion Debit Manoj's Capital Account and credit Nitin's Capital Account by Rs 2,000 each.

Quick Tip to Solve: Reconstruct opening capital before calculating interest; then include the corresponding change in profit shares.

20(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 arises when purchase consideration exceeds net identifiable assets acquired: goodwill equals purchase consideration less assets plus liabilities.
- The vendor is discharged at the issue price of debentures. Discount on issue is debited separately; the Debentures Account is credited with face value.

Step 1: Calculate goodwill and the debenture issue Net assets acquired are $3,60,000 - 1,00,000 =$ Rs $2,60,000$. Purchase consideration is Rs 4,80,000, so goodwill is

$$4,80,000 - 2,60,000 = \text{Rs } 2,20,000.$$

Each Rs 100 debenture is issued at $100 - 4 =$ Rs 96. Hence the number issued is

$$\frac{4,80,000}{96} = 5,000 \text{ debentures.}$$

Their total face value is $5,000 \times 100 =$ Rs $5,00,000$, and discount is $5,000 \times 4 =$ Rs $20,000$. The 9% rate is the annual interest rate; it does not determine the number issued.

Step 2: Record acquisition and discharge of the vendor 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 Creditors A/c			1,00,000
	To Moonlight Ltd.			4,80,000
	(Being business purchased for agreed 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 issued at 4% discount to vendor)			

The acquisition entry balances at Rs 5,80,000 on each side. In the settlement entry, the vendor's credit of Rs 4,80,000 is extinguished by an equal debit. The additional debit for discount brings total debits to the Rs 5,00,000 credited as nominal debenture capital.

Step 3: Conclusion Goodwill is Rs 2,20,000. Issue 5,000 debentures of Rs 100 each at Rs 96; debit discount by Rs 20,000.

Quick Tip to Solve: Divide the vendor consideration by Rs 96, the issue price, before finding face value and discount.

OR

20(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:

- If net assets acquired exceed purchase consideration, the difference is credited to Capital Reserve Account.
- Debentures issued at premium discharge the vendor at their issue price. Face value is credited to Debentures Account and premium to Securities Premium Account.

Step 1: Calculate capital reserve and the debenture issue Net assets taken over equal $25,00,000 - 5,00,000 = \text{Rs } 20,00,000$. As the agreed purchase consideration is Rs 18,00,000, the excess of net assets is capital reserve:

$$20,00,000 - 18,00,000 = \text{Rs } 2,00,000.$$

The issue price of each Rs 100 debenture is $100 + 20 = \text{Rs } 120$. Therefore,

$$\text{Number of debentures} = \frac{18,00,000}{120} = 15,000.$$

Face value is $15,000 \times 100 = \text{Rs } 15,00,000$, and securities premium is $15,000 \times 20 = \text{Rs } 3,00,000$. The 11% coupon determines interest payable later and does not affect the issue price calculation.

Step 2: Record acquisition and settlement Journal of Grapple Ltd.

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

The acquisition entry totals Rs 25,00,000 on each side. In the settlement entry the vendor balance is completely discharged because face value plus premium equals Rs 18,00,000. Capital reserve comes from the favourable purchase; securities premium comes from the issue terms, so they are recorded separately.

Step 3: Conclusion Capital reserve is Rs 2,00,000; issue 15,000 debentures with face value Rs 15,00,000 and securities premium Rs 3,00,000.

Quick Tip to Solve: Use Rs 120 per debenture for vendor settlement, and keep capital reserve distinct from securities premium.

21. 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:

- Realisation Account records non-cash assets, outside liabilities, their settlement and dissolution expenses. Bank, capitals and general reserve are not transferred to it.
- Partner takeovers are credited at agreed values; expenses paid by a partner are debited to Realisation Account and credited to that partner's capital.

Step 1: Calculate takeover values Vandana takes investments of book value $80,000 \times 25\% = \text{Rs } 20,000$ at Rs 18,000. Remaining book value is Rs 60,000; Archana takes these at $60,000 \times 90\% = \text{Rs } 54,000$. Cash proceeds are $40,000 + 50,000 + 60,000 = \text{Rs } 1,50,000$. Creditors are paid Rs 60,000 since no different settlement amount is specified. Arti receives credit for expenses paid personally.

Step 2: Prepare Realisation Account Realisation Account as at 31st March, 2023

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

Step 3: Verify the loss distribution Debits before closing total Rs 3,50,000; credits total Rs 2,82,000. Loss is therefore Rs 68,000. Share it in $5:3:2$: Archana $68,000 \times 5/10 = \text{Rs } 34,000$, Vandana Rs 20,400 and Arti Rs 13,600. Credit Realisation and debit their capitals. The account closes, with no balance carried down.

Step 4: Conclusion Realisation loss is Rs 68,000, shared as Rs 34,000, Rs 20,400 and Rs 13,600 by Archana, Vandana and Arti respectively. Equal totals are Rs 3,50,000.

Quick Tip to Solve: Exclude bank and general reserve from transfers; use agreed values for assets taken over by partners.

22. 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 registered ceiling; issued capital is the nominal value offered. Forfeited shares cease to form part of subscribed capital.
- Amounts already received on forfeited shares remain in Share Forfeiture Account and are disclosed as an addition under Share Capital until reissue.

Step 1: Determine paid-up capital and forfeiture amount Authorised shares are $10,00,000/10 = 1,00,000$. Issued shares are 50,000 of Rs 10 each, so issued capital is Rs 5,00,000. The final call is $10 - 2 - 6 =$ Rs 2 per share. The 4,000 defaulters paid only application money. After forfeiture, fully paid shares are $50,000 - 4,000 = 46,000$, giving Rs 4,60,000. Amount received on forfeited shares is $4,000 \times 2 =$ Rs $8,000$. The unpaid Rs 32,000 is cancelled on forfeiture; no calls in arrears remain for these shares.

Step 2: Present the Balance Sheet extract Balance Sheet of Shivalik Limited (Extract)

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

Step 3: Prepare the share capital note 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	4,60,000
Add: Forfeited shares (amount originally paid-up)	8,000
Total share capital	4,68,000

The note separately identifies the registered ceiling, the issued amount and the subscribed fully paid shares. The forfeiture balance is shown separately so that Rs 4,68,000 is not mistaken for the nominal value of outstanding shares.

Step 4: Conclusion Share Capital in the Balance Sheet is Rs 4,68,000: Rs 4,60,000 fully paid-up capital plus Rs 8,000 received on forfeited shares.

Quick Tip to Solve: After forfeiture, remove the defaulting shares from subscribed capital and add back only the money actually received on them.

23. Gagan, Harsh and Ishan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2023, was as follows :

Balance Sheet of Gagan, Harsh and Ishan as at 31st March, 2023

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Bills Payable	20,000	Bank	10,000
General Reserve	15,000	Stock	20,000
Capitals:		Debtors	25,000
Gagan 25,000		Fixed Assets	30,000
Harsh 15,000			
Ishan 10,000	50,000		
Total	85,000	Total	85,000

Gagan died on 30th June, 2023. According to the partnership deed, Gagan's legal representatives were entitled to the following :

(i) Balance in his Capital Account.

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

(iii) His share of goodwill. Goodwill of the firm was valued on the basis of twice the average of the past four years' profits.

(iv) His share in the profits up to the date of death on the basis of the average profit for the preceding three years.

Profits for the previous four years were :

2019-20: Rs. 12,000

2020-21: Rs. (15,000)

2021-22: Rs. 45,000

2022-23: Rs. 18,000

Prepare Gagan's Capital Account to be rendered to his legal representatives. [6 marks]

Solution:

Concept:

- A deceased partner is credited with his opening capital, his share of accumulated reserves, interest on capital up to death, goodwill and the estimated profit up to death. His old profit share is $2/5$.
- Goodwill uses the average of four years, including the loss as a negative amount; the interim profit uses only the preceding three years. The period from 1st April to 30th June is three months.

Step 1: Calculate reserve and interest on capital Gagan's capital on 1st April, 2023 is Rs 25,000. General Reserve belongs to all old partners in their old ratio, so Gagan's share is

$$15,000 \times \frac{2}{5} = \text{Rs } 6,000.$$

Interest is calculated on the opening capital for three months only:

$$25,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 750.$$

Both amounts are credited to Gagan's Capital Account. Bills payable and the individual assets do not

require distribution or revaluation because the question gives no such adjustment.

Step 2: Calculate goodwill compensation The loss in 2020–21 is deducted, not added, in finding average profit:

$$\begin{aligned}\text{Four-year total profit} &= 12,000 - 15,000 + 45,000 + 18,000\\ &= \text{Rs } 60,000,\\ \text{Average profit} &= 60,000/4 = \text{Rs } 15,000,\\ \text{Firm's goodwill} &= 15,000 \times 2 = \text{Rs } 30,000,\\ \text{Gagan's goodwill share} &= 30,000 \times \frac{2}{5} = \text{Rs } 12,000.\end{aligned}$$

In the absence of a new agreement, Harsh and Ishan continue in their relative old ratio of 2:1 and gain in that ratio. Accordingly, their capital accounts are debited by Rs 8,000 and Rs 4,000 respectively and Gagan's capital is credited by Rs 12,000.

Step 3: Estimate profit up to death Use the preceding three years, namely 2020–21, 2021–22 and 2022–23:

$$\begin{aligned}\text{Average annual profit} &= \frac{-15,000 + 45,000 + 18,000}{3}\\ &= \text{Rs } 16,000,\\ \text{Gagan's interim profit share} &= 16,000 \times \frac{3}{12} \times \frac{2}{5}\\ &= \text{Rs } 1,600.\end{aligned}$$

Credit this estimated share through Profit and Loss Suspense Account, since the current year's final profit has not yet been ascertained.

Step 4: Prepare the capital account **Gagan's Capital Account as at 30th June, 2023**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Gagan's Executor's A/c	45,350	By Balance b/d	25,000
		By General Reserve A/c	6,000
		By Interest on Capital A/c	750
		By Harsh's Capital A/c	8,000
		By Ishan's Capital A/c	4,000
		By Profit and Loss Suspense A/c	1,600
Total	45,350	Total	45,350

The amount due is transferred to Gagan's Executor's Account; this closes his capital account. No payment entry is assumed because the question does not state that the representatives have been paid.

Step 5: Conclusion The amount payable to Gagan's legal representatives is $\boxed{\text{Rs } 45,350}$.

Quick Tip to Solve: Keep the four-year goodwill average separate from the three-year interim-profit average, and deduct the loss in both.

24. On 1st April, 2022, Ahilaan Ltd. issued 10,000, 9% Debentures of Rs. 100 each at a premium of 7%, redeemable at a premium of 3% after five years. The company had a balance of Rs. 20,000 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 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 face value. Premium on issue is credited to Securities Premium Account, while the premium payable on redemption is credited to Premium on Redemption of Debentures Account.
- Loss on issue arising from the redemption premium can be written off against securities premium. Include the premium from this very issue when determining the available balance.

Step 1: Calculate issue proceeds and redemption loss

$$\begin{aligned}\text{Face value} &= 10,000 \times 100 = \text{Rs } 10,00,000,\\ \text{Issue premium} &= 10,00,000 \times 7\% = \text{Rs } 70,000,\\ \text{Bank receipt} &= 10,00,000 + 70,000 = \text{Rs } 10,70,000,\\ \text{Redemption premium} &= 10,00,000 \times 3\% = \text{Rs } 30,000.\end{aligned}$$

There is no discount on issue. The loss on issue is Rs 30,000 because the company must redeem the debentures for more than their face value. The issue premium is kept in Securities Premium Account rather than netted against the redemption liability in the issue entry.

Step 2: (a) Record issue and writing off of loss **Journal of Ahilaan Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2022	Bank A/c Dr.		10,70,000	
	Loss on Issue of Debentures A/c Dr.		30,000	
	To 9% Debentures A/c			10,00,000
	To Securities Premium A/c			70,000
	To Premium on Redemption of Debentures A/c			30,000
	(Being 10,000 debentures of Rs 100 each issued at 7% premium, redeemable at 3% premium)			
31 Mar. 2023	Securities Premium A/c Dr.		30,000	
	To Loss on Issue of Debentures A/c			30,000
	(Being loss on issue written off in full against securities premium)			

The available securities premium is Rs 20,000 plus Rs 70,000, or Rs 90,000. Therefore the entire Rs 30,000 loss can be written off in the first year, leaving Rs 60,000 in Securities Premium Account. The five-year redemption period does not require spreading the loss when the question specifically requires full write-off in the first year. The premium-on-redemption liability remains outstanding until redemption; writing off the loss does not cancel that liability.

Step 3: (b) Prepare the loss account **Loss on Issue of Debentures Account**
For the year ended 31st March, 2023

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Premium on Redemption of Debentures A/c	30,000	By Securities Premium A/c	30,000
Total	30,000	Total	30,000

The account is fully closed, so no balance is carried forward. The debit represents the redemption premium recognised on issue, and the credit represents its complete write-off on 31st March, 2023. No transfer to Statement of Profit and Loss is needed because sufficient securities premium is available.

Step 4: Conclusion Loss on issue is $\boxed{\text{Rs } 30,000}$, written off entirely from Securities Premium Account; its remaining balance is Rs 60,000.

Quick Tip to Solve: Add the new issue premium to the existing securities premium before deciding whether any loss must be charged to profit and loss.

25(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	Assets	Amount
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 profit or loss and accumulated reserves belong to the old partners in their old ratio, here $3:2$. An asset decrease is debited and an asset increase is credited to Revaluation Account.
- The incoming partner compensates the sacrificing partners through the premium for goodwill. Capitals after adjustment are made proportional to the new profit-sharing ratio.

Step 1: Calculate the ratios and capital requirement Pari takes $1/4$ of the profits. Shubhi and Revanshi share the remaining $3/4$ in their existing ratio:

$$\text{Shubhi} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}, \quad \text{Revanshi} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}, \quad \text{Pari} = \frac{5}{20}.$$

Thus the new ratio is $9:6:5$, and the sacrificing ratio is $3:2$. Pari's capital of Rs 50,000 for a quarter share implies total capital of $50,000 \times 4 =$ Rs $2,00,000$. Required capitals are therefore Rs 90,000, Rs 60,000 and Rs 50,000 respectively.

Step 2: Prepare Revaluation Account Fixed assets decrease by $90,000 \times 30\% =$ Rs $27,000$. Stock increases by $45,000 - 38,000 =$ Rs $7,000$. The loss is Rs 20,000, shared as Rs 12,000 and Rs 8,000. Paying off the bank loan at its book value does not affect revaluation.

Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
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

The loss is transferred to the old partners; consequently no balance is carried down in this temporary account.

Step 3: Distribute reserve and goodwill, then adjust capitals General Reserve of Rs 30,000 is credited to Shubhi and Revanshi as Rs 18,000 and Rs 12,000. Pari's premium of Rs 50,000 is credited in the sacrificing ratio as Rs 30,000 and Rs 20,000. It is separate from Pari's capital.

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

Shubhi withdraws $96,000 - 90,000 =$ Rs $6,000$; Revanshi brings $60,000 - 56,000 =$ Rs $4,000$. In the account below S, R and P denote Shubhi, Revanshi and Pari respectively.

Partners' Capital Accounts

Dr. Particulars	S Rs	R Rs	P Rs	Cr. Particulars	S Rs	R Rs	P Rs
To Revaluation	12,000	8,000	–	By Balance b/d	60,000	32,000	–
To Cash	6,000	–	–	By General Reserve	18,000	12,000	–
To Balance c/d	90,000	60,000	50,000	By Premium for Goodwill	30,000	20,000	–
				By Cash	–	4,000	50,000
Total	1,08,000	68,000	50,000	Total	1,08,000	68,000	50,000

Bank loan payment of Rs 18,000 is made through Cash Account and does not change any partner's capital.

Step 4: Conclusion Revaluation loss is Rs 20,000. Final capitals are Shubhi Rs 90,000, Revanshi Rs 60,000 and Pari Rs 50,000. Shubhi is paid Rs 6,000 and Revanshi brings Rs 4,000.

Quick Tip to Solve: First compute the total capital from the incoming partner's share, then compare each required capital with its balance after all adjustments.

OR

25(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	Assets	Amount
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:

- At retirement, accumulated reserve and revaluation profit or loss are transferred to all partners in their old profit-sharing ratio. The retiring partner is compensated for goodwill by the gaining partners.
- An asset taken over by the retiring partner is debited to that partner's capital at the agreed value. Only the final amount payable after all adjustments is transferred to the retiring partner's loan.

Step 1: Find old ratio, gaining ratio and goodwill adjustment The old shares $1/2, 1/6, 1/3$ give the ratio $3:1:2$. Rishi and Trishi continue in their relative ratio $3:2$, so their new shares are $3/5$ and $2/5$. Their gains are

$$\frac{3}{5}-\frac{1}{2}=\frac{1}{10}, \qquad \frac{2}{5}-\frac{1}{3}=\frac{1}{15}.$$

The gaining ratio is $3:2$. Shashi's share of goodwill is $18,000 \times 1/6 = \text{Rs } 3,000$. Rishi's capital is debited by $3,000 \times 3/5 = \text{Rs } 1,800$, Trishi's by Rs 1,200, and Shashi's capital is credited by Rs 3,000. Goodwill need not be raised as an asset.

Step 2: Prepare Revaluation Account Fixed assets fall by $80,000 - 56,000 = \text{Rs } 24,000$. Stock taken over at Rs 26,000 has a book value of Rs 20,000, so the increase of Rs 6,000 is credited to Revaluation Account. The resulting loss is Rs 18,000, shared by Rishi, Shashi and Trishi as Rs 9,000, Rs 3,000 and Rs 6,000 respectively.

Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
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

The account closes on transfer of its loss; it has no balance to carry forward.

Step 3: Prepare Partners' Capital Accounts General Reserve is divided in $3:1:2$: Rishi Rs 15,000,

Shashi Rs 5,000 and Trishi Rs 10,000. Shashi takes stock at the full agreed value of Rs 26,000, which is debited to her capital separately from the revaluation adjustment.

$$\text{Shashi's amount payable} = 30,000 + 5,000 + 3,000 - 3,000 - 26,000$$
$$= \text{Rs } 9,000.$$

In the table R, S and T denote Rishi, Shashi and Trishi respectively.

Partners' Capital Accounts

Dr. Particulars	R Rs	S Rs	T Rs	Cr. Particulars	R Rs	S Rs	T Rs
To Revaluation	9,000	3,000	6,000	By Balance b/d	36,000	30,000	20,000
To Shashi's Capital	1,800	–	1,200	By General Reserve	15,000	5,000	10,000
To Stock	–	26,000	–	By Rishi's Capital	–	1,800	–
To Shashi's Loan	–	9,000	–	By Trishi's Capital	–	1,200	–
To Balance c/d	40,200	–	22,800				
Total	51,000	38,000	30,000	Total	51,000	38,000	30,000

Shashi's Capital Account is closed by transfer of Rs 9,000 to her loan account. The continuing partners' closing capital balances remain in the firm.

Step 4: Conclusion Revaluation loss is Rs 18,000. Shashi's loan is Rs 9,000, and closing capitals are Rishi Rs 40,200 and Trishi Rs 22,800.

Quick Tip to Solve: For stock taken over on retirement, credit only its increase to revaluation but debit the full takeover price to the retiring partner's capital.

26(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:

- An issue premium is credited to Securities Premium separately from the nominal value credited to Share Capital. The application and allotment instalment contains Rs 5 capital and Rs 3 premium per share.
- On forfeiture, debit the called-up capital and reverse premium that was due but never received; credit Share Forfeiture only with capital actually received. Reissue discount cannot exceed the capital forfeited on those shares.

Step 1: Calculate the instalments and refund The issue price is Rs 16 per share. Application and allotment is Rs 8, comprising Rs 5 capital and Rs 3 premium. The first and final call is therefore Rs

8, comprising the remaining Rs 5 capital and Rs 3 premium. Applications received: $1,60,000 \times 8 =$ Rs $12,80,000$. Of the 1,50,000 eligible applications, 1,00,000 shares are allotted, a ratio of 2 shares allotted for every 3 applied for. Since all excess is returned, the refund is $(1,60,000 - 1,00,000) \times 8 =$ Rs $4,80,000$. This includes Rs 80,000 for rejected applications and Rs 4,00,000 excess for the eligible applicants. No excess is carried forward against the call.

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

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 recognised on 1,00,000 shares and all excess money refunded)			

Step 3: Record the call and its receipt The call due is $1,00,000 \times 8 =$ Rs $8,00,000$. Dheeraj defaults on $200 \times 8 =$ Rs $1,600$, leaving bank receipts of Rs 7,98,400. Journal of Qumtan Ltd. (call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	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 due, including premium)			
	Bank A/c Dr.		7,98,400	
	To Share First and Final Call A/c			7,98,400
	(Being call received except on Dheeraj's 200 shares)			

Step 4: Forfeit and reissue the shares For 200 shares, called-up capital is Rs 2,000, unpaid premium is Rs 600 and capital received is Rs 1,000. The premium received with application is retained; only the unpaid premium included in the call is reversed. Reissue at Rs 5 fully paid results in a discount of Rs 1,000, exactly equal to the forfeited capital.

Journal of Qumtan Ltd. (forfeiture and reissue)

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 the 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)			

Step 5: Conclusion The shares are forfeited and reissued as above. The entire Rs 1,000 forfeiture balance is used as reissue discount; hence no amount remains for transfer to Capital Reserve.

Quick Tip to Solve: When excess application money is refunded, do not treat it as payment of a later call by the defaulting shareholder.

OR

26(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:

- Application money is credited to capital only for allotted shares. Money on rejected applications is refunded; excess on eligible applications is applied against allotment and then the call as instructed.
- The first and final call per share is the nominal value less application and allotment: $10-3-2 = \text{Rs } 5$. Category-wise adjustment is essential because each category has a different allotment ratio.

Step 1: Calculate category-wise excess and adjustments Total application receipts are $1,50,000 \times 3 = \text{Rs } 4,50,000$. Rejected applicants receive $10,000 \times 3 = \text{Rs } 30,000$. Application capital on 80,000 allotted shares is Rs 2,40,000. Category A: Rs 2,40,000 received, less Rs 1,20,000 application due, leaves excess Rs 1,20,000. Adjust Rs 80,000 against allotment on 40,000 shares; the remaining Rs 40,000 is calls in advance against the first and final call. Category B: Rs 1,80,000 received, less Rs 1,20,000 application due, leaves excess Rs 60,000. Adjust this against allotment due of Rs 80,000; Rs 20,000 remains payable in cash. There is no call advance in this category. Thus excess applied to allotment totals Rs 1,40,000 and calls in advance totals Rs 40,000. Refund and transfers reconcile: Rs 30,000 + Rs 2,40,000 + Rs 1,40,000 + Rs 40,000 = Rs 4,50,000.

Step 2: Record application receipts and their disposal Journal of Printkit Limited (application)

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)			
	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 capital transferred, excess adjusted and rejected applications refunded)			

Step 3: Record allotment due and receipt Allotment due is $80,000 \times 2 = \text{Rs } 1,60,000$. Against it Rs 1,40,000 has already been adjusted, so bank receives Rs 20,000 from category B. Category A owes no further allotment money.

Journal of Printkit Limited (allotment)

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 money due on 80,000 shares)			
	Bank A/c Dr.		20,000	
	To Share Allotment A/c			20,000
	(Being balance allotment money received after application excess adjustment)			

Step 4: Record first and final call The call due is $80,000 \times 5 = \text{Rs } 4,00,000$. Category A pays Rs 1,60,000 after adjusting Rs 40,000 advance against its Rs 2,00,000 call. Category B pays its full Rs 2,00,000 call. Total bank receipt is Rs 3,60,000.

Journal of Printkit Limited (call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		4,00,000	
	To Share Capital A/c			4,00,000
	(Being first and final call due on 80,000 shares)			
	Bank A/c Dr.		3,60,000	
	Calls in Advance A/c Dr.		40,000	
	To Share First and Final Call A/c			4,00,000
	(Being call received and category A advance adjusted)			

Step 5: Conclusion All 80,000 shares are fully paid. Share Capital is Rs 8,00,000, with no call arrears or unused calls in advance.

Quick Tip to Solve: Compute excess separately for each category before allocating it to allotment; only category A has money left for the call.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

27(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 inflow or outflow of cash or cash equivalents. An exchange of a fixed asset for equity shares is a non-cash investing and financing transaction.
- Non-cash investing and financing transactions are excluded from the cash flow statement and

disclosed elsewhere in the financial statements.

Step 1: Identify what is exchanged The company receives machinery worth Rs 5,00,00,000 and issues equity shares to the vendor as consideration. Machinery increases and share capital increases, but no bank balance or cash equivalent is paid or received. The value of the transaction alone does not create a cash flow.

Step 2: Test the alternatives Option (A) would require cash raised by issuing shares, whereas here the vendor receives shares directly. Option (B) requires an actual financing cash payment, which is absent. Option (C) would apply if machinery were purchased by paying cash; the consideration here is equity shares. Option (D) correctly recognises that neither side of the exchange involves cash.

Step 3: Conclusion There is no flow of cash. Hence, the correct option is (D).

Quick Tip to Solve: Check the consideration: shares issued directly to an asset vendor do not enter the cash flow statement.

OR

27(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:

- Taxes on income normally belong to operating activities unless specifically identifiable with investing or financing activities.
- Sale of a fixed asset is an investing activity; tax specifically attributable to that sale follows its classification.

Step 1: Identify the specific link The payment is explicitly capital gains tax on sale of fixed assets. It is therefore directly connected with disposal of a long-term asset, rather than a general tax payment on operating income.

Step 2: Test the options The specific investing connection rules out operating activities (A). There is no change in owners' funds or borrowings, so financing activities (C) is inappropriate. Cash and cash equivalents (D) describes the cash balance, not a category of cash-flow activity.

Step 3: Conclusion The tax paid is a cash outflow under Investing Activities. Hence, the correct option is (B).

Quick Tip to Solve: For tax on a named transaction, classify it with that transaction when the connection is explicit.

28(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:

- Short-term creditors focus on liquidity: the ability to meet obligations falling due soon.
- Trade payables arise from purchases on credit and are settled within the normal operating cycle.

Step 1: Identify the users with short-term claims Trade payables are suppliers to whom the firm owes money for credit purchases. Their immediate concern is whether adequate liquid resources will be available when their invoices become payable.

Step 2: Compare the remaining users Labour unions (A) mainly examine wages, employment security and the firm's capacity to provide benefits. Top management (C) and the finance manager (D) use analysis for broad planning, control and financial decisions. Trade payables are the users specifically identified by very short-term claims.

Step 3: Conclusion Hence, the correct option is (B), Trade Payables.

Quick Tip to Solve: Link the words "claims over a very short period" directly to suppliers and other short-term creditors.

OR

28(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 is the capacity to meet long-term financial commitments, including interest and repayment of debt.
- Liquidity concerns short-term obligations, while turnover and profitability measure efficiency and

earnings respectively.

Step 1: Match the time horizon The question asks about servicing debt in the long run. The relevant group must examine long-term financial stability and the ability to honour debt commitments. These are the purposes of solvency ratios, such as debt-equity and interest coverage ratios.

Step 2: Eliminate the other groups Liquidity ratios (A) address short-term payment ability. Turnover ratios (B) measure how efficiently assets are used, and profitability ratios (D) assess earning capacity. Neither directly names the group used for long-term debt-servicing ability.

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

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

29. 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 the enterprise.
- For a non-finance company, interest and dividends received are investing cash flows.

Step 1: Trace the receipt from customers Debtors arise from credit sales in the ordinary course of business. Collection from these debtors converts an operating receivable into cash and therefore produces a cash inflow from operating activities.

Step 2: Check each alternative Payment to creditors (A) is an operating cash outflow, so it cannot answer an inflow question. Interest received (B) and dividend received (C) by a non-finance company are investing inflows. Only the amount received from debtors (D) is both an inflow and operating in nature.

Step 3: Conclusion Hence, the correct option is (D), Amount received from debtors.

Quick Tip to Solve: Check two things separately: whether cash comes in, and whether it arises from normal trading operations.

30. The Quick Ratio of a company is 1 : 2. Which of the following transactions will result in an increase of 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 $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$; quick assets exclude inventory and prepaid expenses.
- The existing ratio $1 : 2$ means quick assets are one-half of current liabilities.

Step 1: Identify the increasing transaction Credit sale of goods increases trade receivables, which are quick assets. The accompanying reduction in inventory does not reduce quick assets because inventory was already excluded. Current liabilities remain unchanged; therefore the quick ratio rises.

Step 2: Test the other transactions Cash received from debtors (A) merely exchanges one quick asset for another, leaving the ratio unchanged. Credit purchase of goods (C) increases inventory and current liabilities without increasing quick assets, so the ratio falls. Cash purchase of goods (D) reduces cash and increases excluded inventory, so quick assets and the ratio fall.

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

Quick Tip to Solve: Ignore inventory when tracking the numerator; a credit sale adds a debtor without adding a liability.

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) Patents

(b) Unpaid dividend

(c) Prepaid Expenses [3 marks]

Solution:

Concept:

- Schedule III groups assets and liabilities by their nature and by current or non-current classification.
- An intangible asset has no physical substance; current liabilities are obligations due within the normal operating cycle or the prescribed short-term period.
- A prepaid expense is a payment for a benefit to be received in a future period; the usual current portion is an other current asset.

Step 1: Classify patents Patents confer a legal right over an invention and do not have physical substance. They appear under the major head Non-current assets, sub-head Fixed assets, and further category Intangible assets. Their lack of physical form distinguishes them from machinery and other

tangible fixed assets.

Step 2: Classify unpaid dividend A dividend that has been declared but remains unpaid is an amount owed by the company to shareholders. It is not a reserve or an addition to share capital. It appears under the major head Current liabilities and sub-head Other current liabilities.

Step 3: Classify prepaid expenses Prepaid expenses represent benefits for which payment has already been made but which have not yet been consumed. They are assets rather than expenses of the current period. In the usual short-term classification asked here, they appear under Current assets, sub-head Other current assets.

Step 4: Present the Balance Sheet classification Balance Sheet classification (Schedule III, Part I)

Item	Major head	Sub-head / further classification
Patents	Non-current assets	Fixed assets: Intangible assets
Unpaid dividend	Current liabilities	Other current liabilities
Prepaid expenses	Current assets	Other current assets

Step 5: Conclusion Patents: Non-current assets, intangible fixed assets; unpaid dividend: Other current liabilities; prepaid expenses: Other current assets.

Quick Tip to Solve: Distinguish a right (patent), an amount owed (unpaid dividend), and an unconsumed benefit (prepayment).

32. From the given information, calculate:

(a) Current Ratio

(b) Return on Capital Employed

Particulars	Amount (Rs.)
Liquid Assets	**8,00,000**
Inventory	**2,00,000**
Current Liabilities	**4,00,000**
Net Profit Before Tax	**12,80,000**
10% Debentures	**12,00,000**
Shareholders Funds	**16,00,000**

[3 marks]

Solution:

Concept:

- Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$; current assets equal liquid assets plus inventory when no other excluded current asset is given.
- Return on capital employed $= \dfrac{\text{Profit before interest and tax}}{\text{Capital employed}} \times 100$.
- Capital employed equals shareholders' funds plus long-term debt; add debenture interest to profit before tax to obtain profit before interest and tax.

Step 1: Calculate current assets and current ratio Liquid assets are Rs 8,00,000 and inventory is Rs

2,00,000. No prepaid expense or other adjustment is given. Thus,

$$\text{Current assets} = 8,00,000 + 2,00,000 = \text{Rs } 10,00,000,$$
$$\text{Current ratio} = \frac{10,00,000}{4,00,000} = 2.5 : 1.$$

This compares all current assets, including inventory, with the current obligations.

Step 2: Calculate profit before interest and tax The stated profit is before tax but after charging interest on debentures. The return on total long-term capital must use profit before interest as well as tax.

$$\text{Debenture interest} = 12,00,000 \times \frac{10}{100} = \text{Rs } 1,20,000,$$
$$\text{Profit before interest and tax} = 12,80,000 + 1,20,000$$
$$= \text{Rs } 14,00,000.$$

No tax is deducted because the required numerator is a pre-tax profit.

Step 3: Determine capital employed and return Both owners' funds and the long-term debenture financing contribute to capital employed:

$$\text{Capital employed} = 16,00,000 + 12,00,000 = \text{Rs } 28,00,000,$$
$$\text{Return on capital employed} = \frac{14,00,000}{28,00,000} \times 100 = 50\%.$$

Current liabilities are not added to this long-term financing measure, and the current-asset data are used separately for the current ratio.

Step 4: Conclusion (a) Current Ratio $= 2.5 : 1$. (b) Return on Capital Employed $= 50\%$.

Quick Tip to Solve: When profit is before tax only, add long-term debt interest before dividing by owners' funds plus long-term debt.

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:

- In a common size balance sheet, each equity and liability item is expressed as a percentage of total equity and liabilities; each asset is expressed as a percentage of total assets.
- For each year, common size percentage $= \dfrac{\text{Individual item}}{\text{Balance sheet total}} \times 100$. The base is Rs 8,00,000 for 2023 and Rs 5,00,000 for 2022.

Step 1: Calculate the percentages for both years For 2023, share capital is $4,00,000/8,00,000 \times 100 = 50\%$. Long-term borrowings and trade payables are each 25%. Fixed assets are 50%, while inventories and trade receivables are each 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%. Fixed assets are 70%; inventories are 14%, and trade receivables are 16%. Use the total for the same year in every calculation.

Step 2: Prepare the common size statement Common Size Balance Sheet of Geox Ltd. as at 31st March, 2023 and 2022

Particulars	2023 (%)	2022 (%)
I. Equity and Liabilities		
1. Shareholders' funds		
Share capital	50	50
2. Non-current liabilities		
Long-term borrowings	25	30
3. Current liabilities		
Trade payables	25	20
Total equity and liabilities	**100**	**100**
II. Assets		
1. Non-current assets		
Fixed assets/PPE and intangible assets	50	70
2. Current assets		
Inventories	25	14
Trade receivables	25	16
Total assets	**100**	**100**

Each side totals 100% independently. Current assets together account for 50% in 2023 against 30% in 2022; the fixed asset share falls correspondingly from 70% to 50%. This checks the classification and percentage totals.

Step 3: Conclusion The common size balance sheet above shows each side at 100% in both years, with share capital at 50% in each year.

Quick Tip to Solve: Use each year's own balance sheet total as the denominator; do not divide 2023 items by the 2022 total.

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	2022-23	2021-22
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:

- Absolute change equals the current year amount less the previous year amount. Percentage change equals absolute change divided by the previous year amount, multiplied by 100.
- Profit before tax equals revenue from operations less total expenses. Tax is 50% of profit before tax, and profit after tax is the balance.

Step 1: Compute total expenses, profit and tax 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 at 50% is Rs 1,50,000 and profit after tax is Rs 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 at 50% is Rs 1,00,000 and profit after tax is Rs 1,00,000. The same tax rate applies to both years.

Step 2: Prepare the comparative statement Comparative Statement of Profit and Loss for the years ended 31st March, 2022 and 2023

Particulars	2021-22 (Rs)	2022-23 (Rs)	Change (Rs)	Change (%)
Revenue from operations	8,00,000	10,00,000	2,00,000	25
Total revenue	8,00,000	10,00,000	2,00,000	25
Expenses:				
Employee benefit expenses	1,00,000	2,50,000	1,50,000	150
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
Profit before tax	3,00,000	2,00,000	(1,00,000)	(33.33)
Less: Tax at 50%	1,50,000	1,00,000	(50,000)	(33.33)
Profit after tax	1,50,000	1,00,000	(50,000)	(33.33)

Figures in parentheses denote decreases. For example, the decrease in profit after tax is $50,000/1,50,000 \times 100 = 33.33\%$, rounded to two decimal places. Revenue increases by 25%, but expenses increase by 60%, explaining the fall in profit.

Step 3: Conclusion Profit after tax falls from Rs 1,50,000 to Rs 1,00,000: a decrease of Rs 50,000, or approximately 33.33%.

Quick Tip to Solve: Calculate percentage changes using 2021-22 amounts as the base, and show a negative change for declining profit.

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:

- The indirect method starts with net profit before tax and adjusts non-cash and non-operating items to obtain operating profit before working-capital changes.
- Add depreciation and loss on sale of machinery; subtract gain on sale of investments and dividend income, since their cash effects belong to investing activities.
- An increase in operating current liabilities adds cash, whereas an increase in operating current assets or a decrease in current liabilities absorbs cash. Deduct actual income tax paid last.

Step 1: Reconstruct net profit before tax The surplus in the Statement of Profit and Loss is Rs 6,28,000. Restore the previous year's proposed dividend, an appropriation, and the provision for tax to determine profit before tax. The proposed dividend is not an operating cash outflow; any payment belongs to financing activities.

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

The tax provision is restored here because tax is charged to operating cash flow at the amount actually paid, rather than at the amount provided.

Step 2: Calculate operating cash flow by the indirect method Cash Flow Statement (extract): Cash Flows from Operating Activities

Particulars	Amount (Rs)
Net profit before tax	8,50,000
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 (excluding 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 current-asset increase ties up cash in operations. The liability increase postpones cash payments, while the liability decrease represents an additional cash payment. These opposite effects explain the signs used above.

Step 3: Conclusion Net cash inflow from operating activities is $\boxed{\text{Rs } 3,73,000}$.

Quick Tip to Solve: Restore the previous year's proposed dividend and tax provision to surplus first; subtract only tax actually paid at the end.

OPTION II (Computerised Accounting)

27(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:

- Block coding reserves a separate range of numerical codes for each category of accounts, goods or entities.
- Sequential coding allocates successive numbers, while mnemonic coding uses meaningful letters or abbreviations.

Step 1: Identify the grouping principle Codes 100–199 are reserved for cycle tyres, and the distinct range 200–299 is reserved for cycle seats. Each product category therefore has its own numerical block.

Step 2: Compare the other choices Sequential codes would simply follow one another without these category-based reserved ranges. Mnemonic codes would suggest the item through letters or abbreviations. Secret codes conceal meaning; the table instead identifies categories through stated ranges.

Step 3: Conclusion The correct option is (A): Block code.

Quick Tip to Solve: Look for a whole reserved numerical interval per category: 100–199 and 200–299 indicate blocks.

OR

27(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:

- In Excel, ##### commonly indicates that the column is too narrow to display its formatted numeric value.
- Error displays must be distinguished: division by zero gives #DIV/0!, whereas an unavailable value gives #N/A.

Step 1: Recognise the display condition The cell can contain a valid number or date while the column lacks enough display width. Excel then shows hash symbols instead of the complete value. Increasing column width allows the value to appear.

Step 2: Eliminate the alternatives Division by zero and unavailable values have their own error codes, so options (B) and (C) do not describe this display. Exceptions in a data summary do not define the hash display, eliminating (D).

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

Quick Tip to Solve: For a row of hash symbols, first widen the column or reduce the numeric display width.

28. 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 categories as sectors showing their shares of a single total.
- The textbook guideline for a clear pie chart is no more than seven categories; too many slices make comparisons difficult.

Step 1: Apply the pie-chart category guideline For this question, the prescribed category limit is seven. This is the recommended number for an effective, readable pie chart, in which each category is shown as a slice of the whole.

Step 2: Compare the offered numbers Four categories can be shown but do not give the stated upper guideline. Twelve and twenty produce too many slices for that guideline. The listed choice matching seven is option (D). This guideline concerns clarity of presentation rather than an absolute software restriction.

Step 3: Conclusion The correct option is (D): 7.

Quick Tip to Solve: For this textbook pie-chart question, recall the seven-category guideline and distinguish it from software capacity.

29(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:

- An accounting information system divides related accounting tasks among specialised sub-systems.
- The cash and bank sub-system records receipts, payments, bank movements and electronic funds transfers.

Step 1: Match the transactions to their function Both cash receipts and cash payments change cash or bank balances. Electronic funds transfer also moves money through bank accounts. These activities therefore share the cash and bank function.

Step 2: Distinguish the remaining sub-systems Sales and accounts receivable focuses on sales and amounts due from customers. Purchase and accounts payable focuses on purchases and suppliers. Costing collects and analyses costs. None of these describes the overall receipts, payments and electronic transfer function.

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

Quick Tip to Solve: Group cash receipts, payments and electronic transfers together: all directly affect cash or bank balances.

OR

29(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 collects transactions over a period and processes the accumulated set together in one run.
- Real-time processing updates records as transactions occur, while validation checks the acceptability of data.

Step 1: Identify the timing of processing The question states that data from different sources is accumulated and then processed in one shot. The processing is therefore deferred until a collection, or batch, has been assembled.

Step 2: Eliminate other descriptions Real-time processing would process transactions immediately rather than wait for accumulation. Data validation checks data against rules and is not a processing schedule. Processing and revalidation describes checking again, not the one-run treatment of accumulated transactions.

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

Quick Tip to Solve: Underline accumulated and one shot: together these words identify batch processing rather than immediate updates.

30. **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 integrates Data, People, Procedures, Hardware and Software.
- People operate and supervise the system; procedures prescribe how accounting data is collected, processed and reported.

Step 1: Identify the omitted elements Data, hardware and software are already stated. The remaining two pillars are people, who use the system, and procedures, which define the sequence of accounting operations.

Step 2: Check the alternatives Printer and mouse in (A), and mouse and CPU in (C), are hardware components, so neither pair supplies two additional pillars. Information and accounts in (D) are outputs or accounting records, rather than the missing pillars.

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

Quick Tip to Solve: Recall the five pillars as the data, users, operating rules, physical equipment and programs.

31. **Explain the advantages of using charts.** [3 marks]

Solution:

Concept:

- Charts present numerical data graphically through bars, lines, sectors or other suitable visual forms.
- The purpose of a chart is to communicate comparisons, patterns and trends clearly.

Step 1: Easy understanding and concise presentation A chart summarises a large volume of numerical data in a simple visual form. Instead of reading many rows and columns, the user can grasp the overall position quickly. For example, a chart of monthly sales gives an immediate picture of the business performance over the year.

Step 2: Comparison of data Charts make comparisons between different items, periods or groups easier. A bar chart of the sales of different products shows which product has higher or lower sales. Relative heights or sizes help the user identify major differences without repeatedly comparing individual figures in a table.

Step 3: Recognition of trends and better decisions A chart makes a rising or falling trend, a fluctuation or an exceptional value more visible. For example, a line chart can show whether expenses are rising

faster than sales. This improves the communication of accounting information and helps management analyse performance and make timely decisions. A suitable chart title, scale and labels are necessary for correct interpretation.

Step 4: Conclusion Thus, charts simplify numerical information, facilitate comparisons and reveal trends, making accounting information easier to interpret and use.

Quick Tip to Solve: Link each advantage to a concrete use: grasp the total picture, compare items, and spot changes over time.

32. Explain 'Sequential Code' and 'Mnemonic Code' with the help of an example. [3 marks]

Solution:

Concept:

- Coding assigns a short symbol or number to an account or item so that it can be identified consistently.
- Sequential codes follow a serial order, whereas mnemonic codes use meaningful letters that suggest the item name.

Step 1: Sequential code: meaning and example In sequential coding, consecutive numbers are assigned to accounts or items in a predetermined order. Each new item receives the next available number; the number itself need not describe the nature of the account. For example, employees may be coded 001, 002, 003 and 004 in the order in which their records are created. Employee 005 is the next record in that sequence. This is simple to allot and helps identify missing or duplicate numbers.

Step 2: Mnemonic code: meaning and example A mnemonic code consists of abbreviations or letters associated with the name or description of an account or item. Because the code suggests its meaning, it is easier to remember. For example, CASH may identify the Cash Account and PUR may identify the Purchases Account. The letters are chosen from the relevant account names, rather than being allocated solely according to their position in a numerical sequence.

Step 3: Distinguish the basis The key difference is the basis of assignment: a sequential code indicates an ordered serial position, while a mnemonic code helps recall the identity or description. Both codes should uniquely identify their respective records to avoid confusion in accounting data entry.

Step 4: Conclusion Sequential code: consecutive serial numbers, such as 001, 002 and 003. Mnemonic code: meaningful abbreviations, such as CASH for Cash Account and PUR for Purchases Account.

Quick Tip to Solve: Use a serial-number example for sequential coding and a recognisable account abbreviation for mnemonic coding.

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

Solution:

Concept:

- A computerised accounting system records and processes accounting transactions using software and a computer.
- Its advantages arise from automatic processing, consistent application of rules and prompt availability of information.

Step 1: Speed A computerised accounting system processes a large number of transactions rapidly. Posting, totalling and preparation of accounting reports take much less time than manual processing. This allows a business with many daily transactions to keep its accounting records up to date.

Step 2: Accuracy The computer carries out arithmetic calculations and applies the programmed posting rules consistently. Thus, errors in addition, subtraction and repeated calculations are reduced. Accuracy still depends on correct input data and appropriate software configuration; the system cannot make an incorrect source entry correct merely by processing it.

Step 3: Reliability When the same valid data is processed under the same rules, the system produces consistent results. It does not suffer from fatigue while carrying out repetitive calculations. This makes regularly generated accounting information dependable, provided the system and its data are properly maintained.

Step 4: Up-to-date information Once a transaction is entered, the related records and balances can be updated automatically. Reports such as ledger balances, a trial balance or financial statements can therefore be generated promptly from the latest available data. Timely information helps management monitor the business and take decisions without waiting for lengthy manual compilation.

Step 5: Conclusion Four advantages are speed, accuracy, reliability and availability of up-to-date accounting information.

Quick Tip to Solve: State each advantage separately and add its direct accounting benefit, such as faster posting or promptly updated balances.

OR

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

Solution:

Concept:

- Security in a Computerised Accounting System (CAS) protects accounting records against unauthorised access and unauthorised changes.
- Password security controls entry to the system; data audit provides a trail of changes to recorded data so that responsibility can be established.

Step 1: Explain password security A password is a confidential sequence of characters used to

authenticate a user before access to the accounting software or its data is allowed. Only a person who supplies the valid password can enter the protected system. Separate user identities and passwords enable access rights to be assigned according to each person's duties: for example, an operator may enter vouchers while an authorised manager approves changes or views sensitive reports. Thus, access to accounting information is restricted to authorised persons.

Passwords should be kept confidential, should not be shared, and should be changed periodically. Using a difficult-to-guess combination of characters reduces the possibility that an unauthorised person can discover it. These precautions help preserve the confidentiality of financial information and prevent misuse of the system through another person's login.

Step 2: Explain data audit Data audit is the security facility that maintains an audit trail of additions, alterations and deletions made to accounting records. The trail records relevant details such as the user responsible, the date and time of the action and the nature of the change. It therefore enables an authorised reviewer to trace a transaction or a change back to its origin.

For example, if the amount of a sales voucher is altered after entry, the audit trail helps identify the alteration and the user who made it. This makes users accountable for their actions, helps detect unauthorised or erroneous changes, and supports checking the reliability and integrity of the accounts. The reviewer can investigate doubtful changes instead of relying only on the current balances.

Step 3: Conclusion Password security restricts access to authorised users, while data audit traces changes and fixes responsibility for them. Together they protect the confidentiality and integrity of accounting data.

Quick Tip to Solve: Remember the distinction: a password checks who may enter; a data audit trail shows who changed the records and when.

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

Solution:

Concept:

- LOOKUP searches for a specified value in a row or column and returns the corresponding value from a result range. Its two syntax forms are the vector form and the array form.
- The search values must be arranged in ascending order. LOOKUP returns an exact match when available; otherwise, it uses the largest search value less than or equal to the lookup value.

Step 1: Explain the vector form and its arguments The vector form uses a single row or single column as the search range and another single row or single column as the result range. Its syntax is:

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

Here, `lookup_value` is the value to be searched, which may be a number, text or a cell reference. The `lookup_vector` is a range containing only one row or one column, sorted in ascending order. The optional `result_vector` is the row or column from which the corresponding result is returned. It must contain the same number of entries as the lookup vector. If it is omitted, LOOKUP returns the matched value from the lookup vector itself. Square brackets indicate an optional argument and are

not typed in the formula.

For example, suppose A2:A5 contains the ascending employee codes 101, 102, 103 and 104, and C2:C5 contains the corresponding names Asha, Bharat, Chitra and Deepak. The formula `=LOOKUP(103,A2:A5,C2:C5)` searches for 103 in the first range and returns Chitra from the third position of the result range. The two ranges need not be adjacent.

Step 2: Explain the array form and its arguments The array form uses one rectangular range containing both the search values and the results. Its syntax is:

```
=LOOKUP(lookup_value, array)
```

The `lookup_value` is the value to be searched, and `array` is the range of cells containing the search and result data. If the array has more columns than rows, LOOKUP searches its first row and returns the corresponding value from its last row. If it has as many rows as columns, or more rows than columns, LOOKUP searches its first column and returns the corresponding value from its last column. The search row or column must be in ascending order.

For example, let A2:B5 contain the same four ascending employee codes in column A and their names in column B. The formula `=LOOKUP(103,A2:B5)` searches the first column of this four-row, two-column array and returns Chitra from the last column in the matching row. The array's shape determines the search direction, whereas the vector form specifies the search and result ranges explicitly.

Step 3: Apply the common matching rule In either form, an exact match is used if it exists. If the lookup value lies between two sorted search values, the function uses the smaller of those bounding values, that is, the largest value that does not exceed the lookup value. If the lookup value is smaller than the smallest search value, the function returns the `#N/A` error. Sorting is therefore essential for a reliable result; LOOKUP should not be treated as an exact-match-only search of unsorted data.

Step 4: Conclusion The vector form is `LOOKUP(lookup_value, lookup_vector, [result_vector])`; the array form is `LOOKUP(lookup_value, array)`. The former specifies separate search and result vectors, while the latter uses the first and last row or column of one array according to its shape.

Quick Tip to Solve: In vector form, count equal entries in the two ranges; in array form, inspect the range's shape to identify its first search row or column and its last result row or column.