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

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. ***Assertion (A) :*** **In a partnership firm, at the time of admission, the new partner brings in an agreed amount of capital either in cash or in kind.**

Reason (R) : **In a partnership firm, at the time of admission, the new partner acquires the right to share the assets and the profits of the partnership firm.**

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:

- A new partner contributes agreed capital for acquiring an ownership interest in the firm.
- Admission gives the incoming partner rights in the assets and future profits.

Step 1: Judge the assertion The assertion is correct. At admission the incoming partner brings the capital agreed with the existing partners. It may be contributed as cash or as assets in kind; capital is not restricted to a cash contribution.

Step 2: Judge the reason The reason is also correct. By becoming a partner, the incoming partner obtains the right to share the assets of the firm and its future profits according to the agreement.

Step 3: Connect the statements The acquisition of these partnership rights explains the agreed capital contribution. Thus the reason explains the assertion; the option saying both are true without an explanatory connection is unsuitable.

Step 4: Conclusion Both A and R are correct, and R correctly explains A. The correct option is (A).

Quick Tip to Solve: Link the incoming partner's capital contribution to the ownership rights acquired on admission.

2. Misha Ltd. issued 6,000, 8% Debentures of Rs. 100 each at Rs. 96 per debenture. 8% Debentures Account will be credited by : [1 mark]

(A) Rs. 5,76,000

(B) Rs. 24,000

(C) Rs. 6,00,000

(D) Rs. 60,000

Correct Answer: (C) Rs. 6,00,000

Solution:

Concept:

- Debentures Account records the nominal value of the debentures issued.
- Issue discount is the difference between face value and issue price; it does not reduce the liability recorded.

Step 1: Compute the nominal liability For 6,000 debentures of face value Rs 100 each, the credit is

$$6,000 \times 100 = \text{Rs } 6,00,000.$$

The stated 8% is the annual interest rate, so it does not determine this issue credit.

Step 2: Distinguish proceeds and discount Cash received is $6,000 \times 96 = \text{Rs } 5,76,000$, and discount is $6,000 \times 4 = \text{Rs } 24,000$. These explain options (A) and (B), respectively, but neither is the face-value liability. Rs 60,000 in (D) is also not the total nominal amount.

Step 3: Conclusion 8% Debentures Account is credited with Rs 6,00,000. The correct option is (C).

Quick Tip to Solve: Multiply the number issued by face value whenever the question asks the Debentures Account credit.

3(i). Bhim, Arjun and Nakul were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. With effect from 1st April, 2023, they agreed to share profits equally. Due to change in the profit sharing ratio, Arjun's gain or sacrifice will be : [1 mark]

(A) Sacrifice 1/30

(B) Gain 1/30

(C) Sacrifice 1/15

(D) Gain 1/15

Correct Answer: (B) Gain 1/30

Solution:

Concept:

- Gain in share equals new share minus old share.
- A positive difference is a gain; a negative difference is a sacrifice.

Step 1: Identify the two shares Arjun's old share in the ratio $4 : 3 : 3$ is $3/10$. There are three partners

sharing equally after the change, so his new share is $1/3$.

Step 2: Compute and interpret the difference

$$\text{Gain} = \frac{1}{3} - \frac{3}{10} = \frac{10-9}{30} = \frac{1}{30}.$$

The new share exceeds the old share, excluding both sacrifice options. The difference is $1/30$, not $1/15$, so the other gain option is also incorrect.

Step 3: Conclusion Arjun gains $1/30$. The correct option is (B).

Quick Tip to Solve: Write new share minus old share first; its sign immediately distinguishes gain from sacrifice.

OR

3(ii). Neeru and Meetu are partners in a firm with capitals of Rs. 2,00,000 and Rs. 1,50,000 respectively. If the firm earned a profit of Rs. 17,500 for the year ended 31st March, 2023, then interest on capital @ 10% p.a. would be : [1 mark]

(A) Neeru Rs. 15,000; Meetu Rs. 20,000

(B) Neeru Rs. 8,750; Meetu Rs. 8,750

(C) Neeru Rs. 20,000; Meetu Rs. 15,000

(D) Neeru Rs. 10,000; Meetu Rs. 7,500

Correct Answer: (D) Neeru Rs. 10,000; Meetu Rs. 7,500

Solution:

Concept:

- Interest on capital is an appropriation of profit unless the agreement provides otherwise.
- When available profit is insufficient, distribute it in the ratio of the interest entitlements.

Step 1: Find full interest entitlements At 10% p.a., Neeru's interest is $2,00,000 \times 10/100 = \text{Rs } 20,000$, and Meetu's is $1,50,000 \times 10/100 = \text{Rs } 15,000$. Total entitlement is Rs 35,000, in the ratio $4:3$.

Step 2: Restrict the appropriation to profit Available profit is only Rs 17,500. Neeru receives $17,500 \times 4/7 = \text{Rs } 10,000$, and Meetu receives $17,500 \times 3/7 = \text{Rs } 7,500$. Options (A) and (C) exceed the profit, while (B) ignores unequal entitlements.

Step 3: Conclusion Interest on capital: Neeru Rs 10,000; Meetu Rs 7,500. The correct option is (D).

Quick Tip to Solve: Compare total interest with profit before distributing; insufficient profit follows the interest ratio.

4. Manas and Ranvir are partners in a firm having capital balances of Rs. 1,20,000 and Rs. 80,000 respectively. Sanju is admitted as a new partner in the firm for 1/5th share in future profits. Sanju brought Rs. 1,00,000 as his capital. The goodwill of the firm on Sanju's admission will be : [1 mark]

(A) Rs. 5,00,000

(B) Rs. 2,00,000

(C) Rs. 3,00,000

(D) Rs. 1,00,000

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

Solution:

Concept:

- Implied total capital equals incoming partner's capital divided by the incoming profit share.
- Hidden goodwill equals implied total capital minus the aggregate actual capital after admission.

Step 1: Infer capitalised value of the firm Sanju contributes Rs 1,00,000 for a $1/5$ share. Therefore the implied capital value is

$$1,00,000 \div \frac{1}{5} = \text{Rs } 5,00,000.$$

This is the firm's implied total value, not goodwill alone.

Step 2: Deduct actual aggregate capital Actual combined capital after admission is $1,20,000 + 80,000 + 1,00,000 = \text{Rs } 3,00,000$. Hence hidden goodwill is $5,00,000 - 3,00,000 = \text{Rs } 2,00,000$. Options (A) and (C) confuse total values with their difference, and (D) is Sanju's contribution.

Step 3: Conclusion The goodwill of the firm is Rs 2,00,000. The correct option is (B).

Quick Tip to Solve: Subtract all partners' actual capitals, including the new partner's capital, from the implied total.

5(i). On 1st January, 2023, Abhishek, a partner, advanced a loan of Rs. 3,00,000 to the firm. In the absence of a partnership agreement, the amount of interest on the loan for the year ending 31st March, 2023 will be : [1 mark]

(A) Rs. 18,000

(B) Rs. 4,500

(C) Rs. 9,000

(D) No interest will be provided

Correct Answer: (B) Rs. 4,500

Solution:

Concept:

- In the absence of an agreement, a partner's loan to the firm carries interest at 6% per annum.
- Interest for part of a year equals principal times annual rate times months divided by 12.

Step 1: Select rate and time The advance is a loan distinct from the partner's capital. Therefore the

applicable rate in the absence of an agreement is 6% p.a. From 1st January to 31st March, 2023, the loan remains outstanding for three months.

Step 2: Calculate interest and compare options

$$I = 3,00,000 \times \frac{6}{100} \times \frac{3}{12} = \text{Rs } 4,500.$$

Rs 18,000 is a full year's interest and Rs 9,000 represents six months. Providing no interest confuses the rule for capital with the separate rule for a partner's loan.

Step 3: Conclusion Interest on the loan is Rs 4,500. The correct option is (B).

Quick Tip to Solve: For a partner's loan without an agreement, use 6% and then adjust for the actual months outstanding.

OR

5(ii). If a partner withdraws a fixed amount at the end of each quarter, interest on drawings will be charged for _____ months. [1 mark]

(A) 9

(B) 7 1/2

(C) 6

(D) 4 1/2

Correct Answer: (D) 4 1/2

Solution:

Concept:

- For equal drawings at equal intervals, interest may be calculated using their average outstanding period.
- Average period is the arithmetic mean of the periods for which the individual drawings remain outstanding.

Step 1: List the quarter-end periods In an annual accounting period, drawings made at the end of the first, second, third and fourth quarters remain outstanding for 9, 6, 3 and 0 months respectively. The last withdrawal is at year-end and therefore carries no time within that year.

Step 2: Find the average period

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

Nine months refers only to the first drawing, while six months is not the average here. The $7\frac{1}{2}$-month period applies to equal drawings at the beginning of each quarter.

Step 3: Conclusion Interest is charged for an average period of $4\frac{1}{2}$ months. The correct option is (D).

Quick Tip to Solve: For quarter-end drawings, average the first and last periods: $(9+0)/2 = 4.5$ months.

6. ***Assertion (A) :*** **The court does not intervene when dissolution of partnership takes place.**

Reason (R) : **Dissolution of partnership takes place by mutual agreement between the partners.**

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:

- Dissolution of partnership refers to a change in the existing relationship among partners.
- Mutual agreement can terminate the existing partnership relationship without court intervention.

Step 1: Judge the assertion The assertion is correct in the distinction used here between dissolution of partnership and dissolution of the firm. Dissolution of partnership changes the existing relationship among partners; court intervention is not required for this reconstitution.

Step 2: Judge the reason The reason is correct. Partners may mutually agree to terminate their existing relationship and enter a changed arrangement. The existing partnership is thereby dissolved, even when the business continues.

Step 3: Check the explanatory connection Because the change takes place by mutual agreement of the partners, a court need not intervene. The reason therefore explains the assertion. This question concerns dissolution of partnership; dissolution of a firm by a court is a separate mode of ending the business relationship altogether.

Step 4: Conclusion Both A and R are correct, and R correctly explains A. The correct option is (A).

Quick Tip to Solve: Distinguish a change in partnership relations from dissolution of the firm before judging the statements.

7(i). Nominal/Authorised share capital is : [1 mark]

(A) that part of the share capital which is issued by the company.

(B) the amount of share capital which is actually applied for by the prospective shareholders.

(C) the maximum amount of share capital which a company is authorised to issue.

(D) the amount actually paid by the shareholders.

Correct Answer: (C) the maximum amount of share capital which a company is authorised to issue.

Solution:

Concept:

- Authorised or nominal capital is the maximum share capital a company is authorised to issue.
- Issued, subscribed and paid-up capital describe different stages within that authorised limit.

Step 1: Apply the definition Nominal or authorised share capital is the ceiling stated in the company's Memorandum of Association. It represents the maximum share capital that the company is authorised to issue, so the definition in option (C) directly matches it.

Step 2: Distinguish the other descriptions Option (A) describes issued capital, the portion offered for subscription. Option (B) describes subscribed capital, the portion applied for by prospective shareholders. Option (D) describes paid-up capital, the amount actually paid by shareholders. None of these is the company's authorised ceiling.

Step 3: Conclusion The maximum share capital authorised to be issued is nominal/authorised capital. The correct option is (C).

Quick Tip to Solve: Match capital terms in order: authorised ceiling, issued offer, subscribed applications, paid-up receipts.

OR

7(ii). The debentures which do not have a specific charge on the assets of the company are called : [1 mark]

(A) Redeemable Debentures

(B) Unsecured Debentures

(C) Zero Coupon Rate Debentures

(D) Non-Convertible Debentures

Correct Answer: (B) Unsecured Debentures

Solution:

Concept:

- A secured debenture carries a charge on specified assets; an unsecured debenture has no such specific charge.
- Debentures may also be classified separately by redemption, interest rate and convertibility.

Step 1: Identify the basis of classification The question describes the security available to debenture holders. The absence of a specific charge on company assets identifies unsecured debentures.

Step 2: Eliminate the other classifications Redeemable describes repayment at a stipulated time. Zero coupon rate describes the absence of periodic coupon interest. Non-convertible describes the inability to convert the debt into shares. None of these terms states that the debt lacks a specific charge.

Step 3: Conclusion The debentures are Unsecured Debentures. Hence, the correct option is (B).

Quick Tip to Solve: Look for the words specific charge: they classify debentures by security.

8. Ashu and Basu are partners sharing profits and losses in the ratio of 2 : 1. Chetan is admitted as a new partner with 1/4th share in the profits which he acquires equally from Ashu and Basu. The new profit sharing ratio between Ashu, Basu and Chetan will be : [1 mark]

(A) 13 : 5 : 6

(B) 13 : 2 : 1

(C) 2 : 13 : 5

(D) 1 : 1 : 1

Correct Answer: (A) 13 : 5 : 6

Solution:

Concept:

- New share equals old share less the share sacrificed by that partner.
- An equal acquisition from two partners means each sacrifices half of the incoming partner's share.

Step 1: Calculate each sacrifice Chetan acquires $\frac{1}{4}$ equally from Ashu and Basu, so each gives up $\frac{1}{4} \times \frac{1}{2} = \frac{1}{8}$. The sacrifice is equal even though their old shares differ.

Step 2: Calculate and compare the new shares Ashu retains $\frac{2}{3} - \frac{1}{8} = \frac{13}{24}$, Basu retains $\frac{1}{3} - \frac{1}{8} = \frac{5}{24}$, and Chetan receives $\frac{1}{4} = \frac{6}{24}$. Their shares total $\frac{24}{24} = 1$. Thus the ratio is $13 : 5 : 6$. The other ratios do not preserve the required individual sacrifices and Chetan's quarter share.

Step 3: Conclusion The new profit sharing ratio is $13 : 5 : 6$. Hence, the correct option is (A).

Quick Tip to Solve: Subtract 1/8 from each old share; do not distribute the sacrifice in the old ratio.

9(i). If a share of Rs. 100 on which Rs. 70 has been paid is forfeited, then at which minimum price can it be re-issued ? [1 mark]

(A) Rs. 100

(B) Rs. 30

(C) Rs. 70

(D) Rs. 130

Correct Answer: (B) Rs. 30

Solution:

Concept:

- Discount on reissue of a forfeited share cannot exceed the capital amount forfeited on that share.
- Minimum reissue price as fully paid equals face value less the amount forfeited.

Step 1: Find the permitted discount The face value is Rs 100 and Rs 70 has been paid towards share capital. Therefore Rs 70 stands forfeited and is the maximum discount permitted on reissue.

Step 2: Find the minimum reissue price

$$\text{Minimum price} = 100 - 70 = \text{Rs } 30.$$

Reissuing at Rs 30 uses the entire forfeited amount to cover the discount. Rs 70, Rs 100 and Rs 130 are possible higher prices, but none is the minimum asked for.

Step 3: Conclusion The minimum reissue price is Rs 30 per share. Hence, the correct option is (B).

Quick Tip to Solve: Deduct the forfeited capital from face value to obtain the lowest fully paid reissue price.

OR

9(ii). If a share of Rs. 10 issued at a premium of Rs. 2 per share, on which Rs. 8 (including premium) has been called and Rs. 6 (including premium) has been paid by the shareholder, is forfeited, then Share Capital Account will be debited with : [1 mark]

(A) Rs. 10

(B) Rs. 4

(C) Rs. 8

(D) Rs. 6

Correct Answer: (D) Rs. 6

Solution:

Concept:

- On forfeiture, Share Capital Account is debited with the called-up share capital, excluding securities premium.
- Capital called up equals total amount called less premium included in that amount.

Step 1: Separate premium from the call The total called amount is Rs 8 per share, including premium

of Rs 2. Thus the capital called up is $8 - 2 =$ Rs 6. The face value of Rs 10 is not fully called.

Step 2: Identify the debit to Share Capital Share Capital Account reverses called-up nominal capital, so it is debited by Rs 6. Rs 10 is face value, Rs 8 includes premium, and Rs 4 is capital actually received $(6 - 2)$. The cash received does not determine the Share Capital debit on forfeiture.

Step 3: Conclusion Share Capital Account will be debited with Rs 6 per share. Hence, the correct option is (D).

Quick Tip to Solve: For the Share Capital debit, remove premium from called-up money, not from face value.

10. On 1st April, 2022, Mega Ltd. issued 30,000, 10% Debentures of Rs. 100 each at a discount of 10%. The total amount of interest due on debentures for the year ending 31st March, 2023 will be : [1 mark]

(A) Rs. 2,70,000

(B) Rs. 3,00,000

(C) Rs. 27,000

(D) Rs. 30,000

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

Solution:

Concept:

- Debenture interest is calculated on nominal value, irrespective of the issue price.
- Interest equals number of debentures times face value times annual rate times time in years.

Step 1: Find the interest-bearing amount The nominal debenture amount is $30,000 \times 100 =$ Rs $30,00,000$. The 10 percent issue discount affects proceeds, not the principal on which coupon interest is due.

Step 2: Calculate the full-year interest From 1 April 2022 to 31 March 2023 the debentures are outstanding for a full year. Hence

$$I = 30,00,000 \times \frac{10}{100} = \text{Rs } 3,00,000.$$

Rs 2,70,000 incorrectly applies interest to discounted proceeds; Rs 27,000 and Rs 30,000 additionally understate the scale of the calculation.

Step 3: Conclusion The interest due is Rs 3,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Use face value for coupon interest; the issue discount never reduces its base.

11. At the time of dissolution of a firm, the total assets were Rs. 6,00,000 and outside liabilities were Rs. 2,40,000. If assets realised Rs. 7,20,000 and realisation expenses of Rs. 8,000 were paid, the profit or loss on realisation will be : [1 mark]

(A) Loss Rs. 1,20,000

(B) Profit Rs. 1,20,000

(C) Loss Rs. 1,12,000

(D) Profit Rs. 1,12,000

Correct Answer: (D) Profit Rs. 1,12,000

Solution:

Concept:

- Realisation profit equals realisation proceeds less book value of assets and realisation expenses, with any gain or loss on settling liabilities included.
- Where no different settlement amount is given, outside liabilities are paid at their book value and create no gain or loss.

Step 1: Find the gain on asset realisation Assets of book value Rs 6,00,000 realise Rs 7,20,000. The gain is $7,20,000 - 6,00,000 = \text{Rs } 1,20,000$. Outside liabilities of Rs 2,40,000 transferred and settled at book value cancel in determining profit.

Step 2: Deduct realisation expenses

$$\text{Realisation profit} = 1,20,000 - 8,000 = \text{Rs } 1,12,000.$$

The positive excess makes it a profit. Rs 1,20,000 ignores expenses, while either loss option reverses the nature of the result.

Step 3: Conclusion The profit on realisation is Rs 1,12,000. Hence, the correct option is (D).

Quick Tip to Solve: Liabilities settled at book value cancel; subtract realisation expenses from the asset gain.

12. Which of the following items *cannot* be recorded in the capital account of partners if the capital accounts of partners are fixed ? [1 mark]

(A) Drawings

(B) Withdrawal of capital

(C) Introduction of additional capital

(D) Opening balance of capital

Correct Answer: (A) Drawings

Solution:

Concept:

- Under the fixed capital method, the capital account records opening capital and permanent additions or withdrawals of capital.
- Routine adjustments such as drawings, interest, salary and profit share are recorded in a separate

current account.

Step 1: Identify routine drawings Drawings are withdrawals for personal use during the accounting period. Under the fixed capital method they are debited to the partner's Current Account, so they cannot be recorded in the fixed Capital Account.

Step 2: Check each remaining choice Withdrawal of capital is a permanent reduction and therefore debits the Capital Account. Additional capital is a permanent increase and credits it. The opening capital balance is carried in that account. Thus options (B), (C) and (D) are all compatible with fixed capital accounts.

Step 3: Conclusion Drawings cannot be recorded in the fixed Capital Account. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish routine personal drawings from an agreed permanent withdrawal of capital.

13. Maharaja Ltd. took over assets of Rs. 15,00,000 and liabilities of Rs. 2,00,000 of Dolphin Ltd. for an agreed purchase consideration of Rs. 12,60,000. It was agreed that the purchase consideration will be paid by issuing 11% Debentures of Rs. 100 each at 10% discount. The number of debentures issued will be : [1 mark]

(A) 13,000

(B) 12,600

(C) 10,000

(D) 14,000

Correct Answer: (D) 14,000

Solution:

Concept:

- Number of debentures equals purchase consideration payable divided by the issue price of one debenture.
- Issue price at a discount equals face value less the discount; the coupon rate affects interest rather than issue proceeds.

Step 1: Calculate the issue price Each Rs 100 debenture is issued at a 10 percent discount. Its issue price is $100 - 100 \times \frac{10}{100} = \text{Rs } 90$. The 11 percent coupon rate is not used in this calculation.

Step 2: Divide the agreed consideration by issue price

$$\text{Number} = \frac{12,60,000}{90} = 14,000.$$

The agreed purchase consideration is the amount to discharge; assets less liabilities do not replace it. The 13,000 choice uses net assets and face value, 12,600 ignores the discount, and 10,000 does not discharge Rs 12,60,000 at Rs 90 each.

Step 3: Conclusion The company issues 14,000 debentures. Hence, the correct option is (D).

Quick Tip to Solve: Use the agreed purchase consideration and discounted issue price, not net assets or coupon rate.

14. Vivek and Nisha were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2022, their capitals were Rs. 8,00,000 and Rs. 4,00,000 respectively. On 1st July, 2022, Vivek introduced additional capital of Rs. 2,00,000. During the year, Vivek's drawings were Rs. 40,000 while drawings of Nisha were Rs. 80,000. As per the partnership agreement, interest on capital is allowed @ 6% p.a., interest on drawings will be charged @ 5% p.a. The net profit for the year ended 31st March, 2023 amounted to Rs. 6,50,000.

The amount of interest on drawings of Nisha would be : [1 mark]

(A) Rs. 2,000

(B) Rs. 1,000

(C) Rs. 4,000

(D) Rs. 4,800

Correct Answer: (A) Rs. 2,000

Solution:

Concept:

- Interest on drawings equals drawings times annual interest rate times the average period in years.
- When the dates of drawings are unspecified, interest on the total annual drawings is calculated for an average period of six months.

Step 1: Select the drawings and average period Nisha withdrew Rs 80,000 during the year. No dates for her withdrawals are specified, so the standard average period is six months. Her opening capital and the partners' profit sharing ratio do not enter interest on drawings.

Step 2: Calculate interest and check the alternatives

$$I = 80,000 \times \frac{5}{100} \times \frac{6}{12} = \text{Rs } 2,000.$$

Rs 4,000 charges a full year instead of the average period. Rs 1,000 would use a quarter year, and Rs 4,800 uses an incorrect rate or base. The 6 percent capital-interest rate is separate.

Step 3: Conclusion Interest on Nisha's drawings is Rs 2,000. Hence, the correct option is (A).

Quick Tip to Solve: With unspecified dates, apply the drawings rate to the annual total for six months.

15. Vivek and Nisha were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2022, their capitals were Rs. 8,00,000 and Rs. 4,00,000 respectively. On 1st July, 2022, Vivek introduced additional capital of Rs. 2,00,000. During the year, Vivek's drawings were Rs. 40,000 while drawings of Nisha were Rs. 80,000. As per the partnership agreement, interest on capital is allowed @ 6% p.a., interest on drawings will be charged @ 5% p.a. The net profit for the year ended 31st March, 2023 amounted to Rs. 6,50,000.

Interest on capital payable to Vivek will be : [1 mark]

(A) Rs. 48,000

(B) Rs. 60,000

(C) Rs. 57,000

(D) Rs. 24,000

Correct Answer: (C) Rs. 57,000

Solution:

Concept:

- Interest on capital is calculated separately for each capital amount according to the time it remains invested: $I = C \times r \times t$.
- Ordinary drawings do not reduce the agreed capital base for this calculation; interest on drawings is a separate appropriation.

Step 1: Calculate interest on opening capital Vivek has opening capital of Rs 8,00,000 from 1st April, 2022 to 31st March, 2023, a complete year. Therefore, interest on this amount is

$$8,00,000 \times \frac{6}{100} = \text{Rs } 48,000.$$

Step 2: Calculate interest on additional capital The additional Rs 2,00,000 is invested from 1st July to 31st March, or nine months. Its interest is

$$2,00,000 \times \frac{6}{100} \times \frac{9}{12} = \text{Rs } 9,000.$$

Total interest is Rs 48,000 + Rs 9,000 = Rs 57,000. Option (A) omits the additional capital; option (B) incorrectly allows twelve months on it; option (D) is interest on Nisha's opening capital.

Step 3: Conclusion Interest on capital payable to Vivek is Rs 57,000. Hence, the correct option is (C).

Quick Tip to Solve: Use twelve months for the opening Rs 8,00,000 and only nine months for the Rs 2,00,000 introduced on 1st July.

16(i). Kishore and Bimal are partners in a firm sharing profits and losses in the ratio of 4 : 3. Nand is admitted as a new partner in the firm for 1/4th share in the profits. Kishore and Bimal decide to share profits and losses equally in the future. The sacrificing ratio of Kishore and Bimal will be : [1 mark]

(A) 1 : 1

(B) 4 : 3

(C) 11 : 3

(D) 3 : 11

Correct Answer: (C) 11 : 3

Solution:

Concept:

- Sacrifice of a partner equals old share minus new share.
- After admitting Nand for $1/4$, the old partners divide the remaining $3/4$ equally.

Step 1: Determine the new shares Kishore and Bimal originally hold $4/7$ and $3/7$. Since Nand receives $1/4$, their combined remaining share is $1 - 1/4 = 3/4$. Equal division gives each old partner $(3/4)/2 = 3/8$, rather than one-half of the entire profit.

Step 2: Calculate each sacrifice Using denominator 56,

$$\text{Kishore} = \frac{4}{7} - \frac{3}{8} = \frac{11}{56},$$
$$\text{Bimal} = \frac{3}{7} - \frac{3}{8} = \frac{3}{56}.$$

Their sacrifices add to $14/56 = 1/4$, exactly Nand's share. Thus 1:1 confuses equal future shares with equal sacrifice, 4:3 repeats the old ratio, and 3:11 reverses the partners.

Step 3: Conclusion The sacrificing ratio of Kishore and Bimal is $11 : 3$. Hence, the correct option is (C).

Quick Tip to Solve: First reserve Nand's quarter share; then split the remaining three-quarters equally before subtracting from old shares.

OR

16(ii). Raju, Sohan and Tina are partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Tina is guaranteed a minimum amount of Rs. 40,000 as share of profit every year. Any deficiency arising on that account shall be borne by Raju. If profit of the firm for the year ended 31st March, 2023 is Rs. 1,60,000, Raju will bear a deficiency of : [1 mark]

(A) Rs. 8,000

(B) Rs. 40,000

(C) Rs. 48,000

(D) Rs. 4,000

Correct Answer: (A) Rs. 8,000

Solution:

Concept:

- First distribute the actual profit in the normal profit-sharing ratio.
- The shortfall of a guaranteed partner is guaranteed profit minus normal profit; the named guarantor bears the entire deficiency.

Step 1: Calculate Tina normal share The total ratio is $2 + 2 + 1 = 5$. Tina's normal entitlement out of Rs 1,60,000 is

$$1,60,000 \times \frac{1}{5} = \text{Rs } 32,000.$$

This share is below her annual guaranteed amount of Rs 40,000.

Step 2: Find the amount charged to Raju The deficiency is

$$40,000 - 32,000 = \text{Rs } 8,000.$$

The agreement names Raju alone as guarantor, so it is not divided between Raju and Sohan. Rs 40,000 is the guarantee itself, Rs 48,000 is neither the shortfall nor Tina's normal entitlement, and Rs 4,000 would wrongly split the deficiency equally.

Step 3: Conclusion Raju will bear a deficiency of Rs 8,000. Hence, the correct option is (A).

Quick Tip to Solve: Compare Tina's one-fifth of actual profit with Rs 40,000, and charge the complete difference to Raju alone.

17(a). Priti Ltd. purchased assets worth Rs. 5,40,000 and took over liabilities of Rs. 1,20,000 of Payal Ltd. for a purchase consideration of Rs. 5,28,000. Priti Ltd. paid half the amount by cheque and the balance was settled by issuing 10% Debentures of Rs. 100 each at a premium of 10%.

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

Solution:

Concept:

- Purchase consideration is credited to the vendor; excess of purchase consideration over net assets is goodwill.
- Debentures issued at a premium settle the vendor at issue price; face value is credited to Debentures and premium to Securities Premium.

Step 1: Compute goodwill and debenture issue **Working Notes:** Net assets acquired are Rs 5,40,000 - Rs 1,20,000 = Rs 4,20,000. Purchase consideration exceeds net assets by Rs 5,28,000 - Rs 4,20,000 = Rs 1,08,000, which is goodwill. Half the consideration, Rs 2,64,000, is paid by cheque. The remaining Rs 2,64,000 is discharged at Rs 110 per debenture, so

$$\text{Number of debentures} = \frac{2,64,000}{110} = 2,400.$$

Their face value is Rs 2,40,000 and the premium is Rs 24,000.

Step 2: Record the transactions Journal of Priti Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		5,40,000	
	Goodwill A/c Dr.		1,08,000	
	To Sundry Liabilities A/c			1,20,000
	To Payal Ltd. A/c			5,28,000
	(Being assets and liabilities taken over and goodwill recognised)			
	Payal Ltd. A/c Dr.		5,28,000	
	To Bank A/c			2,64,000
	To 10% Debentures A/c			2,40,000
	To Securities Premium A/c			24,000
	(Being purchase consideration paid half by cheque and half by 2,400 debentures issued at 10% premium)			

The takeover entry debits Rs 6,48,000 and credits the same amount. The settlement entry also balances at Rs 5,28,000; it clears the vendor completely.

Step 3: Conclusion Goodwill is Rs 1,08,000; cheque payment is Rs 2,64,000; 2,400 debentures are issued with securities premium of Rs 24,000.

Quick Tip to Solve: Divide the unpaid consideration by Rs 110, then split that settlement into Rs 100 face value and Rs 10 premium per debenture.

OR

17(b). Dhatu Ltd. invited applications for issuing 4,000, 11% Debentures of Rs. 100 each at a premium of Rs. 50 per debenture. Full amount was payable on application. Applications were received for 5,000 debentures. Applications for 1,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applicants.

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

Solution:

Concept:

- Application money received is initially a liability in Debenture Application A/c.
- For allotted debentures, the face value is credited to Debentures and issue premium to Securities Premium; rejected applications are refunded.

Step 1: Calculate application, refund and allotment amounts **Working Notes:** Each applicant pays Rs 100 + Rs 50 = Rs 150 per debenture. Application money on 5,000 debentures is $5,000 \times 150 =$ Rs $7,50,000$. Rejected applications relate to 1,000 debentures, requiring refund of $1,000 \times 150 =$ Rs $1,50,000$. The remaining Rs 6,00,000 belongs to the 4,000 debentures allotted: face value Rs 4,00,000 and premium Rs 2,00,000. The 11% rate describes annual interest and does not alter application money.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,50,000	
	To Debenture Application A/c			7,50,000
	(Being application money received for 5,000 debentures at Rs 150 each)			
	Debenture Application A/c Dr.		1,50,000	
	To Bank A/c			1,50,000
	(Being money refunded on 1,000 rejected debentures)			
	Debenture Application A/c Dr.		6,00,000	
	To 11% Debentures A/c			4,00,000
	To Securities Premium A/c			2,00,000
	(Being 4,000 debentures allotted at a premium of Rs 50 each)			

Debenture Application A/c is fully cleared: the initial credit of Rs 7,50,000 equals refund of Rs 1,50,000 plus transfer of Rs 6,00,000.

Step 3: Conclusion Rs 1,50,000 is refunded; 11% Debentures A/c is credited with Rs 4,00,000 and Securities Premium A/c with Rs 2,00,000.

Quick Tip to Solve: Refund rejected applications at the full Rs 150 issue price, not merely the Rs 100 face value.

18. Soham, Ashish, Vishesh and Rashi were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2 : 1. With effect from 1st April, 2023, they decided to share profits and losses in the ratio of 2 : 1 : 1 : 1. Their Balance Sheet showed a General Reserve of Rs. 80,000. The goodwill of the firm was valued at Rs. 5,00,000.

Pass necessary journal entries for the above on account of change in the profit sharing ratio. Show your working clearly. [3 marks]

Solution:

Concept:

- Existing General Reserve belongs to the partners in their old profit-sharing ratio.
- For goodwill adjustment on a change of ratio, gaining partners compensate sacrificing partners: compensation equals gain or sacrifice multiplied by firm goodwill.

Step 1: Distribute reserve and find gain or sacrifice **Working Notes:** The old ratio is $4:3:2:1$ and the new ratio is $2:1:1:1$. General Reserve of Rs 80,000 is distributed as Rs 32,000, Rs 24,000, Rs 16,000 and Rs 8,000 respectively. Using tenths, the new shares are $4/10, 2/10, 2/10, 2/10$. Soham and Vishesh neither gain nor sacrifice. Ashish sacrifices $3/10 - 2/10 = 1/10$, while Rashi gains $2/10 - 1/10 = 1/10$. Rashi therefore compensates Ashish by $5,00,000 \times 1/10 =$ Rs $50,000$.

Step 2: Pass the adjustment entries Journal of the Partnership Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	General Reserve A/c Dr.		80,000	
	To Soham Capital A/c			32,000
	To Ashish Capital A/c			24,000
	To Vishesh Capital A/c			16,000
	To Rashi Capital A/c			8,000
	(Being General Reserve distributed among partners in old ratio 4:3:2:1)			
1-4-2023	Rashi Capital A/c Dr.		50,000	
	To Ashish Capital A/c			50,000
	(Being goodwill adjusted through capitals for Rashi gain and Ashish sacrifice)			

The goodwill adjustment transfers value directly between the affected partners; no goodwill asset is created. The reserve entry balances at Rs 80,000 and the goodwill entry at Rs 50,000.

Step 3: Conclusion Credit the reserve in old ratio: Soham Rs 32,000, Ashish Rs 24,000, Vishesh Rs 16,000 and Rashi Rs 8,000. Debit Rashi and credit Ashish with Rs 50,000 for goodwill.

Quick Tip to Solve: Express both ratios with denominator ten: only Ashish and Rashi change shares, so only their capitals enter the goodwill adjustment.

19(a). Prateek, Charu and Sirima were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Prateek retired from the firm on 31st March, 2023. Charu and Sirima decided that the capital of the new firm will be Rs. 6,30,000. The capital accounts of Charu and Sirima after all adjustments on the date of retirement showed a credit balance of Rs. 4,35,000 and Rs. 1,89,000 respectively. Calculate the amount of actual cash to be brought into the firm or to be paid to the partners. Also pass necessary journal entries. [3 marks]

Solution:

Concept:

- When the total capital of the continuing firm is fixed, each continuing partner must maintain capital in the new profit-sharing ratio.
- In the absence of a fresh agreement, continuing partners retain their relative shares. Charu and Sirima therefore share future profits in the ratio $2:1$. Excess capital is refunded and deficient capital is brought in as cash.

Step 1: Calculate the required capitals The fixed capital of the new firm is Rs 6,30,000. Charu and Sirima share this amount in the ratio $2:1$:

$$\text{Charu} = 6,30,000 \times \frac{2}{3} = \text{Rs } 4,20,000,$$
$$\text{Sirima} = 6,30,000 \times \frac{1}{3} = \text{Rs } 2,10,000.$$

Step 2: Compare adjusted and required capital Charu already has Rs 4,35,000, an excess of $4,35,000 - 4,20,000 = \text{Rs } 15,000$, which must be paid to her. Sirima has Rs 1,89,000, a deficiency of $2,10,000 - 1,89,000 = \text{Rs } 21,000$, which she must bring into the firm. The net cash increase is Rs 6,000; adding this to the existing combined capitals of Rs 6,24,000 gives Rs 6,30,000.

Step 3: Record the capital adjustment Journal of the firm (31st March, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Charu's Capital A/c Dr.		15,000	
	To Cash A/c			15,000
	(Being excess capital refunded to Charu)			
31-3-2023	Cash A/c Dr.		21,000	
	To Sirima's Capital A/c			21,000
	(Being deficiency of capital brought in by Sirima)			

Step 4: Conclusion Charu is paid Rs 15,000 and Sirima brings in Rs 21,000. Their final capitals are Rs 4,20,000 and Rs 2,10,000 respectively.

Quick Tip to Solve: Compare each adjusted capital with its target separately; a combined shortage conceals the refund due to Charu.

OR

19(b). Chaman, Burman and Aman were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Aman was guaranteed a minimum amount of Rs. 60,000 as his share of profit every year. The net profit for the year ended 31st March, 2023 amounted to Rs. 1,20,000.

Pass necessary journal entries in the books of the firm showing the distribution of profit amongst the partners. [3 marks]

Solution:

Concept:

- First distribute the actual profit in the agreed profit-sharing ratio $3:2:1$, and then compare the guaranteed partner's ordinary share with the guarantee.
- When no particular guarantor or separate deficiency-sharing ratio is specified, the other partners bear the guaranteed partner's deficiency in their mutual profit-sharing ratio, here $3:2$.

Step 1: Distribute the profit before guarantee adjustment Out of the profit of Rs 1,20,000, the ordinary shares are:

$$\text{Chaman} = 1,20,000 \times \frac{3}{6} = \text{Rs } 60,000,$$
$$\text{Burman} = 1,20,000 \times \frac{2}{6} = \text{Rs } 40,000,$$
$$\text{Aman} = 1,20,000 \times \frac{1}{6} = \text{Rs } 20,000.$$

Step 2: Calculate and allocate the deficiency Aman is guaranteed Rs 60,000 but his ordinary share is only Rs 20,000. His deficiency is therefore Rs 40,000. Chaman bears $40,000 \times 3/5 = \text{Rs } 24,000$, and Burman bears $40,000 \times 2/5 = \text{Rs } 16,000$. Their final shares become Rs 36,000 and Rs 24,000, while Aman receives Rs 60,000. These add to the actual profit of Rs 1,20,000.

Step 3: Pass the distribution and guarantee entries Journal of the firm (31st March, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Profit and Loss Appropriation A/c Dr.		1,20,000	
	To Chaman's Capital A/c			60,000
	To Burman's Capital A/c			40,000
	To Aman's Capital A/c			20,000
	(Being profit distributed in the ratio 3:2:1)			
31-3-2023	Chaman's Capital A/c Dr.		24,000	
	Burman's Capital A/c Dr.		16,000	
	To Aman's Capital A/c			40,000
	(Being Aman's deficiency borne in the ratio 3:2)			

Step 4: Conclusion The final profit shares are: Chaman Rs 36,000; Burman Rs 24,000; Aman Rs 60,000.

Quick Tip to Solve: Only the shortfall below the guarantee is transferred; do not charge the full guaranteed amount again to the other partners.

20. On 1st April, 2023, the books of a partnership firm showed assets of Rs. 5,00,000 including cash of Rs. 23,000 and bank balance of Rs. 27,000. The partners' capital accounts showed a balance of Rs. 3,50,000 and reserves constituted the rest. If the normal rate of return is 10% and the goodwill of the firm is valued at Rs. 1,00,000 at 4 years purchase of super profits, find the average profits of the firm. [3 marks]

Solution:

Concept:

- Under the super-profit method, goodwill equals super profit multiplied by years' purchase. Thus super profit equals goodwill divided by the number of years' purchase.
- Normal profit equals capital employed multiplied by the normal rate of return. Average profit equals normal profit plus super profit. Capital employed includes partners' capitals and accumulated reserves.

Step 1: Determine capital employed Total assets are Rs 5,00,000. The question states that partners' capitals are Rs 3,50,000 and reserves constitute the rest; hence reserves are $5,00,000 - 3,50,000 =$ Rs $1,50,000$. No outside liabilities are given. Therefore:

$$\text{Capital employed} = 3,50,000 + 1,50,000 = \text{Rs } 5,00,000.$$

The cash of Rs 23,000 and bank balance of Rs 27,000 are already included in the total assets. They are neither added again nor deducted: they remain assets employed in the firm.

Step 2: Calculate normal profit and super profit At the normal rate of return of 10%, the normal profit on capital employed is:

$$5,00,000 \times \frac{10}{100} = \text{Rs } 50,000.$$

Goodwill is Rs 1,00,000 at four years' purchase of super profits. Thus:

$$\text{Super profit} = \frac{1,00,000}{4} = \text{Rs } 25,000.$$

Step 3: Find and check average profit By definition, super profit is the excess of average profit over normal profit. Rearranging gives:

$$\begin{aligned}\text{Average profit} &= \text{Normal profit} + \text{Super profit} \\ &= 50,000 + 25,000 = \text{Rs } 75,000.\end{aligned}$$

As a check, the excess of Rs 75,000 over the normal profit of Rs 50,000 is Rs 25,000, and four times this excess reproduces the given goodwill of Rs 1,00,000.

Step 4: Conclusion The average profits of the firm are Rs 75,000.

Quick Tip to Solve: Use capitals plus reserves as capital employed; cash and bank already included in total assets must not be counted twice.

21. RR Ltd. was registered with an authorised capital of Rs. 8,00,000 divided into 80,000 equity shares of Rs. 10 each. The company offered to the public for subscription 40,000 equity shares. The amount per share was payable as follows :

On Application - Rs. 5

On Allotment - Rs. 3

On first and final call - Balance

The issue was fully subscribed and all amounts due were received except the allotment and call money on 2,000 shares allotted to Seema.

Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same. [4 marks]

Solution:

Concept:

- Authorised capital is the maximum capital registered; issued capital is the face value of shares offered. Subscribed capital is classified according to whether the subscribed shares are fully paid.
- Calls in arrears are amounts called but unpaid. Deduct unpaid allotment and call money from called-up capital to obtain the paid-up share capital shown in the Balance Sheet.

Step 1: Determine the capital categories The authorised capital is $80,000 \times$ Rs $10 =$ Rs $8,00,000$. The company issued 40,000 shares and all were subscribed, so issued and subscribed capital at face value are each Rs 4,00,000. The final call is Rs $(10 - 5 - 3) =$ Rs 2 per share. All Rs 10 per share has therefore been called up. Seema's shares have not been stated to be forfeited; they remain subscribed shares with arrears.

Step 2: Calculate the unpaid amount Seema paid only the application money on her 2,000 shares. Her unpaid allotment is $2,000 \times$ Rs $3 =$ Rs $6,000$, and unpaid first and final call is $2,000 \times$ Rs $2 =$ Rs $4,000$. Thus calls in arrears are Rs 10,000. The other 38,000 shares are fully paid, while Seema's shares are paid to Rs 5 each. Paid-up capital is Rs $4,00,000 -$ Rs $10,000 =$ Rs $3,90,000$.

Step 3: Present the Balance Sheet extract and note **RR Ltd.: Balance Sheet (extract)**

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	3,90,000

Notes to Accounts: Note 1 – Share Capital

Particulars	Amount (Rs)
Authorised capital: 80,000 equity shares of Rs 10 each	8,00,000
Issued capital: 40,000 equity shares of Rs 10 each	4,00,000
Subscribed capital: Subscribed and fully paid-up: 38,000 equity shares of Rs 10 each Subscribed but not fully paid-up: 2,000 equity shares of Rs 10 each, fully called-up Less: Calls in arrears	 3,80,000 20,000 (10,000)
Total subscribed and paid-up share capital	3,90,000

Step 4: Conclusion Share Capital is shown at Rs 3,90,000 under Shareholders' Funds; calls in arrears of Rs 10,000 are deducted in Note 1.

Quick Tip to Solve: Keep Seema's 2,000 shares in subscribed capital: non-payment alone does not mean forfeiture. Deduct both her unpaid allotment and final call.

22. Aditi, Renu and Varsha were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 5. On 31st March, 2023 their Balance Sheet was as under :

Balance Sheet of Aditi, Renu and Varsha as at 31st March, 2023

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Buildings	6,00,000
Aditi	5,00,000	Machinery	3,00,000
Renu	4,00,000	Stock	1,00,000
Varsha	3,00,000	Patents	1,50,000
General Reserve	1,00,000	Debtors	2,50,000
Creditors	2,00,000	Cash	1,00,000
Total	15,00,000	Total	15,00,000

Varsha died on 31st July, 2023. The partnership deed provided for the following, on the death of a partner :

(i) Interest on capital was to be provided @ 6% p.a.

(ii) Goodwill of the firm was to be valued at 3 years purchase of average profits of the previous five years which were Rs. 90,000.

(iii) Varsha's share of profit or loss till the date of death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2023 amounted to Rs. 60,00,000 and that from 1st April, 2023 to 31st July, 2023 amounted to Rs. 15,00,000. The profit for the year ended 31st March, 2023 was Rs. 12,00,000.

Prepare Varsha's Capital Account to be rendered to her executors. [4 marks]

Solution:

Concept:

- A deceased partner receives her existing capital, share of accumulated reserve, interest on capital up to death, goodwill compensation and profit earned up to death. The final amount due is transferred to her executors.
- For sales-based estimation, profit rate equals last year's profit divided by last year's sales. Apply that rate to sales up to death, then multiply by the deceased partner's profit share.

Step 1: Compute reserve and interest on capital Varsha's profit share is $5/(3+2+5) = 1/2$. Therefore her share of General Reserve is Rs $1,00,000 \times 1/2 =$ Rs $50,000$. From 1st April to 31st July there are four months. Interest on her opening capital is

$$\text{Rs } 3,00,000 \times \frac{6}{100} \times \frac{4}{12} = \text{Rs } 6,000.$$

No drawings or other deduction from her capital are given.

Step 2: Calculate the goodwill compensation The average annual profit for the preceding five years is already given as Rs 90,000; it must not be divided by five again. Goodwill of the firm is Rs $90,000 \times 3 =$ Rs $2,70,000$. Varsha's share is Rs $2,70,000 \times 1/2 =$ Rs $1,35,000$. In the absence of a stated change, Aditi and Renu continue in their relative old ratio $3:2$, which is also their gaining ratio. They compensate Varsha by Rs $1,35,000 \times 3/5 =$ Rs $81,000$ and Rs $1,35,000 \times 2/5 =$ Rs $54,000$, respectively. Existing patents are an asset and no write-off or revaluation is instructed.

Step 3: Estimate profit to the date of death Last year's profit as a percentage of sales is

$$\frac{12,00,000}{60,00,000} \times 100 = 20\%.$$

Estimated firm profit for the four months is Rs $15,00,000 \times 20\% =$ Rs $3,00,000$. Varsha's share is Rs $3,00,000 \times 1/2 =$ Rs $1,50,000$. Credit this amount to her Capital Account through Profit and Loss Suspense Account. Since actual sales for this period are given, a separate four-twelfths time factor is not applied.

Step 4: Prepare the account rendered to the executors **Varsha's Capital Account**

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Varsha's Executors' A/c	6,41,000	By Balance b/d	3,00,000	
			By General Reserve A/c	50,000	
			By Interest on Capital A/c	6,000	
			By Aditi's Capital A/c	81,000	
			By Renu's Capital A/c	54,000	
			By Profit and Loss Suspense A/c	1,50,000	
	Total	6,41,000	Total	6,41,000	

The account is closed by transfer to Varsha's Executors' Account because the entire claim is now payable to her estate. There is no balance carried down in Varsha's own Capital Account after this transfer.

Step 5: Conclusion The amount payable to Varsha's executors is Rs 6,41,000, comprising capital Rs 3,00,000, reserve Rs 50,000, interest Rs 6,000, goodwill Rs 1,35,000 and profit Rs 1,50,000.

Quick Tip to Solve: Use the actual four-month sales to estimate profit; use the four-month time fraction only for interest on capital.

23. Pass necessary journal entries for issue of debentures for the following transactions :

(i) Hero Ltd. issued 20,000, 11% Debentures of Rs. 100 each at a premium of 5%, redeemable at a premium of 10%.

(ii) Shashi Ltd. issued 30,000, 9% Debentures of Rs. 100 each at a discount of 10%, redeemable at a premium of 10%.

(iii) Murato Ltd. issued 40,000, 11% Debentures of Rs. 100 each at par, redeemable at a premium of 10%. [6 marks]

Solution:

Concept:

- Debentures A/c is credited with nominal value: number of debentures multiplied by face value per debenture.
- Bank is debited with actual issue proceeds. Issue premium is credited to Securities Premium Reserve; loss on issue includes discount on issue plus premium payable on redemption.
- The stated interest rate identifies the debenture account; interest is not recorded in the entry for issue.

Step 1: Hero Ltd.: issue at premium, redemption at premium Face value is $20,000 \times 100 =$ Rs $20,00,000$. Issue premium is $20,00,000 \times 5\% =$ Rs $1,00,000$; hence bank receives Rs 21,00,000. Redemption premium is $20,00,000 \times 10\% =$ Rs $2,00,000$, debited as loss on issue. The securities premium remains a separate credit; it does not reduce the liability recorded for redemption.

Journal of Hero Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		21,00,000	
	Loss on Issue of Debentures A/c Dr.		2,00,000	
	To 11% Debentures A/c			20,00,000
	To Securities Premium Reserve A/c			1,00,000
	To Premium on Redemption of Debentures A/c			2,00,000
	(Being debentures issued at 5% premium, redeemable at 10% premium)			

Step 2: Shashi Ltd.: issue at discount, redemption at premium Face value is $30,000 \times 100 =$ Rs $30,00,000$. The issue discount is Rs 3,00,000, so bank receives Rs 27,00,000. The redemption premium is also Rs 3,00,000. Thus total loss on issue is $3,00,000 + 3,00,000 =$ Rs $6,00,000$. This combines the shortfall in issue proceeds and the extra amount payable on redemption.

Journal of Shashi Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		27,00,000	
	Loss on Issue of Debentures A/c Dr.		6,00,000	
	To 9% Debentures A/c			30,00,000
	To Premium on Redemption of Debentures A/c			3,00,000
	(Being debentures issued at 10% discount, redeemable at 10% premium)			

Step 3: Murato Ltd.: issue at par, redemption at premium Face value is $40,000 \times 100 =$ Rs $40,00,000$, which equals the bank proceeds because issue is at par. The redemption premium is $40,00,000 \times 10\% =$ Rs $4,00,000$. There is no discount or securities premium on issue, but the redemption premium still creates a loss on issue and a corresponding credit liability.

Journal of Murato Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		40,00,000	
	Loss on Issue of Debentures A/c Dr.		4,00,000	
	To 11% Debentures A/c			40,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(Being debentures issued at par, redeemable at 10% premium)			

Step 4: Conclusion The issue entries record losses of Rs 2,00,000 for Hero Ltd., Rs 6,00,000 for Shashi Ltd. and Rs 4,00,000 for Murato Ltd. Each entry balances and recognises the redemption premium separately.

Quick Tip to Solve: First calculate face value; calculate both issue and redemption percentages on that face value, never on bank proceeds.

24. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Manish and Nikhil after various assets (other than cash and bank balance) and outside liabilities have been transferred to Realisation Account. Manish and Nikhil were sharing profits and losses in the ratio of 5 : 1.

(i) Manish agreed to pay off his father's loan of Rs. 50,000.

(ii) An old vehicle which had been written off completely from the books was sold for Rs. 45,000 whereas its estimated market value was Rs. 58,000.

(iii) Nikhil took over stock worth Rs. 75,000 at Rs. 69,000.

(iv) Creditors worth Rs. 90,000 accepted Rs. 15,000 cash and stock Rs. 80,000 in full settlement of their claims.

(v) Realisation expenses amounting to Rs. 18,000 were paid by Manish.

(vi) Profit on realisation Rs. 36,000 was to be distributed between Manish and Nikhil. [6 marks]

Solution:

Concept:

- After assets and outside liabilities have been transferred, Realisation A/c records their settlement. Assets taken by a partner debit that partner's capital; liabilities assumed by a partner credit that partner's capital.
- Unrecorded assets sold bring a credit to Realisation. Realisation expenses borne by the firm debit Realisation; the account credited identifies who actually pays.
- The balance of Realisation is transferred to partners in their profit-sharing ratio. Profit credits their capital accounts.

Step 1: Liability taken over by Manish The father's loan is an outside liability already transferred to Realisation A/c. Manish assumes its payment, so Realisation is debited and his capital is credited with Rs 50,000. No bank entry is made because the firm does not pay it.

Journal of Manish and Nikhil: transaction (1)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Manish's Capital A/c (Being father's loan taken over by Manish)		50,000	 50,000

Step 2: Sale of the unrecorded vehicle The vehicle has zero book value because it was fully written off. Record only the actual receipt of Rs 45,000 by debiting Bank and crediting Realisation. The estimated market value of Rs 58,000 does not enter the journal because no transaction occurs at that amount.

Journal of Manish and Nikhil: transaction (2)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Realisation A/c (Being unrecorded vehicle sold for cash)		45,000	 45,000

Step 3: Stock taken over by Nikhil Nikhil is charged the agreed takeover value of Rs 69,000, rather than the book value of Rs 75,000. Stock has already been transferred to Realisation, so credit Realisation and debit Nikhil's Capital A/c. No separate entry is needed for the difference of Rs 6,000.

Journal of Manish and Nikhil: transaction (3)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Nikhil's Capital A/c Dr. To Realisation A/c (Being stock taken over by Nikhil at its agreed value)		69,000	 69,000

Step 4: Settlement of creditors with cash and stock Creditors and stock have both already been transferred to Realisation. Consequently no additional entry records stock handed to creditors. Only the cash payment of Rs 15,000 is recorded: debit Realisation and credit Bank. Neither Rs 90,000 nor Rs 80,000 is posted again in this settlement entry.

Journal of Manish and Nikhil: transaction (4)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Bank A/c (Being creditors settled by stock and cash payment of Rs 15,000)		15,000	 15,000

Step 5: Realisation expenses paid by Manish The firm bears the realisation expenses, but Manish pays them personally. Debit Realisation with Rs 18,000 as an expense and credit Manish's Capital A/c for the amount paid on behalf of the firm. The firm's bank balance is unaffected by his personal payment.

Journal of Manish and Nikhil: transaction (5)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Manish's Capital A/c (Being realisation expenses paid by Manish)		18,000	 18,000

Step 6: Distribution of realisation profit Distribute the given profit of Rs 36,000 in the profit-sharing ratio $5:1$. Manish receives $36,000 \times 5/6 = \text{Rs } 30,000$; Nikhil receives $36,000 \times 1/6 = \text{Rs } 6,000$. Debit Realisation to transfer its credit balance and credit the partners' capital accounts with their respective shares.

Journal of Manish and Nikhil: transaction (6)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Manish's Capital A/c To Nikhil's Capital A/c (Being realisation profit transferred in the ratio of 5 : 1)		36,000	 30,000 6,000

Step 7: Conclusion The six entries above record all settlements. The given realisation profit is credited as Rs 30,000 to Manish and Rs 6,000 to Nikhil.

Quick Tip to Solve: Once stock and creditors are transferred to Realisation, handing that stock to creditors needs no new entry; record only the cash paid.

25(a). Pass necessary journal entries for forfeiture and reissue of shares in the following cases :

(i) Star Ltd. forfeited 8,000 shares of Rs. 100 each issued at 10% premium for non-payment of allotment money of Rs. 40 per share (including premium) and first call of Rs. 30 per share. The second and final call of Rs. 20 per share was not yet called. Out of these, 6,000 shares were reissued at Rs. 80 paid up for Rs. 70 per share.

(ii) Premier Ltd. forfeited 3,000 shares of Rs. 10 each on which the first call of Rs. 3 per share was not received and the second and final call of Rs. 2 per share was not yet called. Out of these, 2,000 shares were reissued to Gita at Rs. 8 paid up for Rs. 12 per share. [6 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with called-up nominal capital only; reverse securities premium only when that premium was due but not received.
- Credit Share Forfeiture with capital already received. On reissue, the discount cannot exceed the forfeited amount on the shares reissued.
- Transfer only the forfeiture surplus relating to shares actually reissued to Capital Reserve. Unreissued shares retain their forfeiture balance.

Step 1: Star Ltd.: determine amounts The uncalled Rs 20 is excluded. Called-up capital per share is Rs 80. Allotment includes Rs 30 capital and Rs 10 premium; first call is Rs 30. Thus capital received per share is $80 - 30 - 30 =$ Rs 20. Capital debited is $8,000 \times 80 =$ Rs $6,40,000$, unpaid premium is Rs 80,000 and forfeiture is Rs 1,60,000. Reissue discount is $6,000(80 - 70) =$ Rs $60,000$. The forfeited amount attributable to these shares is $6,000 \times 20 =$ Rs $1,20,000$; its surplus is Rs 60,000.

Step 2: Star Ltd.: journal entries

Journal of Star Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		6,40,000	
	Securities Premium A/c Dr.		80,000	
	To Share Allotment A/c			3,20,000
	To Share First Call A/c			2,40,000
	To Share Forfeiture A/c			1,60,000
	(Being 8,000 shares forfeited for unpaid allotment and first call)			
	Bank A/c Dr.		4,20,000	
	Share Forfeiture A/c Dr.		60,000	
	To Share Capital A/c			4,80,000
	(Being 6,000 shares reissued at Rs 70, Rs 80 paid up)			
	Share Forfeiture A/c Dr.		60,000	
	To Capital Reserve A/c			60,000
	(Being surplus on 6,000 reissued shares transferred)			

Step 3: Premier Ltd.: determine amounts Called-up capital per share is $10 - 2 =$ Rs 8. Received capital is $8 - 3 =$ Rs 5. Hence Share Capital is debited Rs 24,000, unpaid first call is Rs 9,000 and forfeiture is Rs 15,000. Reissue proceeds are $2,000 \times 12 =$ Rs $24,000$, while paid-up capital credited is $2,000 \times 8 =$ Rs $16,000$. The difference Rs 8,000 is securities premium. No forfeiture is consumed by reissue; the amount relating to the reissued shares, $2,000 \times 5 =$ Rs $10,000$, goes to Capital Reserve.

Step 4: Premier Ltd.: journal entries

Journal of Premier Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		24,000	
	To Share First Call A/c			9,000
	To Share Forfeiture A/c			15,000
	(Being 3,000 shares forfeited for unpaid first call)			
	Bank A/c Dr.		24,000	
	To Share Capital A/c			16,000
	To Securities Premium A/c			8,000
	(Being 2,000 shares reissued to Gita at Rs 12, Rs 8 paid up)			
	Share Forfeiture A/c Dr.		10,000	
	To Capital Reserve A/c			10,000
	(Being surplus on 2,000 reissued shares transferred)			

Step 5: Conclusion Star Ltd. transfers Rs 60,000 to Capital Reserve and retains Rs 40,000 in Share Forfeiture. Premier Ltd. transfers Rs 10,000 to Capital Reserve and retains Rs 5,000 in Share Forfeiture. The second and final calls have no entry because they were not made.

Quick Tip to Solve: Calculate called-up capital before forfeiture; on reissue compare cash with paid-up value, not with face value.

OR

25(b). Zee Ltd. invited applications for issuing 40,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as follows :

On Application - Rs. 4 per share

On Allotment - Rs. 5 per share (including premium)

On First call - Rs. 2 per share

On Second and Final call - Balance

Applications were received for 60,000 shares. Applications for 12,000 shares were rejected and money returned to the applicants.

The shares were allotted on pro-rata basis to the applicants of 48,000 shares. The excess money received on application was adjusted towards sums due on allotment.

All shareholders paid the allotment money except one shareholder who had applied for 1,200 shares. His shares were forfeited immediately after allotment. First call was made thereafter and all the money due was received. The second and final call was not yet made.

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

Solution:

Concept:

- Application money on rejected applications is refunded; excess application money on pro-rata allotment is credited to Share Allotment.

- Forfeiture before a call excludes that call from Share Capital. Reverse unpaid premium and retain the capital already received in Share Forfeiture.
- A subsequent call is made only on the shares still outstanding after forfeiture.

Step 1: Compute pro-rata allotment and the default The allotment ratio is $40,000 : 48,000 = 5 : 6$. The shareholder applying for 1,200 shares receives $1,200 \times 5/6 = 1,000$ shares. His application payment is Rs 4,800; application required on allotted shares is Rs 4,000, so Rs 800 adjusts against allotment. His allotment due is $1,000 \times 5 =$ Rs $5,000$, leaving Rs 4,200 unpaid. Total application receipts are Rs 2,40,000, refund is $12,000 \times 4 =$ Rs $48,000$, and excess application adjustment is $48,000 - 40,000$ times Rs 4, or Rs 32,000.

Step 2: Determine forfeiture and subsequent call At forfeiture, nominal capital called up is $4+3 =$ Rs 7 per share, because allotment contains Rs 2 premium. Debit Share Capital Rs 7,000 and Securities Premium Rs 2,000; credit unpaid allotment Rs 4,200 and Share Forfeiture Rs 4,800. The excess application amount is less than allotment capital due, so the premium is wholly unpaid. Allotment cash received is $2,00,000 - 32,000 - 4,200 =$ Rs $1,63,800$. The first call is made after forfeiture on $40,000 - 1,000 = 39,000$ shares and equals Rs 78,000.

Step 3: Record application and allotment

Journal of Zee Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,40,000	
	To Share Application A/c			2,40,000
	(Being applications received for 60,000 shares at Rs 4)			
	Share Application A/c Dr.		2,40,000	
	To Share Capital A/c			1,60,000
	To Share Allotment A/c			32,000
	To Bank A/c			48,000
	(Being application money adjusted and rejected applications refunded)			
	Share Allotment A/c Dr.		2,00,000	
	To Share Capital A/c			1,20,000
	To Securities Premium A/c			80,000
	(Being allotment due on 40,000 shares at Rs 5 including Rs 2 premium)			
	Bank A/c Dr.		1,63,800	
	To Share Allotment A/c			1,63,800
	(Being allotment received after excess adjustment except defaulter)			

Step 4: Record forfeiture and first call

Journal of Zee Ltd. (forfeiture and first call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		7,000	
	Securities Premium A/c Dr.		2,000	
	To Share Allotment A/c			4,200
	To Share Forfeiture A/c			4,800
	(Being 1,000 shares forfeited immediately after allotment)			
	Share First Call A/c Dr.		78,000	
	To Share Capital A/c			78,000
	(Being first call due on 39,000 shares at Rs 2)			
	Bank A/c Dr.		78,000	
	To Share First Call A/c			78,000
	(Being first call received in full)			

Step 5: Conclusion The defaulting shareholder forfeits 1,000 shares; Rs 4,800 is credited to Share Forfeiture. First-call money of Rs 78,000 is due and received on 39,000 shares. The second and final call, Rs 1 per share, is uncalled and requires no entry.

Quick Tip to Solve: Use the applied-to-allotted ratio first, then subtract the individual excess application money from the allotment default.

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

Balance Sheet of Sanju and Manju as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Plant and Machinery	80,000
Sanju 1,40,000		Furniture	1,32,000
Manju 1,20,000	2,60,000	Investments	60,000
General Reserve	40,000	Debtors 76,000	
Creditors	1,80,000	Less: Provision for doubtful debts 4,000	72,000
		Cash at Bank	1,36,000
Total	4,80,000	Total	4,80,000

On 1st April, 2023, Uday was admitted into the firm for 1/4th share in profits on the following terms :

(i) Furniture was to be depreciated by Rs. 6,000.

(ii) Investments were valued at Rs. 72,000.

(iii) Plant and Machinery was taken over by Sanju and Manju in their profit sharing ratio.

(iv) Uday will bring in proportionate capital and Rs. 10,000 as his share of goodwill premium in cash.

Prepare Revaluation Account and Partners' Capital Accounts. [6 marks]

Solution:

Concept:

- Accumulated reserves and revaluation profit belong to the old partners in their old ratio $3:2$. An asset taken over at its book value is debited to the partners capital accounts; it does not cause a revaluation loss.
- When no different sacrifice is specified, the old partners surrender the new partner's share in their old ratio. Goodwill premium of Rs 10,000 is therefore credited to Sanju and Manju in $3:2$.
- Proportionate capital is based on adjusted capitals after reserve, revaluation, goodwill and asset takeover. If these capitals represent $3/4$ of total capital, Uday contributes one-third of their sum.

Step 1: Calculate revaluation profit Investments appreciate by $72,000 - 60,000 =$ Rs $12,000$, while furniture depreciates by Rs 6,000. Thus the net profit is Rs 6,000, shared as Rs 3,600 and Rs 2,400. Plant and machinery is taken over at its book value of Rs 80,000, so it is credited directly to that asset account against the old partners' capital accounts.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Furniture	6,000	By Investments	12,000
To Sanju's Capital	3,600		
To Manju's Capital	2,400		
Total	12,000	Total	12,000

Step 2: Work out the adjusted capitals and Uday contribution General reserve of Rs 40,000 is credited as Rs 24,000 to Sanju and Rs 16,000 to Manju. Goodwill premium is credited as Rs 6,000 and Rs 4,000 respectively. Plant and machinery is debited as Rs 48,000 and Rs 32,000.

$$C_S = 1,40,000 + 24,000 + 3,600 + 6,000 - 48,000 = 1,25,600,$$
$$C_M = 1,20,000 + 16,000 + 2,400 + 4,000 - 32,000 = 1,10,400.$$

These capitals total Rs 2,36,000 and represent the old partners' combined share of $3/4$. Therefore

$$C_U = 2,36,000 \times \frac{1}{3} = \frac{2,36,000}{3} = \text{Rs } 78,666\tfrac{2}{3}.$$

The new ratio is $9:6:5$. The Rs 10,000 goodwill premium is additional to Uday's capital; it is not capital credited to him.

Step 3: Prepare the capital accounts The exact recurring amount is retained so that Uday's contribution remains proportional. All amounts in the following account are in Rs.

Partners' Capital Accounts

Dr.				Cr.			
Particulars	Sanju	Manju	Uday	Particulars	Sanju	Manju	Uday
To Plant and Machinery	48,000	32,000	–	By Balance b/d	1,40,000	1,20,000	–
				By General Reserve	24,000	16,000	–
To Balance c/d	1,25,600	1,10,400	$78,666\frac{2}{3}$	By Revaluation	3,600	2,400	–
				By Premium for Goodwill	6,000	4,000	–
				By Bank	–	–	$78,666\frac{2}{3}$
Total	1,73,600	1,42,400	$78,666\frac{2}{3}$	Total	1,73,600	1,42,400	$78,666\frac{2}{3}$

Step 4: Conclusion Revaluation profit is Rs 6,000. Closing capitals are Sanju Rs 1,25,600, Manju Rs 1,10,400 and Uday Rs $78,666\frac{2}{3}$. Uday also brings Rs 10,000 goodwill premium.

Quick Tip to Solve: Subtract the machinery taken over before computing Uday capital; then divide the old partners adjusted total by three.

OR

26(b). Ravi, Tanu and Sara were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Ravi retired from the firm due to his illness on 31st March, 2023. The Balance Sheet of the firm on that date was as follows :

Balance Sheet of Ravi, Tanu and Sara as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Fixed Assets	1,20,000
Ravi 80,000		Stock	1,60,000
Tanu 1,24,000		Debtors	2,00,000
Sara 66,000	2,70,000	Cash in hand	80,000
Profit and Loss	1,70,000		
Employees' Provident Fund	20,000		
Creditors	1,00,000		
Total	5,60,000	Total	5,60,000

Additional Information :

(i) Creditors included a sum of Rs. 4,000 which was not likely to be claimed.

(ii) A provision of 5% for doubtful debts was to be created on debtors.

(iii) Goodwill of the firm was valued at Rs. 1,60,000.

(iv) Fixed Assets were found overvalued by Rs. 5,000.

(v) New profit sharing ratio of Tanu and Sara was agreed at 2 : 3.

(vi) The amount due to Ravi was transferred to his loan account.

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

Solution:

Concept:

- Revaluation gains and losses, and accumulated profits, are distributed among all old partners in the old ratio $5:3:2$. Employees Provident Fund is an outside liability and is not distributed.
- The retiring partner receives his goodwill share from continuing partners in their gaining ratio. Gain equals new share less old share.
- The balance due to the retiring partner is transferred to his loan account when immediate payment is not required.

Step 1: Prepare the revaluation account Creditors no longer payable give a gain of Rs 4,000. Provision for doubtful debts is $2,00,000 \times 5\% =$ Rs $10,000$. Fixed assets must be reduced by Rs 5,000. Hence revaluation loss is $10,000 + 5,000 - 4,000 =$ Rs $11,000$. Ravi, Tanu and Sara bear Rs 5,500, Rs 3,300 and Rs 2,200 respectively.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Provision for Doubtful Debts	10,000	By Creditors	4,000
To Fixed Assets	5,000	By Ravi's Capital	5,500
		By Tanu's Capital	3,300
		By Sara's Capital	2,200
Total	15,000	Total	15,000

Step 2: Adjust accumulated profit and goodwill The credit balance of Profit and Loss of Rs 1,70,000 is accumulated profit. It is credited to Ravi, Tanu and Sara as Rs 85,000, Rs 51,000 and Rs 34,000 in their old ratio. The employees' provident fund remains a liability of Rs 20,000.

$$\text{Tanu's gain} = \frac{2}{5} - \frac{3}{10} = \frac{1}{10},$$
$$\text{Sara's gain} = \frac{3}{5} - \frac{2}{10} = \frac{4}{10}.$$

The gaining ratio is $1:4$. Ravi's goodwill share is $1,60,000 \times 5/10 =$ Rs $80,000$. Tanu's capital is debited with Rs 16,000 and Sara's with Rs 64,000; Ravi's capital is credited with Rs 80,000. No goodwill asset is raised.

Step 3: Prepare the capital accounts and transfer Ravi balance Ravi's amount due is $80,000 + 85,000 + 80,000 - 5,500 =$ Rs $2,39,500$. It is transferred to his loan account, leaving his capital account closed. Continuing partners' balances are carried down. All amounts below are in Rs.

Partners' Capital Accounts

Dr.				Cr.			
Particulars	Ravi	Tanu	Sara	Particulars	Ravi	Tanu	Sara
To Revaluation	5,500	3,300	2,200	By Balance b/d	80,000	1,24,000	66,000
To Ravi's Capital	–	16,000	64,000	By Profit and Loss	85,000	51,000	34,000
To Ravi's Loan	2,39,500	–	–	By Tanu's Capital	16,000	–	–
To Balance c/d	–	1,55,700	33,800	By Sara's Capital	64,000	–	–
Total	2,45,000	1,75,000	1,00,000	Total	2,45,000	1,75,000	1,00,000

Tanu closes at $1,24,000 + 51,000 - 3,300 - 16,000 =$ Rs $1,55,700$, while Sara closes at $66,000 + 34,000 - 2,200 - 64,000 =$ Rs $33,800$.

Step 4: Conclusion Revaluation loss is Rs 11,000. Ravi loan is Rs 2,39,500; closing capitals are Tanu Rs 1,55,700 and Sara Rs 33,800.

Quick Tip to Solve: Compute the gaining ratio from new share minus old share before charging Ravi goodwill to Tanu and Sara.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

27. 'Paid Rs. 5,00,000 to acquire shares in Neligare Industries and received a dividend of Rs. 30,000 after acquisition.' This transaction will result in : [1 mark]

(A) Cash outflow from financing activities Rs. 4,70,000

(B) Cash inflow from investing activities Rs. 4,70,000

(C) Cash inflow from financing activities Rs. 4,70,000

(D) Cash outflow from investing activities Rs. 4,70,000

Correct Answer: (D) Cash outflow from investing activities Rs. 4,70,000

Solution:

Concept:

- For the non-financial enterprise classification used here, acquiring shares in another enterprise and receiving dividend are investing cash flows.
- Net investing cash flow equals investing cash receipts less investing cash payments. A negative result is an outflow.

Step 1: Classify each cash flow Payment of Rs 5,00,000 buys an investment and is therefore an investing outflow. Dividend of Rs 30,000 received on those shares is an investing inflow. Neither event raises capital or repays borrowing, so options (A) and (C), which classify the amount as financing, are incorrect.

Step 2: Find the net amount and its direction

$$\text{Net investing flow} = 30,000 - 5,00,000 = -\text{Rs } 4,70,000.$$

The payment exceeds the receipt, so the net flow is outward. Option (B) has the right amount but reverses the direction. Option (D) correctly gives both the investing classification and the outflow.

Step 3: Conclusion The transaction results in cash outflow from investing activities of Rs 4,70,000. Hence, the correct option is (D).

Quick Tip to Solve: Classify acquisition and dividend together, then subtract the dividend received from the investment purchase.

28(i). Which of the following is *not* an objective of 'Analysis of Financial Statements' ? [1 mark]

(A) To assess the current profitability and operational efficiency of the firm.

(B) To ascertain the relative importance of different components of the financial position of the firm.

(C) To consider the impact of price level changes.

(D) To identify the reasons for change in the profitability/financial position of the firm.

Correct Answer: (C) To consider the impact of price level changes.

Solution:

Concept:

- Financial statement analysis evaluates profitability, operating efficiency and financial position using the figures reported in financial statements.
- Historical-cost statements generally do not adjust their figures for changes in the purchasing power of money.

Step 1: Identify the actual objectives Assessing profitability and operational efficiency is an objective, so (A) is valid. Common-size analysis establishes the relative importance of components, making (B) valid. Comparison across periods also explains changes in profitability and financial position, making (D) valid.

Step 2: Examine price-level changes The impact of changing price levels is a limitation of conventional financial statement analysis. Historical figures are analysed without a general price-level adjustment; considering that impact is therefore not its stated objective.

Step 3: Conclusion The correct option is (C): To consider the impact of price level changes.

Quick Tip to Solve: Look for the limitation among the choices when the question asks for an item that is not an objective.

OR

28(ii). _____ is also known as Acid-Test Ratio. [1 mark]

(A) Current Ratio

(B) Quick Ratio

(C) Gross profit Ratio

(D) Operating Ratio

Correct Answer: (B) Quick Ratio

Solution:

Concept:

- The acid-test or quick ratio measures immediate liquidity. It is calculated as quick assets divided by current liabilities.
- Quick assets exclude inventories and prepaid expenses because these cannot normally meet immediate cash obligations.

Step 1: Match the alternative name The expression acid-test refers to the stricter liquidity test obtained by using quick assets. Hence it is another name for the quick ratio.

Step 2: Eliminate the other choices The current ratio includes all current assets, including inventory. Gross profit ratio compares gross profit with revenue from operations, while operating ratio compares operating cost with revenue. These are different measures and none is called the acid-test ratio.

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

Quick Tip to Solve: Remember acid-test means immediate liquidity: remove inventory and prepaid expenses from current assets.

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29. Current Ratio of Super Ltd. is 2 : 1. Which of the following transactions will result in decrease in this ratio ? [1 mark]

(A) Payment of Rs. 40,000 to creditors

(B) Sale of furniture (book value Rs. 38,000) for Rs. 16,000 only

(C) Repayment of long term loan of Rs. 7,00,000

(D) Cash collected from debtors Rs. 1,18,000

Correct Answer: (C) Repayment of long term loan of Rs. 7,00,000

Solution:

Concept:

- Current ratio is Current Assets/Current Liabilities. Initially let current liabilities be L, so current assets are $2L$.
- A long-term loan is a non-current liability; repaying it reduces cash without reducing current liabilities.

Step 1: Test the repayment and creditor payment Repaying the long-term loan reduces the ratio to $(2L - 7,00,000)/L$, which is below 2. In contrast, paying creditors reduces both current assets and current liabilities equally. For a positive payment $x < L$, $(2L - x)/(L - x) > 2$, so (A) increases the ratio.

Step 2: Test the remaining transactions Furniture is a non-current asset. Its sale increases cash by Rs 16,000 and leaves current liabilities unchanged, so (B) increases the current ratio even though a loss is incurred. Collecting debtors merely replaces receivables by cash, leaving total current assets unchanged; (D) has no effect.

Step 3: Conclusion The correct option is (C): Repayment of long term loan of Rs 7,00,000.

Quick Tip to Solve: Track current assets and current liabilities separately; a loss on sale of furniture does not itself reduce cash.

30(i). ***Statement I :*** **Issue of Debentures will result in inflow of cash.**

Statement II : **Issue of Debentures to the vendors for purchase of machinery will result in outflow of cash.**

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

(A) Both statements are correct.

(B) Both statements are incorrect.

(C) Statement I is correct and Statement II is incorrect.

(D) Statement I is incorrect and Statement II is correct.

Correct Answer: (C) Statement I is correct and Statement II is incorrect.

Solution:

Concept:

- An issue of debentures for cash raises finance and creates a cash inflow from financing activities.
- A direct exchange of debentures for machinery is a non-cash investing and financing transaction.

Step 1: Judge Statement I Issue of debentures for cash brings cash into the company and is recorded as a financing inflow. In the ordinary cash-issue context of Statement I, the statement is correct.

Step 2: Judge Statement II Issuing debentures directly to vendors for machinery does not involve payment or receipt of cash. The company acquires machinery against a debenture liability, so there is no cash outflow. It is excluded from the cash flow statement and disclosed separately as a non-cash transaction; Statement II is incorrect.

Step 3: Conclusion The correct option is (C): Statement I is correct and Statement II is incorrect.

Quick Tip to Solve: Check whether cash actually moves: issuing securities directly to a vendor does not create a cash flow.

OR

30(ii). What will be effect of 'Purchase of Marketable Securities for Cash' on Cash Flow Statement ? [1 mark]

(A) No effect

(B) Inflow from financing activities

(C) Outflow from investing activities

(D) Outflow from financing activities

Correct Answer: (A) No effect

Solution:

Concept:

- Cash and cash equivalents are treated as one fund in preparing a cash flow statement.
- Short-term, highly liquid marketable securities treated as cash equivalents form part of that fund in this question.

Step 1: Identify the conversion Purchase of marketable securities for cash converts one component of cash and cash equivalents into another. Cash decreases while the holding of cash equivalents increases by the same amount.

Step 2: Check the net cash-flow effect There is no net change in total cash and cash equivalents, so no cash flow is reported. Financing inflow and financing outflow do not apply because no capital or borrowing is raised or repaid. An investing outflow would apply to an investment outside cash equivalents, rather than the marketable securities intended here.

Step 3: Conclusion The correct option is (A): No effect.

Quick Tip to Solve: For this cash-flow classification, treat readily realisable short-term marketable securities as cash equivalents.

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 :

(i) Unclaimed dividend

(ii) Raw materials

(iii) Capital Work-in-Progress [3 marks]

Solution:

Concept:

- Schedule III classifies balance-sheet items according to their nature and whether they are current or non-current.
- Unclaimed dividend is a liability; raw materials are inventories; capital work-in-progress relates to assets still under construction.

Step 1: Classify unclaimed dividend Unclaimed dividend is dividend payable to shareholders that has not yet been collected. It is an outstanding obligation, so it belongs under Current Liabilities, with the sub-head Other Current Liabilities. It is not a provision because the amount payable is already determined.

Step 2: Classify raw materials Raw materials are inputs held for consumption in production during the normal operating cycle. They therefore appear under Current Assets, with the sub-head Inventories. Their use in production does not make them fixed assets.

Step 3: Classify capital work-in-progress Capital work-in-progress represents expenditure on constructing or acquiring fixed assets that are not yet ready for intended use. It is classified under Non-current Assets, with the sub-head Fixed Assets and the category Capital Work-in-Progress, following the Schedule III presentation used for this paper. It remains separate from completed tangible assets until ready for use.

Step 4: Conclusion The required Balance Sheet classification is:

Item	Major head	Sub-head / category
Unclaimed dividend	Current Liabilities	Other Current Liabilities
Raw materials	Current Assets	Inventories
Capital Work-in-Progress	Non-current Assets	Fixed Assets: Capital Work-in-Progress

Quick Tip to Solve: Classify by purpose: unpaid dividend is payable, raw materials are stock, and unfinished capital assets remain non-current.

32. Calculate the 'Inventory Turnover Ratio' from the following information :

Particulars	Amount
Revenue from operations	**Rs. 15,00,000**
Gross profit	**20%**
Opening inventory	**Rs. 2,00,000**
Purchases	**Rs. 18,00,000**

[3 marks]

Solution:

Concept:

- Inventory turnover ratio equals cost of revenue from operations divided by average inventory: ITR = Cost of Revenue from Operations/Average Inventory.
- Cost of revenue from operations equals opening inventory plus purchases less closing inventory. Gross profit percentage here is applied to revenue from operations.

Step 1: Calculate gross profit and cost of revenue Revenue from operations is Rs 15,00,000 and gross profit is 20% of revenue. Therefore,

$$\begin{aligned} \text{Gross Profit} &= 15,00,000 \times \frac{20}{100} = \text{Rs } 3,00,000, \\ \text{Cost of Revenue from Operations} &= 15,00,000 - 3,00,000 \\ &= \text{Rs } 12,00,000. \end{aligned}$$

Use cost rather than sales in the numerator so that both numerator and inventory are measured on a cost basis.

Step 2: Derive closing and average inventory Rearrange the inventory equation using the given purchases:

$$\begin{aligned} \text{Closing Inventory} &= 2,00,000 + 18,00,000 - 12,00,000 \\ &= \text{Rs } 8,00,000, \\ \text{Average Inventory} &= \frac{2,00,000 + 8,00,000}{2} \\ &= \text{Rs } 5,00,000. \end{aligned}$$

The higher purchases therefore accumulate partly as closing stock; they are not all treated as the cost of goods sold during this period.

Step 3: Calculate inventory turnover Substitute the cost of revenue and average inventory:

$$\text{Inventory Turnover Ratio} = \frac{12,00,000}{5,00,000} = 2.4 \text{ times.}$$

This means the business turns over its average inventory at cost 2.4 times during the period.

Step 4: Conclusion The Inventory Turnover Ratio is $\boxed{2.4 \text{ times}}$.

Quick Tip to Solve: Derive closing stock from opening stock plus purchases minus cost of sales before averaging inventory.

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

Particulars	2022 - 23 (Rs.)	2021 - 22 (Rs.)
Revenue from operations	4,00,000	2,00,000
Other income	80,000	40,000
Employee benefit expenses - 50% of Revenue from operations		
Tax rate 50%		

[4 marks]

Solution:

Concept:

- A comparative statement shows each item for the previous and current years, its absolute change and its percentage change. Absolute change = current-year amount - previous-year amount.
- Percentage change = absolute change divided by previous-year amount, multiplied by 100. Employee benefit expenses are 50% of revenue from operations; tax is 50% of profit before tax.

Step 1: Calculate expenses, profit before tax and tax For 2021-22, employee benefit expenses are $50\% \times$ Rs $2,00,000 =$ Rs $1,00,000$. Total revenue is Rs $2,00,000 +$ Rs $40,000 =$ Rs $2,40,000$. Thus profit before tax is Rs 1,40,000, tax is Rs 70,000 and profit after tax is Rs 70,000.

For 2022-23, employee benefit expenses are $50\% \times$ Rs $4,00,000 =$ Rs $2,00,000$. Total revenue is Rs 4,80,000. Profit before tax is Rs 2,80,000, tax is Rs 1,40,000 and profit after tax is Rs 1,40,000. Tax is applied to profit before tax, not to revenue.

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

Particulars	2021-22 Rs	2022-23 Rs	Increase Rs	Change (%)
Revenue from operations	2,00,000	4,00,000	2,00,000	100
Other income	40,000	80,000	40,000	100
Total revenue	2,40,000	4,80,000	2,40,000	100
Expenses: Employee benefits	1,00,000	2,00,000	1,00,000	100
Total expenses	1,00,000	2,00,000	1,00,000	100
Profit before tax	1,40,000	2,80,000	1,40,000	100
Less: Tax (50%)	70,000	1,40,000	70,000	100
Profit after tax	70,000	1,40,000	70,000	100

For example, the percentage increase in profit after tax is $\frac{1,40,000-70,000}{70,000} \times 100 = 100\%$. The same calculation applies to each row because every current-year amount is twice its previous-year amount.

Step 3: Conclusion Profit after tax increased from Rs 70,000 to Rs 1,40,000, an increase of Rs 70,000 or 100%. All statement items increased by 100%.

Quick Tip to Solve: Use the previous-year amount as the denominator for every comparative percentage, and calculate tax only after finding profit before tax.

OR

33(b). Prepare a 'Common Size Statement of Profit and Loss' of Neurosci Ltd. for the year ended 31st March, 2023 from the following information :

Particulars	2022 - 23 (Rs.)	2021 - 22 (Rs.)
Revenue from operations	40,00,000	20,00,000
Purchase of stock in trade	4,00,000	2,00,000
Other expenses	40,000	20,000
Tax rate 50%		

[4 marks]

Solution:

Concept:

- In a common size statement of profit and loss, revenue from operations is the base, taken as 100% separately for each year.
- Each percentage equals the item divided by that year's revenue from operations, multiplied by 100. Profit before tax equals revenue less expenses; profit after tax equals profit before tax less tax.

Step 1: Calculate profits and tax for each year For 2021-22, total expenses are Rs $2,00,000$ + Rs $20,000$ = Rs $2,20,000$. Profit before tax is Rs $20,00,000$ − Rs $2,20,000$ = Rs $17,80,000$. Tax at 50% is Rs 8,90,000, leaving profit after tax of Rs 8,90,000.

For 2022-23, total expenses are Rs $4,00,000$ + Rs $40,000$ = Rs $4,40,000$. Profit before tax is Rs 35,60,000. Tax at 50% is Rs 17,80,000 and profit after tax is Rs 17,80,000. Since no other income or change in inventories is given, no such amount is added.

Step 2: Prepare the common size statement Neurosci Ltd.: Common Size Statement of Profit and

Loss for the year ended 31st March, 2023

Particulars	2021-22 Rs	2022-23 Rs	2021-22 (%)	2022-23 (%)
Revenue from operations	20,00,000	40,00,000	100	100
Total revenue	20,00,000	40,00,000	100	100
Expenses:				
Purchase of stock in trade	2,00,000	4,00,000	10	10
Other expenses	20,000	40,000	1	1
Total expenses	2,20,000	4,40,000	11	11
Profit before tax	17,80,000	35,60,000	89	89
Less: Tax (50%)	8,90,000	17,80,000	44.5	44.5
Profit after tax	8,90,000	17,80,000	44.5	44.5

For example, purchase of stock in trade for 2022-23 is $\frac{4,00,000}{40,00,000} \times 100 = 10\%$; profit before tax is $100-10-1 = 89\%$. Tax is half of profit before tax, so its common size percentage is $89\% \times 50\% = 44.5\%$, not 50% of revenue.

Step 3: Conclusion In both years, expenses are 11% of revenue, profit before tax is 89%, and profit after tax is 44.5%. The common size proportions are unchanged.

Quick Tip to Solve: For a common size profit and loss statement, divide each row by the same year's revenue from operations, including the tax row.

34. From the following Balance Sheet of Nishant Ltd. as at 31st March, 2023, calculate 'Cash Flows From Operating Activities'.

Balance Sheet of Nishant 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		6,00,000	5,50,000
(b) Reserves and Surplus	1	1,50,000	1,00,000
2. Non-Current Liabilities			
(a) Long-term Borrowings	2	1,20,000	85,000
3. Current Liabilities			
(a) Trade Payables		89,500	1,02,000
(b) Short-term Provisions	3	25,000	38,500
Total		9,84,500	8,75,500
II - Assets :			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets			
(i) Tangible Assets/Property, Plant and Equipment	4	5,35,000	4,25,000
(ii) Intangible Assets	5	20,000	56,000
2. Current Assets			
(a) Current Investments		1,20,000	75,000
(b) Inventories		64,500	60,500
(c) Trade Receivables		85,000	71,500
(d) Cash and Cash Equivalents		1,60,000	1,87,500
Total		9,84,500	8,75,500

Notes to Accounts :

Note No.	Particulars	31.3.2023 (Rs.)	31.3.2022 (Rs.)
1	Reserves and Surplus		
	Surplus i.e. Balance in Statement of Profit and Loss	1,50,000	1,00,000
		1,50,000	1,00,000
2	Long-term Borrowings		
	10% Debentures	1,20,000	85,000
		1,20,000	85,000
3	Short-term Provisions		
	Provision for Tax	25,000	38,500
		25,000	38,500
4	Tangible Assets/Property, Plant and Equipment		
	Machinery	6,35,000	5,00,000
	Less : Accumulated Depreciation	(1,00,000)	(75,000)
		5,35,000	4,25,000
5	Intangible Assets		
	Goodwill	20,000	56,000
		20,000	56,000

Additional Information :

(i) A piece of machinery costing Rs. 12,000 on which accumulated depreciation was Rs. 8,000 was sold for Rs. 3,000.

(ii) Interest paid on 10% Debentures amounted to Rs. 8,500. [6 marks]

Solution:

Concept:

- Under the indirect method, profit before tax is adjusted for non-cash expenses and non-operating items, followed by changes in operating working capital and income tax paid.
- Depreciation and goodwill written off are non-cash expenses. Loss on sale of machinery and debenture interest are added back; interest paid is a financing cash flow.

Step 1: Calculate profit before tax The increase in the balance of the Statement of Profit and Loss gives profit after tax, as no dividend or transfer is given:

$$\text{Profit after tax} = 1,50,000 - 1,00,000 = \text{Rs } 50,000.$$

The closing provision represents the current year's tax provision, while the opening provision is treated as tax paid during the year. Thus,

$$\text{Profit before tax} = 50,000 + 25,000 = \text{Rs } 75,000.$$

Step 2: Determine non-cash and non-operating adjustments Accumulated depreciation on machinery sold must be removed when calculating the year's depreciation:

$$\text{Depreciation} = 1,00,000 - 75,000 + 8,000 = \text{Rs } 33,000.$$

The book value of machinery sold is $12,000 - 8,000 = \text{Rs } 4,000$. Since the sale proceeds are Rs 3,000, the loss on sale is Rs 1,000. Goodwill written off is $56,000 - 20,000 = \text{Rs } 36,000$. Add back debenture interest of Rs 8,500 because its cash payment is classified under financing activities.

Step 3: Prepare the operating activities section Cash Flow Statement of Nishant Ltd. (Extract) for the year ended 31st March, 2023

Particulars	Amount (Rs)
A. Cash flows from operating activities	
Net profit before tax	75,000
Add: Depreciation on machinery	33,000
Goodwill written off	36,000
Loss on sale of machinery	1,000
Interest on debentures	8,500
Operating profit before working capital changes	**1,53,500**
Less: Increase in inventories	(4,000)
Less: Increase in trade receivables	(13,500)
Less: Decrease in trade payables	(12,500)
Cash generated from operations	**1,23,500**
Less: Income tax paid	(38,500)
Net cash from operating activities	**85,000**

Inventories rose from Rs 60,500 to Rs 64,500, and trade receivables from Rs 71,500 to Rs 85,000; both increases absorb cash. Trade payables fell from Rs 1,02,000 to Rs 89,500, also using cash. The increase in current investments is not an operating working capital adjustment; purchases of investments are classified under investing activities. Share capital, debentures and machinery transactions likewise belong outside the operating section.

Step 4: Conclusion Net cash flows from operating activities for the year ended 31st March, 2023 are $\boxed{\text{Rs } 85,000}$ (inflow).

Quick Tip to Solve: Restore depreciation removed on the machinery sold before finding the annual depreciation charge.

OPTION II (Computerised Accounting)

27(i). From the following, identify a 'Data label' as a chart element : [1 mark]

(A) Details and positions a legend on the chart.

(B) Indicates the individual value plotted on the chart.

(C) Details the data value and categories below the chart.

(D) Is a descriptive text for the chart.

Correct Answer: (B) Indicates the individual value plotted on the chart.

Solution:

Concept:

- A data label displays the value of an individual data point beside its plotted column, bar, point or sector.
- A chart title describes the whole chart, whereas a legend identifies its data series.

Step 1: Identify the required element The question asks for a data label. Its purpose is to identify the actual value represented by an individual plotted data point, making the numerical value readable directly on the chart.

Step 2: Check the alternatives Option (B) states this function. Option (A) concerns a legend and its position; option (C) describes a data table below the chart. Option (D) refers to a chart title or other descriptive text, rather than a value attached to a plotted point.

Step 3: Conclusion The correct option is (B): Indicates the individual value plotted on the chart.

Quick Tip to Solve: Look for the value attached to one plotted point: that is a data label.

OR

27(ii). How many logical values can be entered into a logical function ? [1 mark]

(A) 525

(B) 552

(C) 255

(D) 15

Correct Answer: (C) 255

Solution:

Concept:

- Logical functions evaluate conditions expressed as logical arguments and return a logical result such as TRUE or FALSE.
- The maximum number of logical arguments accepted by the spreadsheet logical functions considered here is 255.

Step 1: Recall the argument limit A logical function such as AND or OR can accept up to 255 logical arguments. Each argument supplies a logical value or a condition to be evaluated; the function combines their truth values to produce its result.

Step 2: Compare the choices The listed numbers 525 and 552 exceed this limit, while 15 understates it. The value 255 is the supported maximum; this number counts the arguments supplied, not the number of distinct truth values, which are TRUE and FALSE.

Step 3: Conclusion The correct option is (C): 255.

Quick Tip to Solve: Distinguish the maximum number of arguments, 255, from the two truth values TRUE and FALSE.

28. The process of comparing input data with some unknown data is called : [1 mark]

(A) Data storage

(B) Data entry

(C) Data validation

(D) Data filter

Correct Answer: (C) Data validation

Solution:

Concept:

- Data validation checks input against prescribed criteria, such as permitted values, ranges or formats, before accepting it.
- Storage retains data, entry supplies data and filtering displays a selected subset of existing records.

Step 1: Identify the purpose of the comparison The process described concerns checking input data. In a computerised accounting system, such checking is used to decide whether an entered value satisfies the specified acceptance criteria. This is the role of validation.

Step 2: Test the listed processes Data storage saves values and data entry introduces them into the system; neither name denotes checking their acceptability. Data filtering selects records that meet a condition for display. Of the listed processes, data validation identifies the input-checking operation intended by the question.

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

Quick Tip to Solve: When a question asks about checking input before acceptance, identify data validation.

29(i). 'Sales and Accounts Receivable Sub-system' of Accounting Information System deals with which of the following ? [1 mark]

(A) Receipt and payment of cash sub-system

(B) Recording and maintaining the sales ledger and receivables

(C) Ascertaining cost of goods produced

(D) Purchase and payment to creditors

Correct Answer: (B) Recording and maintaining the sales ledger and receivables

Solution:

Concept:

- The sales and accounts receivable subsystem records sales and maintains customer balances and amounts due from customers.
- Purchases and creditors, cash transactions and production costs are dealt with by their respective accounting subsystems.

Step 1: Identify the records involved Sales create revenue and, for credit sales, amounts receivable from customers. The sales and accounts receivable subsystem therefore maintains the sales ledger and the customer receivable records, including changes when customers settle their debts.

Step 2: Eliminate the other subsystems Option (B) names the relevant records directly. Option (A) describes the cash receipt and payment subsystem; option (C) concerns cost accounting and production costs. Option (D) belongs to the purchases and accounts payable subsystem because creditors are suppliers to whom money is owed.

Step 3: Conclusion The correct option is (B): Recording and maintaining the sales ledger and receivables.

Quick Tip to Solve: Connect receivables with customers who owe the business money after credit sales.

OR

29(ii). A Null value is a special value which represents : [1 mark]

(A) Single value data item

(B) Item with many values

(C) Absence of data items

(D) Stored value

Correct Answer: (C) Absence of data items

Solution:

Concept:

- NULL denotes the absence of a recorded data value in a database field, for example when the value is unknown or unavailable.
- NULL is distinct from a numerical zero, a blank string and a known stored value.

Step 1: Interpret NULL A database uses NULL to indicate that a data item has no value recorded for that field. For example, a missing telephone number can be represented by NULL; it does not mean that the telephone number is numerically zero.

Step 2: Check the alternatives Option (C) expresses this absence of data. Option (A) concerns the number of values in an item, and option (B) describes multiple values; neither defines missing information. Option (D) describes a stored value rather than the absence represented by NULL.

Step 3: Conclusion The correct option is (C): Absence of data items.

Quick Tip to Solve: Read NULL as missing or unknown information, never automatically as zero.

30. 'Data, people _____, _____ and software are five pillars of a Computerised Accounting System (CAS)'.

Which of the pillars of CAS are missing from the statement ? [1 mark]

(A) Procedures and Hardware

(B) Printer and CPU

(C) Mouse and Desktop

(D) Information and Accounts

Correct Answer: (A) Procedures and Hardware

Solution:

Concept:

- A Computerised Accounting System (CAS) rests on five pillars: hardware, software, people, procedures and data.
- Hardware supplies the physical equipment, while procedures specify how users operate the system and process accounting data.

Step 1: Complete the list The statement already includes data, people and software. Comparing these three with the complete list leaves procedures and hardware as the two missing pillars.

Step 2: Check the alternatives Option (A) supplies both missing pillars. Printer and CPU in (B), and mouse and desktop in (C), are examples of hardware rather than two distinct pillars. Information is the processed output of data, and accounts are records maintained by the system; therefore (D) does not complete the list of pillars.

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

Quick Tip to Solve: Recall all five pillars first; distinguish a pillar from individual hardware devices.

31. Give the meaning of the terms 'Transaction', 'Data item' and 'Information'. [3 marks]

Solution:

Concept:

- Accounting data record the facts of economic events; processing arranges these facts into useful information.
- A data item is a single element of a record, whereas information is the meaningful result obtained by processing data.

Step 1: Transaction A transaction is a business event or activity involving an exchange of value that can be measured in money and recorded in the books of account. It affects the financial position of the business, such as its assets, liabilities, capital, income or expenses. For example, the purchase of goods for cash of Rs 5,000 is a transaction: it increases goods purchased and reduces cash.

Step 2: Data item A data item is an individual, identifiable element of data relating to a transaction or entity. It represents one fact or attribute within a record. For the above purchase, the transaction date, supplier name, voucher number and amount of Rs 5,000 are separate data items. Each item by itself is a basic input for recording and processing.

Step 3: Information Information means data that have been processed, organised and presented in a meaningful form so that users can understand them and make decisions. For example, individual purchase records can be classified and totalled to obtain the total purchases for a month. That monthly purchase total is information useful for planning purchases and controlling expenditure.

Step 4: Conclusion Transaction is a recordable economic event; a data item is an individual fact about it; information is the meaningful output obtained by processing data.

Quick Tip to Solve: Use one purchase example throughout: the event is the transaction, its amount a data item, and the monthly total information.

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

Solution:

Concept:

- Coding assigns a short identifier to an account or item so that it can be identified and processed consistently.
- Block codes classify accounts through reserved number ranges; mnemonic codes use meaningful letters or abbreviations to aid recall.

Step 1: Block codes: meaning and example Under block coding, a block or range of numerical codes is reserved for each broad class of accounts. Individual accounts within that class receive codes from its allotted range. For example, codes 100-199 may be reserved for assets, 200-299 for liabilities and 300-399 for capital. Within the assets block, Cash may be 101, Bank 102 and Furniture 103. Thus, the range identifies the class, while the particular number identifies the account. The unused numbers in each block allow further accounts to be added.

Step 2: Mnemonic codes: meaning and example Mnemonic codes consist of letters, abbreviations or symbols that suggest the name or a distinguishing feature of the account or item. Their purpose is to make the code easy to remember and associate with what it represents. For example, CSH may identify Cash, BNK may identify Bank and PUR may identify Purchases. In each case, the letters are taken from or closely associated with the account name. Codes should be distinct so that one code identifies only one account.

Step 3: Distinguish the bases of coding The important distinction is the basis of assignment: a block code uses membership of a reserved numerical range, whereas a mnemonic code uses a recognisable abbreviation. Both are identifiers; neither changes the monetary value recorded for the account.

Step 4: Conclusion Block codes reserve number ranges for account classes, such as assets 100-199; mnemonic codes use meaningful abbreviations, such as CSH for Cash.

Quick Tip to Solve: Show a range plus an individual account for block coding, and a recognisable account abbreviation for mnemonic coding.

33(a). What is meant by Accounting Cycle ? List its basic phases. [4 marks]

Solution:

Concept:

- The accounting cycle is the recurring sequence of accounting procedures used to convert transactions into financial statements for an accounting period.
- Each phase builds on the preceding records, and the sequence is repeated for subsequent accounting periods.

Step 1: Meaning of accounting cycle The accounting cycle is the complete sequence of identifying, recording, classifying and summarising business transactions, leading to the preparation of financial statements and communication of the results. It begins with identifying transactions supported by source documents and is repeated in each accounting period.

Step 2: Identify and record transactions First identify and analyse transactions that can be measured in money, using documents such as invoices, receipts and vouchers. Then record them chronologically in the journal or appropriate subsidiary books, applying the debit and credit rules. This creates the initial accounting record.

Step 3: Classify and summarise the records Post the recorded transactions to the relevant ledger accounts, thereby classifying them account-wise. Balance the ledger accounts and prepare a trial balance to summarise the balances and check the arithmetical agreement of debit and credit totals.

Step 4: Make adjustments and prepare statements Record the necessary period-end adjustments, such as outstanding expenses, prepaid expenses and depreciation, so that income and expenses relate to the correct period. Using the adjusted balances, prepare the financial statements: the Trading and Profit and Loss Account, as applicable, and the Balance Sheet.

Step 5: Complete the period and repeat Close the temporary accounts and carry forward permanent account balances to the next period. The resulting financial statements communicate the performance and financial position of the business; analysis and interpretation make their results useful to users. The next period then follows the same sequence.

Step 6: Conclusion The basic phases are identification and analysis, recording, classification, summarisation through a trial balance, adjustments, preparation of financial statements, and completion of the period through closing and carrying forward balances.

Quick Tip to Solve: Remember the flow: source documents to journal, ledger, trial balance, adjustments and financial statements, followed by closing.

OR

33(b). What is 'data formatting' ? What tools are used to format a given data ? [4 marks]

Solution:

Concept:

- Data formatting means changing the appearance and presentation of data in spreadsheet cells so that it is clear, readable and suitable for its purpose.
- Formatting ordinarily changes how a value is displayed, without changing the underlying value used in calculations. A number can be displayed as currency or as a percentage.

Step 1: Explain data formatting Data formatting is the arrangement and presentation of entered data through suitable fonts, number formats, alignment, borders and colours. In an accounting worksheet it distinguishes headings, labels, monetary amounts and totals, making information easier to compare. For example, income and expense amounts can be displayed in Rs with two decimal places, while a savings rate can be displayed as a percentage.

Step 2: Font and alignment tools Select the required cells. Font tools change the font name and size, apply bold, italic or underline, and choose a font colour. Alignment tools align entries left, centre or right, adjust vertical alignment, wrap long text, change text orientation and merge and centre a heading where appropriate. These tools make headings prominent and ensure that labels and

amounts are presented consistently.

Step 3: Number-formatting tools Number formats include General, Number, Currency, Accounting, Percentage, Date and Time. Choose a format according to the nature of the data. Increase or decrease displayed decimal places and apply a thousands separator where required. Thus an amount can be displayed in monetary form and a rate in percentage form, while the stored values remain available for calculations.

Step 4: Borders, shading and Format Cells Borders and fill or shading tools separate groups of cells and highlight totals. Cell styles provide a consistent combination of formats; conditional formatting highlights cells meeting specified conditions. These tools are mainly available on the Home tab. The Format Cells dialogue box, opened through the cell context menu or Ctrl+1, brings together Number, Alignment, Font, Border, Fill and Protection settings for the selected range.

Step 5: Conclusion Data formatting improves the presentation of spreadsheet data. Its main tools are font formatting, alignment, number formats, borders, fill or shading, cell styles and conditional formatting, with detailed settings in the Format Cells dialogue box.

Quick Tip to Solve: Group formatting tools under font, alignment, number format, border and fill, and connect each group to an accounting worksheet use.

34. Write the steps to create 'If' function using formula tab and dialogue box on a given spreadsheet where the total income less expenses if greater than Rs. 10,000 then 10% savings and if income is less than Rs. 10,000 then 5% savings. Also write the syntax of the result. [6 marks]

Solution:

Concept:

- The IF function evaluates a logical test and returns one value if the test is TRUE and another if it is FALSE.
- Savings here are calculated on net income, meaning total income less expenses. The test compares this net income with Rs 10,000.

Step 1: Arrange the worksheet and select the result cell Enter the total income in cell B2 and total expenses in cell C2. Give D2 the heading Net Income and E2 the heading Savings. In D2 enter `=B2-C2` and press Enter. D2 now contains income less expenses, the amount on which the savings rate is to be applied. Select E2 to display the savings amount.

Step 2: Open the IF function dialogue box Click the Formulas tab on the ribbon. In the Function Library group choose Logical, then IF. Alternatively, select Insert Function on the Formulas tab, choose the Logical category, select IF and click OK. The Function Arguments dialogue box opens with the fields Logical_test, Value_if_true and Value_if_false.

Step 3: Enter the logical test and the two results In Logical_test enter `D2>10000`. In Value_if_true enter `D2*10%`. In Value_if_false enter `D2*5%`. Click OK. When net income exceeds Rs 10,000, the function returns ten per cent of net income; otherwise, it returns five per cent. Cell references make savings update when income or expenses change.

Step 4: Write the syntax and the completed formula The general syntax is

`=IF(logical_test,value_if_true,value_if_false).`

For the stated worksheet the formula in E2 is

`=IF(D2>10000,D2*10%,D2*5%).`

Equivalently, without a separate net-income cell, use

`=IF((B2-C2)>10000,(B2-C2)*10%,(B2-C2)*5%).`

Step 5: Check the result and the boundary If income is Rs 30,000 and expenses are Rs 15,000, net income is Rs 15,000 and savings are Rs 1,500. If income is Rs 18,000 and expenses are Rs 10,000, net income is Rs 8,000 and savings are Rs 400. The question specifies rates for amounts above and below Rs 10,000 but does not explicitly specify equality. In the two-branch formula above, exactly Rs 10,000 follows the FALSE branch and yields Rs 500. Format E2 as Currency or Accounting.

Step 6: Conclusion With net income in D2, use `=IF(D2>10000,D2*10%,D2*5%)`; its FALSE branch includes equality at Rs 10,000.

Quick Tip to Solve: Test income less expenses against 10000, and apply the percentage to that same net amount in both result arguments.