CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-3-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). Shrikant and Ajay were partners in a firm sharing profits and losses in the ratio of 5:3. Shrikant withdrew Rs. 10,000 in the beginning of each quarter during the year ended 31st March, 2023. Interest on Shrikant's drawings @ 6% p.a for the year ended 31st March, 2023 will be: [1 mark]

(A) Rs. 2,400

(B) Rs. 1,200

(C) Rs. 1,500

(D) Rs. 900

Correct Answer: (C) Rs. 1,500

Solution:

Concept:

- Interest on drawings is charged for the period from each withdrawal to the end of the accounting year.
- For equal drawings, interest equals total drawings multiplied by the annual rate and the average period in years.

Step 1: Find the average period The four withdrawals occur on 1st April, 1st July, 1st October and 1st January. They remain withdrawn for 12, 9, 6 and 3 months respectively. Thus,

$$\text{Average period} = \frac{12+9+6+3}{4} = 7.5 \text{ months}.$$

Step 2: Calculate interest and test the options Total drawings are $4 \times \text{Rs } 10,000 = \text{Rs } 40,000$. Hence,

$$\text{Interest} = 40,000 \times \frac{6}{100} \times \frac{7.5}{12} = \text{Rs } 1,500.$$

Option (A) charges a full year on all drawings; (B) uses six months and (D) uses 4.5 months. Neither is appropriate for drawings at the beginning of each quarter. The profit-sharing ratio does not affect interest on individual drawings.

Step 3: Conclusion Shrikant's interest on drawings is Rs 1,500. Hence, the correct option is (C).

Quick Tip to Solve: For equal quarterly drawings at the beginning, use the average of 12 and 3 months: 7.5 months.

OR

1(b). Abha, Manju and Rhea were partners in a firm sharing profits and losses in the ratio of 3:3:4. During the year ended 31st March, 2023, Rhea withdrew Rs. 30,000 at the beginning of each half year. Interest on Rhea's drawings @ 10% p.a. for the year ended 31st March, 2023 will be: [1 mark]

(A) Rs. 6,000

(B) Rs. 4,500

(C) Rs. 3,000

(D) Rs. 1,500

Correct Answer: (B) Rs. 4,500

Solution:

Concept:

- Interest on drawings depends on the amount withdrawn, annual rate and time outstanding.
- For two equal half-yearly drawings at the beginning of each half year, the average period is nine months.

Step 1: Identify the two withdrawal periods Rhea withdraws Rs 30,000 on 1st April and Rs 30,000 on 1st October. The first withdrawal is outstanding for 12 months and the second for six months.

$$\text{Average period} = \frac{12+6}{2} = 9 \text{ months}.$$

Step 2: Calculate interest and compare the options Total drawings are Rs 60,000. Therefore,

$$\text{Interest} = 60,000 \times \frac{10}{100} \times \frac{9}{12} = \text{Rs } 4,500.$$

Option (A) wrongly charges a full year on both withdrawals. Option (C) corresponds to only six months on the total and (D) to only three months. The given profit-sharing ratio has no role in this calculation.

Step 3: Conclusion Rhea's interest on drawings is Rs 4,500. Hence, the correct option is (B).

Quick Tip to Solve: For beginning-of-half-year drawings, charge the first instalment for 12 months and the second for six months.

2. Seema and Laksh were partners in a firm sharing profits and losses in the ratio of 2:1. Their capitals were Rs. 2,00,000 and Rs. 1,80,000 respectively. They admitted Aadi as a new partner on 1st April, 2023 for 1/5th share in future profits. Aadi brought Rs. 1,50,000 as his share of capital. The goodwill of the firm on Aadi's admission will be: [1 mark]

(A) Rs. 7,50,000

(B) Rs. 2,20,000

(C) Rs. 3,70,000

(D) Rs. 1,50,000

Correct Answer: (B) Rs. 2,20,000

Solution:

Concept:

- The incoming partner's capital and profit share imply the total capitalised value of the firm.
- Hidden goodwill equals the implied capitalised value minus the actual total capital of all partners after admission.

Step 1: Find the implied value of the firm Aadi brings Rs 1,50,000 for a $1/5$ share. Therefore, the value implied by his contribution is

$$\text{Implied total value} = 1,50,000 \div \frac{1}{5} = \text{Rs } 7,50,000.$$

This is the value of the entire firm, not its goodwill alone.

Step 2: Deduct all actual capitals The combined capital after admission includes Aadi's contribution:

$$\text{Actual capital} = 2,00,000 + 1,80,000 + 1,50,000 = \text{Rs } 5,30,000.$$

$$\text{Hidden goodwill} = 7,50,000 - 5,30,000 = \text{Rs } 2,20,000.$$

Option (A) is the implied value itself; (C) arises if Aadi's capital is incorrectly excluded from actual capital; (D) merely repeats his capital contribution.

Step 3: Conclusion The goodwill of the firm is Rs 2,20,000. Hence, the correct option is (B).

Quick Tip to Solve: When finding hidden goodwill, subtract the incoming partner's capital as well as the old partners' capitals from the implied firm value.

3(a). Lata, Mehu and Namita were partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to dissolve the firm on 31st March, 2023. Creditors took over stock of book value of Rs. 80,000 at 80%, in part settlement of their amount of Rs. 90,000. The balance amount was paid to the creditors by cheque. The amount paid by cheque to the creditors will be: [1 mark]

(A) Rs. 26,000

(B) Rs. 64,000

(C) Rs. 80,000

(D) Rs. 1,44,000

Correct Answer: (A) Rs. 26,000

Solution:

Concept:

- When creditors accept an asset in part settlement, reduce their claim by the agreed takeover value of that asset.
- The cheque payment is the outstanding liability less the amount already settled through the asset.

Step 1: Calculate the stock settlement value The creditors accept stock at 80% of its book value, not at its full book value. Thus,

$$\text{Stock accepted} = 80,000 \times \frac{80}{100} = \text{Rs } 64,000.$$

This amount discharges part of the Rs 90,000 creditors' claim.

Step 2: Calculate the remaining cash payment The balance payable by cheque is

$$\text{Cheque payment} = 90,000 - 64,000 = \text{Rs } 26,000.$$

Option (B) gives the value settled by stock, (C) gives the stock's book value, and (D) does not represent the unpaid balance. The partners' profit-sharing ratio is irrelevant to the amount payable to creditors.

Step 3: Conclusion The amount paid to creditors by cheque is Rs 26,000. Hence, the correct option is (A).

Quick Tip to Solve: First convert stock book value into its agreed takeover value; subtract that value from creditors, not from stock.

OR

3(b). Sanya, Sarthak and Nitya were partners in a firm sharing profits and losses in the ratio of 4:3:1. They decided to dissolve the firm on 31st March, 2023. On this date, the firm had debtors amounting to Rs. 3,00,000 and provision for doubtful debts of Rs. 30,000. On dissolution, debtors for Rs. 20,000 proved bad and the remaining debtors realised 90%. Amount realised from the debtors will be: [1 mark]

(A) Rs. 3,00,000

(B) Rs. 2,25,000

(C) Rs. 2,80,000

(D) Rs. 2,52,000

Correct Answer: (D) Rs. 2,52,000

Solution:

Concept:

- Cash realised from debtors depends on the actual recoveries from the gross outstanding debts.
- A provision for doubtful debts is an accounting estimate; it is not a further deduction from cash recoveries once actual bad debts and recovery rates are given.

Step 1: Exclude the debts that proved bad Of the gross debtors of Rs 3,00,000, Rs 20,000 prove completely irrecoverable. Therefore,

$$\text{Remaining debtors} = 3,00,000 - 20,000 = \text{Rs } 2,80,000.$$

The provision of Rs 30,000 is not subtracted again to determine the recoverable debt base.

Step 2: Apply the recovery rate The remaining debtors realise 90% of their amount:

$$\text{Cash realised} = 2,80,000 \times \frac{90}{100} = \text{Rs } 2,52,000.$$

Option (A) ignores all losses; (C) ignores the further 10% non-recovery. Option (B) incorrectly deducts both the provision and actual bad debts before applying the recovery rate.

Step 3: Conclusion The amount realised from debtors is Rs 2,52,000. Hence, the correct option is (D).

Quick Tip to Solve: Use gross debtors less actual bad debts as the recovery base; do not deduct the old provision a second time.

4. Geeta and Hari were partners in a firm sharing profits and losses in the ratio of 3:2. Krish was admitted as a new partner for 1/5th share in profits of the firm which he acquired from Geeta and Hari in the ratio of 2:3. Krish brought Rs. 1,00,000 as his share of capital and Rs. 50,000 as premium for goodwill in cash. The sacrificing ratio of Geeta and Hari will be: [1 mark]

(A) 3:2

(B) 1:1

(C) 2:3

(D) 13:7

Correct Answer: (C) 2:3

Solution:

Concept:

- Sacrifice is an old partner's old profit share less the new profit share.
- When the incoming partner acquires a share from old partners in a stated ratio, that ratio is directly their sacrificing ratio.

Step 1: Calculate each partner's sacrifice Krish acquires his $1/5$ share from Geeta and Hari in the ratio $2:3$. Hence,

$$\text{Geeta's sacrifice} = \frac{1}{5} \times \frac{2}{5} = \frac{2}{25},$$

$$\text{Hari's sacrifice} = \frac{1}{5} \times \frac{3}{5} = \frac{3}{25}.$$

The sacrifices add to Krish's share of $5/25 = 1/5$.

Step 2: Compare the sacrifices The sacrificing ratio is

$$\frac{2}{25} : \frac{3}{25} = 2:3.$$

Option (A) gives the old profit-sharing ratio, while (B) would require equal sacrifice. Option (D), $13:7$, compares Geeta's and Hari's remaining shares because $3/5 - 2/25 = 13/25$ and $2/5 - 3/25 = 7/25$; it is not their sacrificing ratio. Capital and goodwill amounts do not alter the stated acquisition ratio.

Step 3: Conclusion The sacrificing ratio of Geeta and Hari is $2:3$. Hence, the correct option is (C).

Quick Tip to Solve: The ratio in which an incoming partner acquires a share is the sacrificing ratio, even when the old ratio differs.

5. Manu, Sonu and Rahul were partners in a firm sharing profits and losses in the ratio of 4:3:2. With effect from 1st April, 2023, they decided to share profits and losses in the future in the ratio of 3:2:1. Their Balance Sheet showed Workmen Compensation Reserve of Rs. 84,000. The claim on account of Workmen Compensation is estimated at Rs. 75,000. The journal entry to give effect to the above transaction will be: [1 mark]

(A)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.	84,000	
	To Workmen Compensation Claim A/c		75,000
	To Manu's Capital A/c		4,000
	To Sonu's Capital A/c		3,000
	To Rahul's Capital A/c		2,000

(B)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.	84,000	
	To Workmen Compensation Claim A/c		75,000
	To Manu's Capital A/c		4,500
	To Sonu's Capital A/c		3,000
	To Rahul's Capital A/c		1,500

(C)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Manu's Capital A/c Dr.	500	
	To Rahul's Capital A/c		500

(D)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.	84,000	
	To Workmen Compensation Claim A/c		75,000
	To Manu's Capital A/c		3,000
	To Sonu's Capital A/c		3,000
	To Rahul's Capital A/c		3,000

Correct Answer: (A)

Date	Particulars	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.	84,000	
	To Workmen Compensation Claim A/c		75,000
	To Manu's Capital A/c		4,000
	To Sonu's Capital A/c		3,000
	To Rahul's Capital A/c		2,000

Solution:

Concept:

- At reconstitution, provide for the estimated workmen compensation claim out of the related reserve.
- Any surplus belongs to the existing partners in their old profit-sharing ratio because it accumulated before the change.

Step 1: Calculate the distributable surplus The reserve exceeds the estimated claim by

$$84,000 - 75,000 = \text{Rs } 9,000.$$

Distribute this excess in the old ratio $4:3:2$:

$$\text{Manu} = 9,000 \times 4/9 = \text{Rs } 4,000,$$
$$\text{Sonu} = 9,000 \times 3/9 = \text{Rs } 3,000,$$
$$\text{Rahul} = 9,000 \times 2/9 = \text{Rs } 2,000.$$

Step 2: Record the reserve and claim Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.		84,000	
	To Workmen Compensation Claim A/c			75,000
	To Manu's Capital A/c			4,000
	To Sonu's Capital A/c			3,000
	To Rahul's Capital A/c			2,000
	(Being claim provided and surplus reserve distributed in the old ratio)			

Credits total Rs 84,000, equal to the debit. Option (B) wrongly uses the new ratio, (D) uses equal shares, and (C) leaves the reserve and claim unrecorded instead of giving the required complete entry.

Step 3: Conclusion The reserve is debited by Rs 84,000, the claim credited by Rs 75,000 and capitals credited by Rs 4,000, Rs 3,000 and Rs 2,000. Hence, the correct option is (A).

Quick Tip to Solve: Provide for the claim first, then distribute only the excess reserve in the old ratio of 4:3:2.

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6. Assertion (A): Partners' current accounts maintained under 'Fixed Capital Method' may show a debit or a credit balance.

Reason (R): In the 'Fixed Capital Method', all items like share of profit or loss, interest on capital, drawings, interest on drawings etc. are recorded in the partners' capital accounts.

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

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

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

(C) Assertion (A) is correct, but Reason (R) is not correct.

(D) Both Assertion (A) and Reason (R) are not correct.

Correct Answer: (C) Assertion (A) is correct, but Reason (R) is not correct.

Solution:

Concept:

- Under the fixed capital method, routine partnership adjustments are recorded in separate current accounts.
- Capital accounts normally change only for permanent capital introduced or withdrawn; current account balances depend on the net effect of routine credits and debits.

Step 1: Judge the assertion The assertion is correct. A current account receives credits such as

share of profit, interest on capital and partner remuneration, and debits such as drawings, interest on drawings and share of loss. Credits exceeding debits produce a credit balance; debits exceeding credits produce a debit balance.

Step 2: Judge the reason The reason is incorrect. It says that these routine items are recorded in the capital accounts under the fixed capital method. They are actually recorded in the current accounts. Recording them in capital accounts is characteristic of the fluctuating capital method.

Step 3: Test the explanatory relationship An incorrect reason cannot explain a correct assertion. Options (A) and (B) incorrectly treat the reason as true, while option (D) incorrectly treats the assertion as false. The combination required is a true assertion with a false reason.

Step 4: Conclusion The assertion is true and the reason is false. Hence, the correct option is (C).

Quick Tip to Solve: For fixed capital, route drawings, interest and profit or loss through current accounts before judging their possible balances.

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

Richa, Sheena and Tapti were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. The partnership deed provided for charging interest on drawings @ 10% p.a. The drawings of Richa, Sheena and Tapti during the year ended 31st March, 2023 amounted to Rs. 50,000, Rs. 40,000 and Rs. 30,000 respectively. The net profit for the year ended 31st March, 2023 was Rs. 57,000.

7. Sheena's interest on drawings will be: [1 mark]

(A) Rs. 5,000

(B) Rs. 4,000

(C) Rs. 3,000

(D) Rs. 2,000

Correct Answer: (D) Rs. 2,000

Solution:

Concept:

- When only total drawings for a year are given without withdrawal dates, the standard calculation uses an average period of six months.
- Interest on drawings equals total drawings multiplied by the annual interest rate and the fraction of the year applicable.

Step 1: Identify the relevant amount and period Sheena withdrew Rs 40,000 during the year. No dates of withdrawal are specified, so apply the standard six-month average period. The partners' profit-sharing ratio and the net profit of Rs 57,000 are not needed to compute interest on her drawings.

Step 2: Calculate interest and compare the options Using the deed's rate of 10% per annum,

$$\text{Interest} = 40,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 2,000.$$

Option (B) applies a full year to Sheena's total drawings. Options (A) and (C) equal full-year interest on Richa's and Tapti's drawings respectively; they use the wrong partner's amount as well as the wrong period.

Step 3: Conclusion Sheena's interest on drawings is Rs 2,000. Hence, the correct option is (D).

Quick Tip to Solve: With total annual drawings and no withdrawal dates, use six months; use only the amount belonging to the named partner.

8. Tapti's share of profit will be: [1 mark]

(A) Rs. 11,500

(B) Rs. 34,500

(C) Rs. 10,500

(D) Rs. 23,000

Correct Answer: (C) Rs. 10,500

Solution:

Concept:

- Interest on drawings is credited to the Profit and Loss Appropriation Account and increases profit available for distribution.
- When dates of drawings during a year are unspecified, use an average period of six months. A partner receives the distributable profit in the agreed profit-sharing ratio.

Step 1: Calculate total interest on drawings The dates of the withdrawals are not stated, so apply the annual rate for an average period of six months. Total drawings are Rs 50,000 + Rs 40,000 + Rs 30,000 = Rs 1,20,000. Thus,

$$\text{Total interest} = 1,20,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 6,000.$$

Step 2: Distribute the adjusted profit Add this interest to net profit:

$$\text{Distributable profit} = 57,000 + 6,000 = \text{Rs } 63,000.$$

Tapti has one share out of six, giving

$$63,000 \times \frac{1}{6} = \text{Rs } 10,500.$$

Rs 11,500 incorrectly charges interest for the whole year. Rs 34,500 and Rs 23,000 also use the wrong partners' shares of that incorrect total. Tapti's own interest on drawings is charged separately to her account; it is not deducted in finding her gross share of profit.

Step 3: Conclusion Tapti's share of profit is Rs 10,500. Hence, the correct option is (C).

Quick Tip to Solve: For undated annual drawings, use six months; add all partners' interest before applying Tapti's one-sixth share.

9. Alfa Ltd. offered for public subscription 50,000 equity shares of Rs. 10 each at Rs. 110 per share. The entire amount was payable on application. Applications were received for 48,000 shares and allotment was made to all the applicants. The amount received on application will be: [1 mark]

(A) Rs. 52,80,000

(B) Rs. 55,00,000

(C) Rs. 50,00,000

(D) Rs. 48,00,000

Correct Answer: (A) Rs. 52,80,000

Solution:

Concept:

- Application receipts equal the number of shares applied for multiplied by the amount payable per share on application.
- When the entire issue price is payable on application, include both face value and securities premium in the cash receipt.

Step 1: Identify the actual subscription The company offered 50,000 shares but received applications for only 48,000 shares. Therefore the receipt must be based on 48,000 shares, all of which are allotted. The issue price is Rs 110 per share, comprising face value Rs 10 and premium Rs 100.

Step 2: Calculate and compare the receipts The entire Rs 110 is payable immediately:

$$\text{Application money} = 48,000 \times 110 = \text{Rs } 52,80,000.$$

Rs 55,00,000 would be the receipt if all 50,000 offered shares were applied for. Rs 48,00,000 includes only the Rs 100 premium on the actual applications. Rs 50,00,000 is the premium on all shares offered, so it also fails to measure the actual total receipt.

Step 3: Conclusion The amount received on application is Rs 52,80,000. Hence, the correct option is (A).

Quick Tip to Solve: Multiply actual applications by the full amount due on application; do not use the number of shares merely offered.

10. Assertion (A): When the shares are forfeited, share capital account is debited with the amount called up and credited to (i) respective unpaid calls account i.e., calls in arrears and (ii) share forfeiture account with the amount already received on shares.

Reason (R): When the shares are forfeited, all entries relating to the shares forfeited, except those relating to securities premium, already recorded in accounting records must be reversed.

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) incorrect.

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

Solution:

Concept:

- On forfeiture, Share Capital is debited with called-up capital, unpaid calls are cancelled, and capital already received is credited to Share Forfeiture.
- Securities premium already received is retained on forfeiture; forfeiture reverses the relevant share-capital and unpaid-call balances.

Step 1: Evaluate the assertion The assertion correctly describes the normal forfeiture entry. Debiting Share Capital cancels the called-up amount on the forfeited shares. Crediting unpaid calls clears the amount no longer recoverable from the defaulting shareholder. The amount received towards capital becomes a credit in Share Forfeiture. Thus Assertion (A) is correct.

Step 2: Evaluate the reason The reason states the reversal principle underlying forfeiture, with securities premium retained when already received. This is the standard forfeiture treatment intended by the statement. If premium had become due but remained unpaid, that unpaid premium would also be reversed; premium received is not transferred to Share Forfeiture. With this distinction, Reason (R) states the governing principle correctly.

Step 3: Link the reason to the assertion The reversal principle explains why Share Capital is debited and unpaid calls are credited, while the amount received towards capital is carried to Share Forfeiture. Therefore the reason directly explains the assertion. The option saying there is no explanatory link is unsuitable, and the options declaring either statement incorrect do not describe this standard treatment.

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

Quick Tip to Solve: At forfeiture, separate capital from premium: capital received goes to Share Forfeiture, while premium already received stays intact.

11. Lexa Ltd. issued 50,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as follows: On application and allotment - Rs. 7 per share (including premium); On first and final call - Balance. The issue was fully subscribed. All the money was duly received except the first and final call on 1,000 equity shares. These shares were forfeited. On forfeiture of these shares Calls in Arrears Account will be: [1 mark]

(A) credited by Rs. 7,000

(B) debited by Rs. 5,000

(C) credited by Rs. 5,000

(D) debited by Rs. 7,000

Correct Answer: (C) credited by Rs. 5,000

Solution:

Concept:

- The total issue price is face value plus premium; the final call is the balance after application and allotment.
- Calls in Arrears carries a debit balance for unpaid calls and is credited when that balance is cancelled on forfeiture.

Step 1: Find the unpaid amount The issue price is Rs 10 + Rs 2 = Rs 12 per share. Of this, Rs 7, including premium, was received on application and allotment. Therefore the first and final call is

$$12 - 7 = \text{Rs } 5 \text{ per share.}$$

The unpaid call on 1,000 shares amounts to

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

Step 2: Determine the side of the entry Before forfeiture, Calls in Arrears has a debit balance of Rs 5,000. Forfeiture cancels this receivable, so the account is credited by the same amount. Debiting Rs 5,000 would increase the arrears instead of cancelling them. Rs 7,000 represents application and allotment money already received on these shares, not the unpaid final call; hence both options using Rs 7,000 are incorrect.

Step 3: Conclusion Calls in Arrears Account is credited by Rs 5,000. Hence, the correct option is (C).

Quick Tip to Solve: First subtract the payment already received from face value plus premium; then credit arrears to cancel the unpaid balance.

12. Minimum subscription for allotment of shares as per Securities and Exchange Board of India (SEBI) guidelines cannot be less than 90% of which of the following capital? [1 mark]

(A) Reserve Capital

(B) Nominal Capital

(C) Subscribed Capital

(D) Issued Capital

Correct Answer: (D) Issued Capital

Solution:

Concept:

- Minimum subscription is the minimum portion of the shares offered that must be subscribed before allotment under the rule stated in the question.
- Issued capital is the part of authorised capital offered for subscription; subscribed capital is the part actually taken up by applicants.

Step 1: Identify the base of the percentage The stated 90% requirement is measured against issued capital, that is, the shares offered to investors. In the terms of this question,

$$\text{Minimum subscription} = 90\% \times \text{Issued capital.}$$

The subscribed amount is compared with this required minimum before allotment.

Step 2: Eliminate the other capital categories Nominal capital is authorised capital, the maximum capital permitted by the memorandum; all of it need not be offered. Reserve capital is a portion of uncalled capital reserved for calling up on winding up. Subscribed capital is the actual subscription received, so using it as the base would not test whether enough of the issue was subscribed. These distinctions exclude options (A), (B) and (C).

Step 3: Conclusion The 90% minimum is based on Issued Capital. Hence, the correct option is (D).

Quick Tip to Solve: Use the amount offered to the public as the benchmark; compare actual subscriptions against 90% of that issued amount.

13(a). KLB Ltd. forfeited 3,000 shares of 10 each, Rs. 8 per share called up for non-payment of first call of Rs. 2 per share. All these shares were reissued at Rs. 7 per share, Rs. 8 paid up. The amount transferred to Capital Reserve Account will be: [1 mark]

(A) Rs. 18,000

(B) Rs. 24,000

(C) Rs. 15,000

(D) Rs. 3,000

Correct Answer: (C) Rs. 15,000

Solution:

Concept:

- Share Forfeiture is credited with the capital received before forfeiture: called-up capital less unpaid calls.
- Discount on reissue is charged to Share Forfeiture. The remaining forfeiture balance for the reissued shares is transferred to Capital Reserve.

Step 1: Calculate the forfeited amount received Rs 8 per share was called up, of which the first call of Rs 2 remained unpaid. Therefore Rs 6 per share had been received:

$$\text{Share forfeiture} = 3,000 \times (8 - 2) = \text{Rs } 18,000.$$

The uncalled Rs 2 of the Rs 10 face value is not included in this computation.

Step 2: Deduct the reissue discount The shares are reissued for Rs 7 as Rs 8 paid up. Hence the discount is Rs 1 per share, not Rs 3:

$$\text{Reissue discount} = 3,000 \times (8 - 7) = \text{Rs } 3,000.$$

All forfeited shares are reissued, so the full surplus is transferable:

$$\text{Capital Reserve} = 18,000 - 3,000 = \text{Rs } 15,000.$$

Rs 18,000 ignores the discount, Rs 24,000 is the called-up capital, and Rs 3,000 is only the discount itself.

Step 3: Conclusion Rs 15,000 is transferred to Capital Reserve. Hence, the correct option is (C).

Quick Tip to Solve: Compare the reissue price with the paid-up value of Rs 8, not the face value of Rs 10, when calculating the discount.

OR

13(b). NUK Ltd. forfeited 1,000 shares of Rs. 10 each, fully called up for non-payment of final call of Rs. 2 per share. 800 of these shares were reissued at Rs. 11 per share fully paid. The amount credited to Capital Reserve Account will be: [1 mark]

(A) Rs. 6,400

(B) Rs. 8,000

(C) Rs. 7,200

(D) Rs. 10,000

Correct Answer: (A) Rs. 6,400

Solution:

Concept:

- Only the forfeiture balance attributable to shares actually reissued can be transferred to Capital Reserve.
- A premium collected on reissue is credited to Securities Premium and is not added to the forfeiture surplus transferred to Capital Reserve.

Step 1: Find the forfeiture amount per share The shares were fully called up at Rs 10, but the final call of Rs 2 was unpaid. Capital received before forfeiture was therefore

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

Total Share Forfeiture for 1,000 shares is Rs 8,000, but only 800 shares are subsequently reissued.

Step 2: Isolate the surplus on reissued shares Reissue at Rs 11 fully paid involves no discount; the Rs 1 excess over face value is securities premium. Thus the forfeiture amount released to Capital Reserve is

$$800 \times 8 = \text{Rs } 6,400.$$

The remaining Rs 1,600 stays in Share Forfeiture for 200 unreissued shares. Rs 8,000 wrongly includes those shares; Rs 7,200 wrongly adds Rs 800 securities premium; and Rs 10,000 is the original called-up capital, not a realised forfeiture surplus.

Step 3: Conclusion Capital Reserve is credited by Rs 6,400. Hence, the correct option is (A).

Quick Tip to Solve: For a partial reissue, multiply capital received per forfeited share by the number reissued; keep reissue premium separate.

14. The debentures which do not carry a specific rate of interest are called: [1 mark]

(A) Zero Coupon Rate Debentures

(B) Specific Coupon Rate Debentures

(C) Unsecured Debentures

(D) Secured Debentures

Correct Answer: (A) Zero Coupon Rate Debentures

Solution:

Concept:

- A coupon is the stated periodic interest payment attached to a debenture.
- Zero Coupon Rate Debentures do not carry a specified periodic interest rate; secured and unsecured classify debentures by the security offered.

Step 1: Identify the interest-rate classification The question asks about the absence of a specific interest rate. A zero-coupon debenture does not promise periodic interest at a stated coupon rate. Investors can instead earn a return through the difference between the amount paid to acquire it and its redemption value.

Step 2: Distinguish the other descriptions Specific Coupon Rate Debentures carry a stated interest rate, so option (B) describes the opposite feature. Secured debentures have a charge or security over assets, while unsecured debentures do not have such specific security. These labels concern protection of the debt rather than whether periodic interest is paid; hence neither (C) nor (D) answers the question.

Step 3: Conclusion These are Zero Coupon Rate Debentures. Hence, the correct option is (A).

Quick Tip to Solve: When the question mentions interest rate, look for the coupon classification; security classification answers a different question.

15(a). Nicku, Mala and Ritu were partners in a firm sharing profits in the ratio of 5:3:2. Nicku died on 30th September, 2023. The deceased partner was entitled to his share of profit up to the date of death which was to be calculated on the basis of previous year's profit. The previous year's profit was Rs. 80,000. Nicku's share of profit will be: [1 mark]

(A) Rs. 10,000

(B) Rs. 20,000

(C) Rs. 30,000

(D) Rs. 40,000

Correct Answer: (B) Rs. 20,000

Solution:

Concept:

- When a deceased partner's profit is estimated from the preceding year, apportion the annual profit for the elapsed portion of the current accounting year.

- The deceased partner receives the estimated interim profit multiplied by their old profit-sharing fraction.

Step 1: Estimate profit up to the date of death Taking the accounting year from 1st April, the period up to 30th September is six months. On the preceding year's profit basis, profit for this period is

$$80,000 \times \frac{6}{12} = \text{Rs } 40,000.$$

This is the estimated profit of the whole firm for the period, not Nicku's personal share.

Step 2: Apply Nicku's profit-sharing fraction The ratio is $5:3:2$, so Nicku's fraction is $5/(5+3+2) = 1/2$. His share is

$$40,000 \times \frac{5}{10} = \text{Rs } 20,000.$$

Rs 40,000 omits the partner's fraction, or treats his annual share as the interim share. Rs 10,000 and Rs 30,000 do not follow from the stated six-month period and one-half share.

Step 3: Conclusion Nicku's share of profit up to his death is Rs 20,000. Hence, the correct option is (B).

Quick Tip to Solve: Use two fractions: six months out of twelve for time, then five parts out of ten for Nicku's share.

OR

15(b). Nikhil, Arun and Mansi were partners in a firm sharing profits and losses in the ratio of 4:3:3. With effect from 1st April, 2023, they decided to share profits and losses in the ratio of 5:3:2. Due to change in the profit sharing ratio, Mansi's gain or sacrifice will be: [1 mark]

(A) Gain 1/10

(B) Sacrifice 3/10

(C) Sacrifice 1/10

(D) Gain 3/10

Correct Answer: (C) Sacrifice 1/10

Solution:

Concept:

- A partner sacrifices when the new share is smaller than the old share: sacrifice = old share - new share.
- The fractions must be calculated using the total of the respective ratio; a positive sacrifice is not a gain.

Step 1: Find Mansi's old and new shares Mansi is the third partner in each ratio. The totals of both ratios are 10, so her old share is $3/10$ and her new share is $2/10$.

Step 2: Determine the change

$$\text{Mansi's sacrifice} = \frac{3}{10} - \frac{2}{10} = \frac{1}{10}.$$

Her entitlement decreases, so the gain options (A) and (D) are incorrect. Option (B) uses her entire old share, not the reduction in that share.

Step 3: Conclusion Mansi sacrifices $1/10$ of the total profits. Hence, the correct option is (C).

Quick Tip to Solve: Compare the third terms after converting both ratios to shares; a fall from 3/10 to 2/10 is a sacrifice.

16(a). Hema and Tara were partners in a firm sharing profits and losses in the ratio of 2:3. They admitted Ojas as a new partner. Hema surrendered 1/3rd of her share and Tara surrendered 1/2 of her share in favour of Ojas. The new profit sharing ratio of Hema, Tara and Ojas will be: [1 mark]

(A) 8:9:13

(B) 3:2:5

(C) 2:3:5

(D) 2:3:25

Correct Answer: (A) 8:9:13

Solution:

Concept:

- When a partner surrenders a fraction of her own share, multiply that fraction by her existing share to find the sacrifice.
- New share = old share - sacrifice; the incoming partner receives the sum of the sacrifices.

Step 1: Calculate the retained shares Hema's old share is $2/5$, and Tara's is $3/5$. Therefore,

$$\text{Hema's new share} = \frac{2}{5}\left(1 - \frac{1}{3}\right) = \frac{4}{15} = \frac{8}{30},$$
$$\text{Tara's new share} = \frac{3}{5}\left(1 - \frac{1}{2}\right) = \frac{3}{10} = \frac{9}{30}.$$

Step 2: Find Ojas's share and form the ratio

$$\text{Ojas's share} = \frac{2}{5} \times \frac{1}{3} + \frac{3}{5} \times \frac{1}{2} = \frac{2}{15} + \frac{3}{10} = \frac{13}{30}.$$

The three new shares sum to $30/30 = 1$. Options (B), (C) and (D) do not preserve Hema's retained share of $8/30$ and Tara's retained share of $9/30$. In particular, the surrender fractions are not fractions of the whole profit.

Step 3: Conclusion The new profit sharing ratio of Hema, Tara and Ojas is $8 : 9 : 13$. Hence, the correct option is (A).

Quick Tip to Solve: First multiply 1/3 and 1/2 by the respective old shares; then express all three new shares over 30.

OR

16(b). Aaroh, Bhuvan and Charu were partners in a firm sharing profits and losses in the ratio of 1:2:6. Charu died. Aaroh and Bhuvan acquired Charu's share in the ratio of 2:1. The new profit sharing ratio between Aaroh and Bhuvan after Charu's death will be: [1 mark]

(A) 2:1

(B) 1:2

(C) 5:4

(D) 4:5

Correct Answer: (C) 5:4

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share acquired from the deceased partner.
- The gaining ratio divides only the deceased partner's share; it is not necessarily the new profit sharing ratio.

Step 1: Allocate Charu's share The old shares of Aaroh, Bhuvan and Charu are $1/9$, $2/9$ and $6/9$. Charu's share is acquired in the ratio $2:1$:

$$\text{Aaroh's gain} = \frac{6}{9} \times \frac{2}{3} = \frac{4}{9}, \qquad \text{Bhuvan's gain} = \frac{6}{9} \times \frac{1}{3} = \frac{2}{9}.$$

Step 2: Add the gains to the old shares

$$\text{Aaroh's new share} = \frac{1}{9} + \frac{4}{9} = \frac{5}{9}, \qquad \text{Bhuvan's new share} = \frac{2}{9} + \frac{2}{9} = \frac{4}{9}.$$

The shares total one. Option (A) is only the gaining ratio, while (B) retains the old relative ratio. Option (D) reverses the correctly calculated new shares.

Step 3: Conclusion The new profit sharing ratio of Aaroh and Bhuvan is $5:4$. Hence, the correct option is (C).

Quick Tip to Solve: Apply 2:1 to Charu's 6/9 share, then add each gain to the surviving partner's old share.

17. Aaria, Beenu and Clara were partners in a firm sharing profits and losses in the ratio of 4:3:3. On 30th June, 2023, Clara died. Clara's share in the profits of the firm till the date of death was to be calculated on the basis of sales. Sales during the year 2022-23 were Rs. 20,00,000 and sales from 1st April, 2023 to 30th June, 2023 were Rs. 4,00,000. The profit for the year ended 31st March, 2023 was Rs. 5,00,000. Calculate Clara's share of profit up to the date of death and pass the necessary journal entry for the same in the books of the firm. Show your workings clearly. [3 marks]

Solution:

Concept:

- When profit to the date of death is estimated on sales, apply the previous year's profit-to-sales percentage to sales up to death.
- The deceased partner receives the old profit sharing fraction of the estimated profit. Debit Profit and Loss Suspense Account and credit the deceased partner's Capital Account.

Step 1: Working Notes: calculate the previous profit rate The sales basis specified in the question requires a profit-to-sales rate, not a time apportionment. For the year ended 31st March, 2023:

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

Thus, each Rs 100 of sales is taken to earn Rs 25 of profit.

Step 2: Estimate the profit and Clara's entitlement Sales from 1st April, 2023 to 30th June, 2023 are Rs 4,00,000. Applying the historical rate gives

$$\text{Estimated profit} = \text{Rs } 4,00,000 \times \frac{25}{100} = \text{Rs } 1,00,000,$$
$$\text{Clara's share} = \text{Rs } 1,00,000 \times \frac{3}{4+3+3} = \text{Rs } 30,000.$$

The sales figure already covers only the period up to death, so no further multiplication by three months is needed.

Step 3: Record the estimated profit due to Clara Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 June 2023	Profit and Loss Suspense A/c Dr.		30,000	
	To Clara's Capital A/c			30,000
	(Being Clara's share of profit up to the date of death credited to her capital on the sales basis)			

Profit and Loss Suspense is debited because the current period's final profit has not yet been determined. Clara's capital is credited with the amount due to her.

Step 4: Conclusion Clara's share of profit up to 30th June, 2023 is Rs 30,000. Debit Profit and Loss Suspense A/c and credit Clara's Capital A/c by Rs 30,000.

Quick Tip to Solve: Use the 25% sales margin first and Clara's 3/10 share next; do not apply an additional 3/12 time factor.

18. Rishi and Suman were partners in a firm. Their capitals were: Rishi Rs. 1,20,000 and Suman Rs. 80,000. The normal rate of return in similar business is 12%. The profits of the last four years were: 2019-20: Rs. 33,000; 2020-21: Rs. 22,000; 2021-22: Rs. 31,000; 2022-23: Rs. 34,000. Calculate goodwill of the firm based on: (i) Three years' purchase of the last four years' average profits. (ii) Capitalisation of super profit. [3 marks]

Solution:

Concept:

- Under the average profit method, goodwill = average annual profit multiplied by the number of years' purchase.
- Normal profit = capital employed multiplied by the normal rate of return. Super profit is average profit minus normal profit.
- Capitalised value of super profit = super profit multiplied by 100 and divided by the normal rate expressed as a percentage.

Step 1: Working Notes: find average profit and capital employed All four annual profits enter the simple average; no weights or adjustments are specified.

$$\begin{aligned} \text{Total profits} &= 33,000 + 22,000 + 31,000 + 34,000 \\ &= \text{Rs } 1,20,000, \\ \text{Average annual profit} &= \frac{1,20,000}{4} = \text{Rs } 30,000, \\ \text{Capital employed} &= 1,20,000 + 80,000 = \text{Rs } 2,00,000. \end{aligned}$$

The two partners' capitals together represent the capital employed for calculating the normal return.

Step 2: Calculate goodwill by three years' purchase For part (i), the question asks for three years' purchase of the last four years' average profits. The four years determine the average, whereas the purchase multiplier is three:

$$\text{Goodwill} = \text{Rs } 30,000 \times 3 = \text{Rs } 90,000.$$

Step 3: Capitalise the super profit For part (ii), first deduct the normal return that a comparable business would earn on the same capital:

$$\begin{aligned} \text{Normal profit} &= \text{Rs } 2,00,000 \times \frac{12}{100} = \text{Rs } 24,000, \\ \text{Super profit} &= \text{Rs } 30,000 - \text{Rs } 24,000 = \text{Rs } 6,000, \\ \text{Goodwill} &= \text{Rs } 6,000 \times \frac{100}{12} = \text{Rs } 50,000. \end{aligned}$$

This capitalises only the excess annual earnings. Capitalising the full average profit would value the whole business and would require deducting capital employed afterward.

Step 4: Conclusion Goodwill is (i) Rs 90,000 under three years' purchase of average profits, and (ii) Rs 50,000 under capitalisation of super profit.

Quick Tip to Solve: Use four as the averaging divisor and three as the purchase multiplier; capitalise only the Rs 6,000 excess profit in part (ii).

19(a). Sumi Ltd. acquired assets of Rs. 8,00,000 and took over sundry creditors of Rs. 2,00,000 from Pandora Ltd. for a purchase consideration of Rs. 9,00,000. The payment was made by issuing a cheque of Rs. 4,60,000 and remaining by issue of 9% Debentures of Rs. 100 each at a premium of 10%. Pass necessary journal entries for the above transactions in the books of Sumi Ltd. [3 marks]

Solution:

Concept:

- Purchase consideration exceeding net assets acquired is goodwill. Net assets equal assets taken over less liabilities assumed.
- Debentures are credited at face value and issue premium to Securities Premium Reserve. The 9% coupon rate governs interest, not issue price.

Step 1: Working Notes: calculate goodwill and debentures issued

$$\text{Net assets} = 8,00,000 - 2,00,000 = \text{Rs } 6,00,000,$$
$$\text{Goodwill} = 9,00,000 - 6,00,000 = \text{Rs } 3,00,000,$$
$$\text{Balance payable} = 9,00,000 - 4,60,000 = \text{Rs } 4,40,000.$$

The issue price is Rs $100 \times (1 + 10/100) =$ Rs 110 per debenture. Hence, the number issued is $4,40,000/110 = 4,000$. Face value is $4,000 \times 100 =$ Rs $4,00,000$, and premium is $4,000 \times 10 =$ Rs $40,000$.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		8,00,000	
	Goodwill A/c Dr.		3,00,000	
	To Sundry Creditors A/c			2,00,000
	To Pandora Ltd. A/c			9,00,000
	(Being assets and liabilities taken over from Pandora Ltd. and goodwill recognised)			
	Pandora Ltd. A/c Dr.		9,00,000	
	To Bank A/c			4,60,000
	To 9% Debentures A/c			4,00,000
	To Securities Premium Reserve A/c			40,000
	(Being purchase consideration paid by cheque and 4,000 debentures of Rs 100 each at 10% premium)			

The acquisition entry balances at Rs 11,00,000 on each side. Settlement debits the vendor with Rs 9,00,000 and credits bank plus face value plus premium by the same total, closing Pandora Ltd.'s account.

Step 3: Conclusion Goodwill is Rs 3,00,000. The Rs 4,60,000 cheque and 4,000 debentures issued at Rs 110 each fully settle the Rs 9,00,000 consideration.

Quick Tip to Solve: Divide the unpaid Rs 4,40,000 by issue price Rs 110; credit face value and premium to separate accounts.

OR

19(b). Gundola Ltd. took over assets of Rs. 9,00,000 and liabilities of Rs. 3,00,000 from AK Ltd. for an agreed purchase consideration of Rs. 14,00,000. The payment was made through a bank draft of Rs. 5,00,000 and the remaining by issue of 8% Debentures at a discount of 10%. Record necessary journal entries in the books of Gundola Ltd. for the above transactions. [3 marks]

Solution:

Concept:

- The vendor is credited with the agreed purchase consideration. Goodwill is the excess of purchase consideration over net assets taken over, where net assets equal assets less liabilities.
- Debentures issued at a discount settle the vendor's claim at their issue value. At a 10% discount, issue value is 90% of face value; the discount is separately debited.

Step 1: Compute net assets and goodwill Gundola Ltd. takes over both the assets and liabilities of AK Ltd. The net assets acquired are

$$\text{Net assets} = 9,00,000 - 3,00,000 = \text{Rs } 6,00,000.$$

The purchase consideration exceeds these net assets, creating goodwill:

$$\text{Goodwill} = 14,00,000 - 6,00,000 = \text{Rs } 8,00,000.$$

The acquisition entry debits assets and goodwill, credits liabilities assumed, and credits AK Ltd. with its full claim.

Step 2: Determine the face value of debentures issued After the bank draft, the amount payable to AK Ltd. is

$$14,00,000 - 5,00,000 = \text{Rs } 9,00,000.$$

This amount represents 90% of face value:

$$\text{Face value} = 9,00,000 \times \frac{100}{90} = \text{Rs } 10,00,000,$$
$$\text{Discount} = 10,00,000 \times \frac{10}{100} = \text{Rs } 1,00,000.$$

The 8% rate is the debenture interest rate and does not determine issue proceeds. No interest entry is required for this acquisition transaction.

Step 3: Record the acquisition and payment Journal of Gundola Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		9,00,000	
	Goodwill A/c Dr.		8,00,000	
	To Sundry Liabilities A/c			3,00,000
	To AK Ltd.			14,00,000
	(Being assets and liabilities taken over and goodwill recognised for the agreed purchase consideration)			
	AK Ltd. Dr.		14,00,000	
	Discount on Issue of Debentures A/c Dr.		1,00,000	
	To Bank A/c			5,00,000
	To 8% Debentures A/c			10,00,000
	(Being purchase consideration discharged by bank draft and debentures issued at a discount of 10%)			

The first entry balances at Rs 17,00,000 on each side; the second balances at Rs 15,00,000 on each side.

Step 4: Conclusion Goodwill is Rs 8,00,000. The remaining purchase consideration is discharged by issuing 8% Debentures of face value Rs 10,00,000 at a discount of Rs 1,00,000, in addition to the bank draft of Rs 5,00,000.

Quick Tip to Solve: Divide the unpaid consideration by 0.90 to obtain debenture face value; do not calculate the discount on the vendor's remaining claim.

20(a). Misha and Prisha were partners in a firm sharing profits and losses in the ratio of 3:2. On 1st April, 2022, their capital accounts showed balances of Rs. 50,000 and Rs. 30,000 respectively. During the year, Misha withdrew Rs. 12,900 while Prisha withdrew Rs. 9,600. They were allowed interest on capital @ 10% p.a. Interest on drawings of Rs. 660 was charged on Misha's drawings and Rs. 540 on Prisha's drawings. Prisha had advanced a loan of Rs. 20,000 to the firm on 1st August, 2022. The net profit for the year ended 31st March, 2023 amounted to Rs. 22,600. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2023. [3 marks]

Solution:

Concept:

- Interest on a partner's loan is a charge against profit. In the absence of an agreed rate it is allowed at 6% p.a., for the period the loan remains outstanding.
- Interest on capital is an appropriation of profit, whereas interest on drawings is credited to the Profit and Loss Appropriation Account. The remaining profit is divided in the agreed profit-sharing ratio.

Step 1: Adjust profit for interest on Prisha's loan Prisha advanced Rs 20,000 on 1st August, 2022, so interest is due for eight months up to 31st March, 2023. No loan-interest rate is given; use the

statutory rate of 6% p.a.:

$$\text{Loan interest} = 20,000 \times \frac{6}{100} \times \frac{8}{12} = \text{Rs } 800.$$

Deduct this charge from the stated net profit before making appropriations:

$$\text{Profit transferred} = 22,600 - 800 = \text{Rs } 21,800.$$

Loan interest is not included as a debit appropriation and the loan principal is not added to Prisha's capital for calculating interest on capital.

Step 2: Calculate interest on capital and divisible profit Interest is allowed on the opening capital balances for the full year:

$$\text{Misha's interest} = 50,000 \times 10\% = \text{Rs } 5,000,$$
$$\text{Prisha's interest} = 30,000 \times 10\% = \text{Rs } 3,000.$$

The given interest on drawings totals Rs $660 + 540 = 1,200$. Therefore,

$$\begin{aligned}\text{Divisible profit} &= 21,800 + 1,200 - 5,000 - 3,000 \\ &= \text{Rs } 15,000,\end{aligned}$$
$$\text{Misha's share} = 15,000 \times \frac{3}{5} = \text{Rs } 9,000,$$
$$\text{Prisha's share} = 15,000 \times \frac{2}{5} = \text{Rs } 6,000.$$

The drawings themselves reduce the partners' balances; they are not expenses or appropriations. Their separately specified interest is used without recalculating it from the drawings.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31st March, 2023

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Interest on Capital:		By Profit and Loss A/c	21,800	
	Misha	5,000	By Interest on Drawings:		
	Prisha	3,000	Misha	660	
	To Partners' Capital A/cs:		Prisha	540	
	Misha (profit share)	9,000			
	Prisha (profit share)	6,000			
	Total	23,000	Total	23,000	

The entire divisible profit has been transferred to the partners, leaving no balance to carry forward.

Step 4: Conclusion The Profit and Loss Appropriation Account totals Rs 23,000 on each side. Misha receives interest on capital of Rs 5,000 and profit of Rs 9,000; Prisha receives interest on capital of Rs 3,000 and profit of Rs 6,000. Prisha's loan interest of Rs 800 is a prior charge against profit.

Quick Tip to Solve: Charge eight months' loan interest before appropriation, then add the given interest on drawings and divide only the residual profit in 3:2.

OR

20(b). On 31st March, 2023, the capitals of Raghav and Diya stood at Rs. 4,00,000 and Rs. 3,00,000 respectively, after the necessary adjustment in respect of drawings and net profit. Subsequently, it was discovered that interest on capital @ 10% p.a had been omitted. The Net Profit for the year ended 31st March, 2023 amounted to Rs. 1,00,000. During the year ended 31st March, 2023, Raghav's drawings were Rs. 2,000 drawn at the beginning of each month, while Diya's drawings were Rs. 3,000 drawn at the beginning of each quarter. Pass the necessary adjustment entry. [3 marks]

Solution:

Concept:

- When no profit-sharing ratio is stated, partners share profits equally. Opening capital equals closing capital plus drawings less the profit already credited.
- Omitted interest on capital requires both crediting the interest due and withdrawing the profit previously over-distributed. A single adjustment entry records only the partners' net differences.

Step 1: Reconstruct the opening capitals The closing capitals already include the entire Rs 1,00,000 net profit and the effect of drawings. Since no ratio is specified, each partner has been credited with Rs 50,000 profit. Annual drawings are:

$$\text{Raghav's drawings} = 2,000 \times 12 = \text{Rs } 24,000,$$
$$\text{Diya's drawings} = 3,000 \times 4 = \text{Rs } 12,000.$$

Reverse the drawings and the credited profit to obtain opening capital:

$$\text{Raghav} = 4,00,000 + 24,000 - 50,000 = \text{Rs } 3,74,000,$$
$$\text{Diya} = 3,00,000 + 12,000 - 50,000 = \text{Rs } 2,62,000.$$

The withdrawal dates do not call for interest on drawings: the question omits interest on capital only and states no interest-on-drawings provision.

Step 2: Determine each partner's net adjustment Interest on the opening capitals at 10% p.a. is Rs 37,400 for Raghav and Rs 26,200 for Diya. Total omitted interest is Rs 63,600. Providing it reduces divisible profit by the same amount, so each partner must give back Rs $63,600/2 = 31,800$ of profit previously credited.

Adjustment working	Raghav (Rs)	Diya (Rs)
Interest on capital to be credited	37,400	26,200
Excess profit to be debited	31,800	31,800
Net adjustment	5,600 Cr.	5,600 Dr.

As a check, the corrected divisible profit is Rs $1,00,000 - 63,600 = 36,400$, giving Rs 18,200 each. Total entitlement is thus Rs 55,600 for Raghav and Rs 44,400 for Diya, compared with Rs 50,000 each already credited.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-03-2023	Diya's Capital A/c Dr.		5,600	
	To Raghav's Capital A/c			5,600
	(Being adjustment for omitted interest on capital at 10% p.a. and the corresponding correction of profit shares)			

This transfer decreases Diya's excess credit and increases Raghav's deficient credit without changing the firm's total capital.

Step 4: Conclusion Debit Diya's Capital Account and credit Raghav's Capital Account by Rs 5,600. The adjusted closing capitals become Rs 2,94,400 for Diya and Rs 4,05,600 for Raghav.

Quick Tip to Solve: Recover opening capitals before applying 10%; then offset each partner's interest credit against half the total omitted interest, since profits are shared equally.

21. Shri Ganga Ltd. was registered with an authorised capital of Rs. 7,00,000 divided into equity shares of Rs. 10 each. It offered to the public for subscription 50,000 equity shares. The amount was payable as follows: On application: Rs. 4 per share; On allotment: Rs. 4 per share; On first and final call: Balance. The issue was fully subscribed. All the amounts were duly received except the first and final call money on 4,000 equity shares. Show 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 permitted by the memorandum. Issued capital is the part offered for subscription; subscribed capital is the part accepted by applicants.
- Under Shareholders' funds, Share Capital is reported at the paid-up amount. Shares subscribed and fully paid up are disclosed separately from shares subscribed but not fully paid up in the accompanying note.

Step 1: Calculate the call and the unpaid amount Each share has a face value of Rs 10. Application and allotment together account for Rs $4 + 4 = 8$, so the first and final call is Rs $10 - 8 = 2$ per share. All 50,000 shares were subscribed and the entire face value was called. The call on 4,000 shares remains unpaid:

$$\text{Calls in arrears} = 4,000 \times 2 = \text{Rs } 8,000.$$

Therefore, $50,000 - 4,000 = 46,000$ shares are fully paid, while 4,000 shares have Rs 8 paid per share. The unpaid amount is deducted from called-up capital; it does not reduce the number of shares subscribed.

Step 2: Present the Balance Sheet extract **Shri Ganga Ltd.**

Balance Sheet (extract)

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share Capital	1	4,92,000

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

Particulars	Amount (Rs)
Authorised capital	
70,000 equity shares of Rs 10 each	7,00,000
Issued capital	
50,000 equity shares of Rs 10 each	5,00,000
Subscribed capital	
Subscribed and fully paid up:	
46,000 equity shares of Rs 10 each	4,60,000
Subscribed but not fully paid up:	
4,000 equity shares of Rs 10 each, fully called up	40,000
Less: Calls in arrears	(8,000)
Paid-up amount on these 4,000 shares	32,000
Total subscribed and paid-up share capital	**4,92,000**

The authorised number is $7,00,000/10 = 70,000$ shares. As a cross-check, cash received towards capital is application Rs 2,00,000, allotment Rs 2,00,000 and call Rs 92,000, totalling Rs 4,92,000.

Step 4: Conclusion Share Capital shown under Shareholders' funds is $\boxed{\text{Rs } 4,92,000}$. The note discloses authorised capital Rs 7,00,000, issued capital Rs 5,00,000 and calls in arrears Rs 8,000.

Quick Tip to Solve: First separate the 46,000 fully paid shares from the 4,000 partly paid shares; deduct the unpaid Rs 2 call only on the latter.

22. Frank, George and Hemant were partners in a firm sharing profits in the ratio of 5:3:2. They decided to change their profit sharing ratio to 2:5:3 with effect from 1st April, 2023. Their Balance Sheet as at 31st March, 2023 was as follows:

Balance Sheet of Frank, George and Hemant as at 31st March, 2023

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		**Land**	**5,00,000**
Frank 4,00,000		**Building**	**3,00,000**
George 3,00,000		**Machinery**	**2,00,000**
Hemant 2,00,000	**9,00,000**	**Stock**	**1,50,000**
Creditors	**5,00,000**	**Debtors**	**2,50,000**
Employees' Provident Fund	**1,00,000**	**Cash**	**3,00,000**
General Reserve	**2,00,000**		
	17,00,000		**17,00,000**

It was decided that:

(i) The value of land having appreciated be brought up to Rs 6,50,000.

(ii) Goodwill of the firm was valued at Rs 2,00,000. Goodwill was not to appear in the books of the firm.

Pass the necessary journal entries in the books of the firm. [4 marks]

Solution:

Concept:

- On a change in profit-sharing ratio, accumulated reserves and revaluation profit belong to the partners in their old ratio. A statutory liability such as Employees' Provident Fund is not a distributable reserve.
- Goodwill is adjusted through capital accounts when it is not to appear in the books. Gaining partners compensate sacrificing partners: compensation equals the firm's goodwill multiplied by the fraction gained or sacrificed.

Step 1: Work out sacrifice, gains and distributable amounts The old ratio is $5:3:2$, and the new ratio is $2:5:3$. Comparing each partner's old and new shares:

$$\text{Frank's sacrifice} = 5/10 - 2/10 = 3/10,$$
$$\text{George's gain} = 5/10 - 3/10 = 2/10,$$
$$\text{Hemant's gain} = 3/10 - 2/10 = 1/10.$$

George and Hemant therefore compensate Frank in the gaining ratio $2:1$. Their debits are Rs $2,00,000 \times 2/10 = 40,000$ and Rs $2,00,000 \times 1/10 = 20,000$; Frank receives Rs 60,000.

Land appreciates by Rs $6,50,000 - 5,00,000 = 1,50,000$. This revaluation profit is credited to Frank, George and Hemant in $5:3:2$, giving Rs 75,000, Rs 45,000 and Rs 30,000 respectively. General Reserve of Rs 2,00,000 is also divided in the old ratio: Rs 1,00,000, Rs 60,000 and Rs 40,000 respectively.

Step 2: Record General Reserve and the appreciation of land **Journal of Frank, George and Hemant**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April 2023	General Reserve A/c Dr.		2,00,000	
	To Frank's Capital A/c			1,00,000
	To George's Capital A/c			60,000
	To Hemant's Capital A/c			40,000
	(Being General Reserve transferred to partners' capitals in the old ratio of 5:3:2)			
1 April 2023	Land A/c Dr.		1,50,000	
	To Revaluation A/c			1,50,000
	(Being land appreciated from Rs 5,00,000 to Rs 6,50,000)			

The balance of Employees' Provident Fund, Rs 1,00,000, remains a liability. No entry transferring it to partners' capitals is made.

Step 3: Transfer revaluation profit and adjust goodwill **Journal of Frank, George and Hemant (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April 2023	Revaluation A/c Dr.		1,50,000	
	To Frank's Capital A/c			75,000
	To George's Capital A/c			45,000
	To Hemant's Capital A/c			30,000
	(Being revaluation profit transferred to partners' capitals in the old ratio of 5:3:2)			
1 April 2023	George's Capital A/c Dr.		40,000	
	Hemant's Capital A/c Dr.		20,000	
	To Frank's Capital A/c			60,000
	(Being goodwill adjusted by debiting gaining partners and crediting the sacrificing partner, without raising goodwill)			

Each entry balances independently. The goodwill adjustment has total debits and total credits of Rs 60,000, leaving no Goodwill Account in the books.

Step 4: Conclusion General Reserve and revaluation profit are distributed in $5:3:2$. For goodwill, debit George's Capital by Rs 40,000 and Hemant's Capital by Rs 20,000, and credit Frank's Capital by Rs 60,000. Land is recorded at Rs 6,50,000 and goodwill does not appear as an asset.

Quick Tip to Solve: Use the old ratio for the Rs 2,00,000 reserve and Rs 1,50,000 land gain; use the change in each partner's share only for goodwill.

23. Abhay, Bikram and Chris were partners in a firm sharing profits and losses equally. They decided to dissolve their partnership firm on 31st March, 2023. The firm's Balance Sheet on the date of dissolution was as follows:

Balance Sheet of Abhay, Bikram and Chris as at 31st March, 2023

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital:		**Plant and Machinery**	**80,000**
Abhay 68,000		**Furniture**	**45,000**
Bikram 1,00,000		**Motor Car**	**1,25,000**
Chris 77,000	**2,45,000**	**Stock**	**30,000**
Creditors	**1,20,000**	**Debtors**	**70,000**
		Cash at Bank	**15,000**
	3,65,000		**3,65,000**

The following information is available:

(i) Plant and Machinery was taken over by Abhay at an agreed valuation of Rs 75,000.

(ii) Furniture realised Rs 40,000.

(iii) Motor car was taken over by Bikram for Rs 1,30,000.

(iv) Debtors realised 10% less.

(v) 10% of the stock was taken over by Chris for Rs 4,500. The remaining stock was sold for Rs 30,000.

(vi) Realisation expenses amounted to Rs 5,000.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- On dissolution, transfer all non-cash assets to the debit of Realisation Account at their book values and outside liabilities to its credit. Cash at Bank and partners' capitals are not transferred.
- Credit Realisation Account with cash proceeds and assets taken over by partners at agreed values. Debit it with liabilities paid and realisation expenses.
- Transfer the resulting profit or loss to partners' capital accounts in their existing profit-sharing ratio, here $1:1:1$.

Step 1: Calculate the amounts to be transferred and realised **Working Notes.** The non-cash assets transferred at book value total

$$80,000 + 45,000 + 1,25,000 + 30,000 + 70,000 = \text{Rs } 3,50,000.$$

The opening bank balance of Rs 15,000 is excluded. Creditors of Rs 1,20,000 are transferred to the credit side and, as no concession or takeover is stated, settled in full through Bank on the debit side. Debtors yield $70,000 \times 90\% = \text{Rs } 63,000$. Abhay's takeover of plant is credited at Rs 75,000 and Bikram's takeover of the motor car at Rs 1,30,000, with corresponding debits to their capital accounts. Chris takes stock for Rs 4,500, while the remaining stock realises Rs 30,000. These are separate realisations; the entire stock's book value of Rs 30,000 has already been transferred on the debit side. Furniture yields Rs 40,000 and expenses paid are Rs 5,000.

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

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Plant and Machinery	80,000	By Creditors	1,20,000
To Furniture	45,000	By Abhay's Capital	75,000
To Motor Car	1,25,000	By Bank (Furniture)	40,000
To Stock	30,000	By Bikram's Capital	1,30,000
To Debtors	70,000	By Bank (Debtors)	63,000
To Bank (Creditors)	1,20,000	By Chris's Capital	4,500
To Bank (Expenses)	5,000	By Bank (Stock)	30,000
		By Partners' Capital A/cs (loss in equal shares)	12,500
Total	4,75,000	Total	4,75,000

Step 3: Check and distribute the loss The debit total before closing is Rs 4,75,000. Credits before the loss transfer total Rs 4,62,500. Their difference is

$$\text{Realisation loss} = 4,75,000 - 4,62,500 = \text{Rs } 12,500.$$

The debit balance represents a loss, so each partner's capital is debited with one-third of Rs 12,500, exactly Rs $4,166\frac{2}{3}$, and Realisation Account is credited with the combined Rs 12,500. Thus the account closes with equal totals and no balance carried forward. If capital postings are rounded to paise, two shares can be Rs 4,166.67 and the final share Rs 4,166.66 to retain the total exactly.

Step 4: Conclusion Realisation Account closes at Rs 4,75,000 on each side after transferring the realisation loss of Rs 12,500 equally to Abhay, Bikram and Chris.

Quick Tip to Solve: Transfer stock once at its full book value; then credit Chris's Rs 4,500 takeover and the Rs 30,000 cash sale separately. Exclude the opening bank balance.

24. On 1st April, 2022, Helloix Ltd. issued 10,000, 7% Debentures of Rs. 500 each at a premium of 10%, redeemable at a premium of 5% after five years. The company had a balance of Rs. 1,50,000 in the 'Securities Premium Account' before the issue.

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

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

Solution:

Concept:

- Debentures are credited at their face value. The excess issue price is credited to Securities Premium Account, while the amount receivable from applicants includes both amounts.
- Premium payable on redemption is recognised as a liability when the debentures are issued, with a corresponding debit to Loss on Issue of Debentures Account.
- Loss on issue may be written off against the available Securities Premium Account. The opening balance and the premium from this issue are both available for this purpose.

Step 1: Calculate the issue amounts and available premium **Working Notes.** The 7% rate is the annual interest rate; it does not determine either issue premium or redemption premium. Both premiums are calculated on the face value:

$$\begin{aligned}\text{Face value} &= 10,000 \times 500 = \text{Rs } 50,00,000,\\ \text{Issue premium} &= 50,00,000 \times 10\% = \text{Rs } 5,00,000,\\ \text{Cash received} &= 50,00,000 + 5,00,000 = \text{Rs } 55,00,000,\\ \text{Redemption premium} &= 50,00,000 \times 5\% = \text{Rs } 2,50,000.\end{aligned}$$

There is no discount on issue. Therefore, loss on issue consists solely of the Rs 2,50,000 redemption premium. Securities premium available is $1,50,000 + 5,00,000 = \text{Rs } 6,50,000$, sufficient to write off the entire loss at the end of the first year. The five-year redemption period does not require the loss to be spread when the question directs its complete write-off now.

Step 2: Record the journal entries for part (a) **Journal of Helloix Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April 2022	Bank A/c Dr. To Debenture Application and Allotment A/c (Being application and allotment money received on 10,000 debentures at Rs 550 each)		55,00,000	 55,00,000
1 April 2022	Debenture Application and Allotment A/c Dr. Loss on Issue of Debentures A/c Dr. To 7% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (Being 10,000 debentures of Rs 500 each issued at 10% premium and redeemable at 5% premium)		55,00,000 2,50,000	 50,00,000 5,00,000 2,50,000
31 March 2023	Securities Premium A/c Dr. To Loss on Issue of Debentures A/c (Being loss on issue written off fully against securities premium at the end of the first year)		2,50,000	 2,50,000

The allotment entry balances at Rs 57,50,000 on each side. The redemption premium is recorded now even though actual redemption is due after five years. No payment of that premium takes place in the current year.

Step 3: Prepare the account for part (b) **Loss on Issue of Debentures Account**

For the year ended 31st March, 2023

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
1 April 2022: To Premium on Redemption of Debentures A/c	2,50,000	31 March 2023: By Securities Premium A/c	2,50,000
Total	2,50,000	Total	2,50,000

The loss account has a nil closing balance because the entire debit has been written off. The remaining Securities Premium Account balance is $6,50,000 - 2,50,000 =$ Rs $4,00,000$. No transfer to Statement of Profit and Loss is required for this loss.

Step 4: Conclusion Helloix Ltd. receives Rs 55,00,000 and records debentures of Rs 50,00,000. The entire loss of Rs 2,50,000 is written off against securities premium on 31st March, 2023, closing the loss account and leaving securities premium of Rs 4,00,000.

Quick Tip to Solve: Add the new Rs 5,00,000 issue premium to the opening Rs 1,50,000 before checking the amount available to write off the Rs 2,50,000 redemption loss.

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

(i) Neon Ltd. forfeited 2,000 shares of Rs. 10 each issued at a premium of Rs. 2 per share for non-payment of allotment money of Rs. 5 per share (including premium). The first and final call of Rs. 2 per share was not yet made. Out of these, 1,500 shares were reissued at Rs. 7 per share, Rs. 8 paid up.

(ii) Mamta Ltd. forfeited 3,000 shares of Rs. 10 each on which the first call of Rs. 3 per share was not received. The second and final call of Rs. 1 per share was not yet called. Out of these, 2,000 shares were reissued at Rs. 9 per share, Rs. 9 paid up. [6 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with the called-up capital, reverse any premium due but unpaid, credit the unpaid instalment account, and credit Share Forfeiture with capital already received.
- Reissue discount equals paid-up capital credited less cash received. It is debited to Share Forfeiture, and cannot exceed the forfeiture amount attributable to the shares reissued.
- Transfer only the surplus forfeiture relating to reissued shares to Capital Reserve; the balance for unreissued shares remains in Share Forfeiture.

Step 1: Calculate the amounts for Neon Ltd. **Working Notes:** Capital called up is Rs $10 - 2 = 8$ per share, because the final call is not yet made. The unpaid allotment of Rs 5 includes Rs 2 premium and Rs 3 capital. Thus capital received is Rs $8 - 3 = 5$ per share. Forfeiture reverses Rs $2,000 \times 8 = 16,000$ share capital and Rs $2,000 \times 2 = 4,000$ unpaid premium; unpaid allotment is Rs 10,000 and capital forfeited is Rs 10,000.

On reissue, cash received is Rs $1,500 \times 7 = 10,500$, capital credited is Rs $1,500 \times 8 = 12,000$, and discount is Rs 1,500. The forfeiture attributable to these shares is Rs $1,500 \times 5 = 7,500$; hence its surplus is Rs $7,500 - 1,500 = 6,000$.

Step 2: Record Neon Ltd.'s entries **Journal of Neon Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		16,000	
	Securities Premium A/c Dr.		4,000	
	To Share Allotment A/c			10,000
	To Share Forfeiture A/c			10,000
	(Being 2,000 shares forfeited for unpaid allotment, including premium)			
	Bank A/c Dr.		10,500	
	Share Forfeiture A/c Dr.		1,500	
	To Share Capital A/c			12,000
	(Being 1,500 shares reissued at Rs 7 each, Rs 8 paid up)			
	Share Forfeiture A/c Dr.		6,000	
	To Capital Reserve A/c			6,000
	(Being surplus on the reissued shares transferred to Capital Reserve)			

Step 3: Calculate the amounts for Mamta Ltd. **Working Notes:** The uncalled final instalment is Rs 1, so called-up capital is Rs $10 - 1 = 9$ per share. First call unpaid is Rs 3 per share; capital received is

therefore Rs $9 - 3 = 6$ per share. For 3,000 forfeited shares, capital debited is Rs 27,000, unpaid first call credited is Rs 9,000 and forfeiture credited is Rs 18,000.

The 2,000 reissued shares are credited as Rs 9 paid up for cash of Rs 9 each. Thus cash and capital both equal Rs 18,000; there is no reissue discount. The entire forfeiture attributable to these shares, Rs $2,000 \times 6 = 12,000$, is available for Capital Reserve.

Step 4: Record Mamta Ltd.'s entries **Journal of Mamta Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (Being 3,000 shares forfeited for non-payment of first call)		27,000	 9,000 18,000
	Bank A/c Dr. To Share Capital A/c (Being 2,000 shares reissued at Rs 9 each, Rs 9 paid up)		18,000	 18,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus forfeiture on reissued shares transferred to Capital Reserve)		12,000	 12,000

Step 5: Conclusion Neon Ltd. transfers Rs 6,000 to Capital Reserve and retains Rs 2,500 in Share Forfeiture for 500 unreissued shares. Mamta Ltd. transfers Rs 12,000 to Capital Reserve and retains Rs 6,000 for 1,000 unreissued shares. No entry is made for either uncalled instalment.

Quick Tip to Solve: First subtract the uncalled instalment from face value. On reissue, compare cash with the stated paid-up value, and transfer forfeiture only for the shares actually reissued.

OR

25(b). Sai Ltd. invited applications for issuing 60,000 shares of Rs. 10 each. The amount was payable as follows: On application - Rs. 5 per share; On allotment - Rs. 1 per share; On first and final call - Balance. Applications were received for 58,000 shares. Rajat, the holder of 300 shares, did not pay allotment money and Usha, the holder of 500 shares, paid her entire share money along with allotment money. Rajat's shares were forfeited immediately after allotment. First and final call was made afterwards and duly received.

Pass necessary journal entries for the above transactions. Open 'Calls-in-arrears' and 'Calls-in-advance' Account, wherever required. [6 marks]

Solution:

Concept:

- Application and allotment entries use the 58,000 shares actually subscribed, rather than the 60,000 offered. Capital is credited as each instalment becomes due.
- Calls in Arrears records an instalment due but unpaid. Calls in Advance records money received before the relevant call is made, and is adjusted when that call becomes due.

- Forfeiture cancels only called-up capital on the forfeited shares. Subsequent calls are made only on the shares still outstanding.

Step 1: Compute the instalments and exceptions **Working Notes:** First and final call per share is Rs $10 - 5 - 1 = 4$. Application received is Rs $58,000 \times 5 = 2,90,000$, and allotment due is Rs $58,000 \times 1 = 58,000$. Rajat's unpaid allotment is Rs $300 \times 1 = 300$. Usha pays Rs $500 \times 4 = 2,000$ in advance in addition to her allotment; her application has already been paid.

Therefore, cash received at allotment is Rs $58,000 - 300 + 2,000 = 59,700$. Immediately after allotment, Rajat's 300 shares have Rs 6 called up and Rs 5 paid per share. Forfeiture cancels Rs $300 \times 6 = 1,800$ capital, clears Rs 300 arrears and credits Rs 1,500 to Share Forfeiture.

Step 2: Record application, allotment and forfeiture **Journal of Sai Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 58,000 shares at Rs 5 each)		2,90,000	 2,90,000
	Share Application A/c Dr. To Share Capital A/c (Being application money transferred to capital on allotment)		2,90,000	 2,90,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment money due at Rs 1 per share)		58,000	 58,000

Journal of Sai Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c To Calls in Advance A/c (Being allotment received except Rajat's Rs 300, with Usha's final call received in advance)		59,700 300	 58,000 2,000
	Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being Rajat's 300 shares forfeited after allotment for unpaid allotment)		1,800	 300 1,500

Step 3: Record the first and final call After forfeiture, $58,000 - 300 = 57,700$ shares remain outstanding. The call due is Rs $57,700 \times 4 = 2,30,800$. Usha's advance of Rs 2,000 is adjusted, leaving cash receivable of Rs $2,30,800 - 2,000 = 2,28,800$. Rajat is excluded because his shares were forfeited before this call.

Journal of Sai Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call due on 57,700 shares at Rs 4 each)		2,30,800	2,30,800
	Calls in Advance A/c Dr. To Share First and Final Call A/c (Being Usha's advance adjusted against the call now due)		2,000	2,000
	Bank A/c Dr. To Share First and Final Call A/c (Being balance of first and final call duly received)		2,28,800	2,28,800

Step 4: Prepare the two required ledger accounts **Calls in Arrears Account**

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share Allotment	300	By Share Capital	300	
			By Balance c/d	Nil	
	Total	300	Total	300	

Calls in Advance Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share First and Final Call	2,000	By Bank	2,000	
	To Balance c/d	Nil			
	Total	2,000	Total	2,000	

Both accounts close with nil balances: Rajat's arrears are cancelled on forfeiture, and Usha's advance is wholly adjusted on the call. No interest is specified in the question, so none is recorded.

Step 5: Conclusion The remaining 57,700 shares are fully paid, giving Share Capital of Rs 5,77,000. Share Forfeiture has a credit balance of Rs 1,500. Calls in Arrears and Calls in Advance both close at nil; total bank receipts of Rs 5,78,500 equal capital plus forfeiture.

Quick Tip to Solve: Remove Rajat's 300 shares before computing the final call, and subtract Usha's Rs 2,000 advance from that call's bank receipt rather than from the call due.

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

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

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital:		Plant and Machinery	2,00,000
Sarah 60,000		Stock	30,000
Varsha 50,000	1,10,000	Debtors 50,000	
Workmen's Compensation Fund	20,000	Less: Provision for doubtful debts 5,000	45,000
Provident Fund	1,20,000	Cash	25,000
Creditors	50,000		
	3,00,000		3,00,000

On 1st April, 2023, they decided to admit Tasha as a new partner for 1/4th share in the profits of the firm on the following terms: (i) Tasha brought Rs. 40,000 as her capital and Rs. 20,000 as her share of premium for goodwill. (ii) Plant and Machinery was valued at Rs. 1,90,000. (iii) An item of Rs. 20,000, included in creditors, is not likely to be claimed and should be written off. (iv) Capitals of the partners in the new firm are to be in the new profit sharing ratio on the basis of Tasha's capital, by bringing or paying off cash, as the case may be.

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

Solution:

Concept:

- Revaluation gains and losses belong to the old partners in their old profit-sharing ratio, $3:2$. Unclaimed creditors are a gain; a fall in machinery value is a loss.
- Tasha acquires $1/4$ and the old partners retain their relative ratio. Goodwill premium is credited in the sacrificing ratio. An unclaimed Workmen's Compensation Fund is distributed to the old partners; Provident Fund remains a liability.
- Total capital of the new firm equals the incoming partner's capital divided by her profit share. Compare each required capital with the adjusted capital to determine cash introduced or withdrawn.

Step 1: Determine the new ratio and distribute goodwill and the fund Sarah's new share is $\frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$, Varsha's is $\frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$, and Tasha's is $\frac{5}{20}$. Thus the new ratio is $9:6:5$. The sacrifices are $3/20$ and $2/20$, giving a sacrificing ratio of $3:2$.

Tasha brings Rs 40,000 capital and Rs 20,000 goodwill premium, a total cash receipt of Rs 60,000. Credit the goodwill premium to Sarah and Varsha by Rs 12,000 and Rs 8,000 respectively. No workmen's compensation claim is stated, so distribute the Rs 20,000 fund in the same old ratio: Rs 12,000 and Rs 8,000. Provident Fund of Rs 1,20,000 is an outside liability and is not distributed.

Step 2: Prepare the Revaluation Account Machinery falls by $2,00,000 - 1,90,000 = \text{Rs } 10,000$. Writing off creditors produces a gain of Rs 20,000. The revaluation profit is therefore Rs 10,000, allocated as Rs 6,000 to Sarah and Rs 4,000 to Varsha.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Plant and Machinery	10,000	By Creditors	20,000
To Sarah's Capital	6,000		
To Varsha's Capital	4,000		
Total	20,000	Total	20,000

Step 3: Calculate the proportionate capitals and cash adjustments Total capital of the new firm is $40,000 \div \frac{1}{4} = \text{Rs } 1,60,000$. The required capitals are:

$$\text{Sarah} = 1,60,000 \times 9/20 = \text{Rs } 72,000,$$
$$\text{Varsha} = 1,60,000 \times 6/20 = \text{Rs } 48,000,$$
$$\text{Tasha} = 1,60,000 \times 5/20 = \text{Rs } 40,000.$$

Sarah's adjusted capital is $60,000 + 12,000 + 12,000 + 6,000 = \text{Rs } 90,000$; hence Rs 18,000 is paid off. Varsha's adjusted capital is $50,000 + 8,000 + 8,000 + 4,000 = \text{Rs } 70,000$; hence Rs 22,000 is paid off. These cash withdrawals leave the required balances.

Step 4: Prepare the Partners' Capital Accounts **Partners' Capital Accounts**

Dr.				Cr.			
Particulars	Sarah Rs	Varsha Rs	Tasha Rs	Particulars	Sarah Rs	Varsha Rs	Tasha Rs
To Cash	18,000	22,000	–	By Balance b/d	60,000	50,000	–
To Balance c/d	72,000	48,000	40,000	By Cash	–	–	40,000
				By Premium for Goodwill	12,000	8,000	–
				By Workmen's Compensation Fund	12,000	8,000	–
				By Revaluation	6,000	4,000	–
Total	90,000	70,000	40,000	Total	90,000	70,000	40,000

The capital accounts balance individually. The remaining cash is $25,000 + 60,000 - 18,000 - 22,000 = \text{Rs } 45,000$, confirming that the required withdrawals can be made.

Step 5: Conclusion Revaluation profit is Rs 10,000. Sarah withdraws Rs 18,000 and Varsha withdraws Rs 22,000. Closing capitals are Sarah Rs 72,000, Varsha Rs 48,000 and Tasha Rs 40,000, in the ratio $9 : 6 : 5$.

Quick Tip to Solve: Adjust goodwill, the compensation fund and revaluation first; only then compare capital balances with the amounts based on Tasha's Rs 40,000.

OR

26(b). Inder, Jonny and Kapil were partners in a firm sharing profits and losses in the ratio of 9:3:4. Their Balance Sheet as at 31st March, 2023 was as follows:

Balance Sheet of Inder, Jonny and Kapil as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital:		Fixed Assets	1,20,000
Inder 90,000		Stock	60,000
Jonny 75,000		Debtors	1,00,000
Kapil 60,000	2,25,000	Cash	35,000
General Reserve	80,000		
Creditors	10,000		
	3,15,000		3,15,000

Kapil retired from the firm on 31st March, 2023 on the following terms: (i) Bad Debts amounting to Rs. 5,000 were to be written off. (ii) Fixed Assets were revalued at Rs. 96,000. (iii) Stock was undervalued by Rs. 29,000. (iv) Creditors were paid off. (v) Goodwill of the firm was valued at Rs. 80,000 and Kapil's share of goodwill was to be adjusted in the accounts of Inder and Jonny. (vi) New profit sharing ratio between Inder and Jonny was 3:2.

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

Solution:

Concept:

- Revalue assets and distribute accumulated reserves in the old ratio $9:3:4$. Revaluation profit or loss is the net effect of all asset and liability adjustments.
- The continuing partners compensate Kapil for his share of goodwill in their gaining ratio: new share minus old share.
- If no payment terms for the retiring partner are stated, transfer the amount due from his capital account to his loan account. Payment of creditors affects cash and creditors, not revaluation.

Step 1: Compute the revaluation result and reserve distribution Bad debts of Rs 5,000 and the fixed-asset decrease of $1,20,000 - 96,000 = \text{Rs } 24,000$ cause losses totalling Rs 29,000. Stock being undervalued by Rs 29,000 requires an increase by that amount, so revaluation has neither profit nor loss. No transfer to partners' capitals is needed for revaluation.

The General Reserve of Rs 80,000 is credited in $9:3:4$: Inder $80,000 \times 9/16 = \text{Rs } 45,000$, Jonny $80,000 \times 3/16 = \text{Rs } 15,000$, and Kapil $80,000 \times 4/16 = \text{Rs } 20,000$.

Step 2: Calculate the goodwill adjustment and amount due to Kapil The gains of Inder and Jonny are:

$$\text{Inder} = \frac{3}{5} - \frac{9}{16} = \frac{3}{80},$$
$$\text{Jonny} = \frac{2}{5} - \frac{3}{16} = \frac{17}{80}.$$

Thus the gaining ratio is $3:17$. Kapil's goodwill share is $80,000 \times 4/16 = \text{Rs } 20,000$. Debit Inder's Capital by $20,000 \times 3/20 = \text{Rs } 3,000$ and Jonny's Capital by $20,000 \times 17/20 = \text{Rs } 17,000$, crediting Kapil by Rs 20,000.

Kapil's amount due is $60,000 + 20,000 + 20,000 =$ Rs $1,00,000$. As no settlement terms are specified, this is transferred to his Loan Account. Only creditors are expressly stated to have been paid.

Step 3: Record asset adjustments and payment of creditors **Journal of the Firm (31st March, 2023)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr. To Debtors A/c (Being bad debts written off)		5,000	 5,000
	Revaluation A/c Dr. To Fixed Assets A/c (Being fixed assets reduced to Rs 96,000)		24,000	 24,000
	Stock A/c Dr. To Revaluation A/c (Being undervaluation of stock corrected)		29,000	 29,000
	Creditors A/c Dr. To Cash A/c (Being creditors paid in full)		10,000	 10,000

Step 4: Record reserves, goodwill and transfer to loan **Journal of the Firm (continued; 31st March, 2023)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	General Reserve A/c Dr. To Inder's Capital A/c To Jonny's Capital A/c To Kapil's Capital A/c (Being reserve distributed in the old ratio, $9:3:4$)		80,000	 45,000 15,000 20,000
	Inder's Capital A/c Dr. Jonny's Capital A/c Dr. To Kapil's Capital A/c (Being Kapil's goodwill share adjusted in the gaining ratio, $3:17$)		3,000 17,000	 20,000
	Kapil's Capital A/c Dr. To Kapil's Loan A/c (Being the amount due on retirement transferred to loan)		1,00,000	 1,00,000

Each journal entry has equal debits and credits. Inder's capital becomes $90,000 + 45,000 - 3,000 =$ Rs $1,32,000$, and Jonny's becomes $75,000 + 15,000 - 17,000 =$ Rs $73,000$. The revaluation debit and credit totals are both Rs 29,000.

Step 5: Conclusion The gaining ratio is $3:17$; Kapil receives goodwill credit of Rs 20,000. Revaluation has no profit or loss, and Rs 1,00,000 is transferred to Kapil's Loan Account.

Quick Tip to Solve: Calculate each gain separately: the new ratio 3:2 is not the gaining ratio 3:17 used for Kapil's goodwill.

Part B (20 marks)

OPTION I (Analysis of Financial Statements)

27. The Debt-Equity Ratio of a company is 3:2. Which of the following transactions will result in increase in this ratio? [1 mark]

(A) Purchase of goods on credit

(B) Issue of Debentures

(C) Issue of Equity Shares

(D) Cash received from Debtors

Correct Answer: (B) Issue of Debentures

Solution:

Concept:

- The debt-equity ratio is long-term debt divided by shareholders' funds: D/E. Here the initial ratio is $3/2$.
- To increase this ratio, increase long-term debt while keeping equity unchanged, or reduce equity while keeping debt unchanged.

Step 1: Identify the transaction that increases debt Issue of debentures increases long-term borrowings. If $D = 3x$, $E = 2x$, and debentures of value $k > 0$ are issued, the new ratio is $\frac{3x+k}{2x} > \frac{3}{2}$. Equity is unchanged, so the ratio increases.

Step 2: Check the remaining options Purchase of goods on credit increases trade payables, a current liability, so it does not change long-term debt or equity. Issue of equity shares increases the denominator and therefore decreases the ratio. Cash received from debtors merely exchanges one current asset for another and changes neither debt nor equity.

Step 3: Conclusion The correct option is (B): Issue of Debentures.

Quick Tip to Solve: For this ratio, distinguish long-term borrowings from trade creditors before deciding which transaction changes debt.

28. Statement I: 'Issue of fully paid bonus shares out of Securities Premium Account' will result in inflow of cash.

Statement II: 'Cash withdrawn from bank' will result in inflow of cash.

In the context of the above two statements, choose the correct option: [1 mark]

(A) Both statement I and statement II are correct

(B) Both statement I and statement II are incorrect

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

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

Correct Answer: (B) Both statement I and statement II are incorrect

Solution:

Concept:

- A cash flow changes the total of cash and cash equivalents, not merely the place in which cash is held.
- An issue of fully paid bonus shares capitalises an existing reserve; it brings no new money into the business.

Step 1: Examine Statement I Securities Premium is transferred to Share Capital when fully paid bonus shares are issued out of it. Shareholders pay no cash for these shares. The transaction changes the composition of equity but does not generate a cash receipt; hence Statement I is incorrect.

Step 2: Examine Statement II Withdrawing cash from the bank increases cash in hand and decreases the bank balance by the same amount. Both belong to cash and cash equivalents in this context, so their combined balance is unchanged. This internal transfer is excluded from a cash flow statement; Statement II is also incorrect.

Step 3: Test the options Option (A) treats both statements as correct, while (C) and (D) treat one statement as correct. Each is ruled out because neither transaction creates an inflow of cash for cash flow reporting.

Step 4: Conclusion Both Statement I and Statement II are incorrect. Hence, the correct option is (B).

Quick Tip to Solve: For a bank withdrawal, add cash in hand and cash at bank before deciding whether total cash has changed.

29(a). Which of the following tools of 'Analysis of Financial Statements' indicate the trend and direction of financial position and operating results? [1 mark]

(A) Comparative statements

(B) Common size statements

(C) Cash flow analysis

(D) Ratio analysis

Correct Answer: (A) Comparative statements

Solution:

Concept:

- Comparative statements place the financial figures of two or more periods side by side.
- Absolute changes and percentage changes reveal the direction and extent of movements over time.

Step 1: Identify the tool for period-to-period movement Comparative balance sheets and comparative statements of profit and loss show the earlier and current figures, along with their increases or decreases. These comparisons indicate the trend and direction of the financial position and operating results.

Step 2: Distinguish the remaining tools Common size statements principally express each item as a percentage of a common base, revealing composition. Cash flow analysis explains cash movements under operating, investing and financing activities. Ratio analysis studies relationships between financial items. Although these tools can assist comparison, the stated description directly identifies comparative statements.

Step 3: Conclusion The required tool is Comparative statements. Hence, the correct option is (A).

Quick Tip to Solve: Link the words trend and direction across periods to comparative statements and their change columns.

OR

29(b). _____ indicate the speed at which activities of the business are being performed. [1 mark]

(A) Liquidity ratios

(B) Turnover ratios

(C) Solvency ratios

(D) Profitability ratios

Correct Answer: (B) Turnover ratios

Solution:

Concept:

- Turnover ratios, also called activity ratios, measure the efficiency and speed with which business resources are used.
- Liquidity, solvency and profitability ratios respectively assess short-term payment capacity, long-

term financial stability and earning performance.

Step 1: Connect speed of activities with turnover A turnover ratio shows how frequently a resource completes a business cycle during a period. For example, inventory turnover measures how quickly inventory is sold, and trade receivables turnover measures how quickly receivables are collected. These are direct measures of the speed of business activities.

Step 2: Eliminate the other classes Liquidity ratios concern meeting short-term obligations, not the frequency of operations. Solvency ratios concern long-term debt commitments. Profitability ratios measure profits in relation to sales, investment or other bases. None is the class described by the blank.

Step 3: Conclusion Turnover ratios indicate the speed at which business activities are performed. Hence, the correct option is (B).

Quick Tip to Solve: When the question asks how fast stock, debtors or assets move through operations, choose turnover ratios.

30(a). Which of the following transactions will result in cash flows from operating activities? [1 mark]

(A) Cash receipts from sale of investments Rs. 60,000

(B) Cash receipts from sale of goods Rs. 94,000

(C) Dividend received Rs. 31,000

(D) Payment of cash for purchase of fixed assets Rs. 3,00,000

Correct Answer: (B) Cash receipts from sale of goods Rs. 94,000

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of an enterprise.
- For a non-financial enterprise, purchases and sales of long-term assets and investments, and dividends received, are investing cash flows.

Step 1: Identify the operating receipt Cash receipts from the sale of goods arise directly from the ordinary revenue-producing activity of the business. Therefore the receipt of Rs 94,000 is an inflow from operating activities.

Step 2: Classify the other transactions The sale of investments for Rs 60,000 is an investing inflow. Dividend received of Rs 31,000 is also an investing inflow under the usual non-financial enterprise classification used here. Cash paid to purchase fixed assets, Rs 3,00,000, is an investing outflow. Thus none of options (A), (C) or (D) gives the required operating cash flow.

Step 3: Conclusion Cash receipts from sale of goods, Rs 94,000, are cash flows from operating activities. Hence, the correct option is (B).

Quick Tip to Solve: Identify the principal revenue source first: collections from selling goods belong to operating activities.

OR

30(b). 'Dividend paid by a finance company' is classified under which of the following: [1 mark]

(A) Operating Activities

(B) Investing Activities

(C) Financing Activities

(D) Cash and Cash Equivalents

Correct Answer: (C) Financing Activities

Solution:

Concept:

- Financing activities relate to changes in owners' capital and borrowings, including the cost of obtaining finance.
- Dividends paid are distributions to providers of equity capital and are classified as financing cash outflows.

Step 1: Identify the nature of the payment A dividend paid to shareholders distributes profit to the owners who provided equity finance. It is therefore a financing activity. This classification applies to a finance company as well as to other enterprises.

Step 2: Avoid confusing dividends paid with dividends received For a finance company, dividends received can form part of operating cash flows. The question, however, specifies a dividend paid. It is not an operating expense, an investment purchase or an item of cash and cash equivalents. Consequently options (A), (B) and (D) do not describe this payment.

Step 3: Conclusion Dividend paid by a finance company is classified under Financing Activities. Hence, the correct option is (C).

Quick Tip to Solve: Underline paid or received: dividend paid remains a financing outflow even when the payer is a finance company.

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

(a) Mining Rights

(b) Loose Tools

(c) Income Received in Advance [3 marks]

Solution:

Concept:

- Balance sheet items are classified according to their nature and their expected use or settlement.
- Intangible rights used over the long term belong to non-current assets; inventories belong to current assets.
- An amount received before the related income is earned is a liability until the obligation is performed.

Step 1: Classify Mining Rights Mining rights give the company a legally enforceable right to extract minerals. The right itself has no physical substance and provides benefits over more than the current period. It is therefore classified under Non-current Assets, within Fixed Assets: Intangible Assets.

Step 2: Classify Loose Tools Loose tools are included in inventories under the prescribed company balance sheet classification. Accordingly they appear under Current Assets, sub-head Inventories. Their classification here must not be confused with a substantial item of plant and machinery.

Step 3: Classify Income Received in Advance Income received in advance has been collected before it has been earned. The company still owes the corresponding goods or services, so the amount is a liability rather than earned income. In the standard classification asked here, it is included under Current Liabilities, sub-head Other Current Liabilities.

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

Item	Major head	Sub-head
Mining Rights	Non-current Assets	Fixed Assets: Intangible Assets
Loose Tools	Current Assets	Inventories
Income Received in Advance	Current Liabilities	Other Current Liabilities

Step 5: Conclusion Mining Rights: Non-current Assets—Intangible Assets; Loose Tools: Current Assets—Inventories; Income Received in Advance: Current Liabilities—Other Current Liabilities.

Quick Tip to Solve: Distinguish the right from a physical asset, and distinguish cash received from income already earned.

32. From the following information, calculate 'Return on Investment':

Particulars	(Rs.)
Total Assets	**22,00,000**
10% Debentures	**5,00,000**
Current Liabilities	**2,00,000**
Net Profit After Tax	**7,20,000**
Tax	**1,80,000**

[3 marks]

Solution:

Concept:

- Return on Investment measures profit before interest and tax as a percentage of capital employed.
- Capital employed equals total assets less current liabilities; long-term debentures are part of capital employed.
- Profit before interest and tax is obtained by adding tax and interest on long-term debt to net profit after tax.

Step 1: Calculate interest on debentures The debentures bear interest at 10% on their face value of

Rs 5,00,000. Hence the annual finance cost is

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

This interest must be added back because return on investment compares earnings before financing costs with the total long-term capital employed.

Step 2: Calculate profit before interest and tax First add tax of Rs 1,80,000 to net profit after tax of Rs 7,20,000. This gives profit before tax of Rs 9,00,000. Then add the debenture interest:

$$\begin{aligned}\text{PBIT} &= \text{Net profit after tax} + \text{Tax} + \text{Interest}\\ &= 7,20,000 + 1,80,000 + 50,000\\ &= \text{Rs } 9,50,000.\end{aligned}$$

Adding only tax would leave interest deducted and would understate the return attributable to all long-term funds.

Step 3: Determine capital employed Using the assets approach, deduct current liabilities from total assets:

$$\begin{aligned}\text{Capital employed} &= \text{Total assets} - \text{Current liabilities}\\ &= 22,00,000 - 2,00,000\\ &= \text{Rs } 20,00,000.\end{aligned}$$

Do not deduct the debentures: they are long-term finance and form part of the capital employed.

Step 4: Apply the return formula

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{PBIT}}{\text{Capital employed}} \times 100\\ &= \frac{9,50,000}{20,00,000} \times 100\\ &= 47.5\%.\end{aligned}$$

The numerator and denominator are consistent: profit is measured before the interest paid to debenture holders, and capital employed includes the funds they supplied.

Step 5: Conclusion Return on Investment is 47.5%.

Quick Tip to Solve: Add both tax and debenture interest to net profit after tax; deduct only current liabilities from total assets.

33(a). From the following Balance Sheet of Hira Ltd. as at 31st March, 2023, prepare Comparative Balance Sheet:

Balance Sheet of Hira 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		15,00,000	12,00,000
2. Non-Current Liabilities			
(a) Long-term Borrowings		10,00,000	5,00,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	3,00,000
Total		26,00,000	20,00,000
II - Assets:			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets		20,00,000	15,00,000
2. Current Assets			
(a) Inventories		1,50,000	1,00,000
(b) Trade Receivables		4,50,000	4,00,000
Total		26,00,000	20,00,000

[4 marks]

Solution:

Concept:

- A comparative Balance Sheet presents each asset, equity and liability for two dates, with its absolute and percentage change. The earlier year, 31st March, 2022, is the base year.
- Absolute change = current-year amount minus previous-year amount; percentage change = $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$. A negative change denotes a decrease.

Step 1: Calculate the changes using 2022 as the base **Working Notes.** Share capital increases by Rs 3,00,000, so its percentage increase is $3,00,000/12,00,000 \times 100 = 25\%$. Long-term borrowings increase by Rs 5,00,000, or 100%. Trade payables decrease by Rs 2,00,000; hence their percentage change is $-2,00,000/3,00,000 \times 100 = -66.67\%$. Fixed assets increase by Rs 5,00,000, giving $5,00,000/15,00,000 \times 100 = 33.33\%$. Inventories increase by Rs 50,000, or 50%, and trade receivables increase by Rs 50,000, or 12.50%. Percentages are calculated separately for each head, with recurring values rounded to two decimal places.

Step 2: Prepare the comparative statement **Hira Ltd. — Comparative Balance Sheet**
As at 31st March, 2022 and 31st March, 2023
Amounts in Rs; change is 2023 minus 2022.

Particulars	31.3.2022	31.3.2023	Change (Rs)	Change (%)
I. Equity and Liabilities				
1. Shareholders' Funds				
(a) Share Capital	12,00,000	15,00,000	3,00,000	25.00
2. Non-Current Liabilities				
(a) Long-term Borrowings	5,00,000	10,00,000	5,00,000	100.00
3. Current Liabilities				
(a) Trade Payables	3,00,000	1,00,000	-2,00,000	-66.67
Total	**20,00,000**	**26,00,000**	**6,00,000**	**30.00**
II. Assets				
1. Non-Current Assets				
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets	15,00,000	20,00,000	5,00,000	33.33
2. Current Assets				
(a) Inventories	1,00,000	1,50,000	50,000	50.00
(b) Trade Receivables	4,00,000	4,50,000	50,000	12.50
Total	**20,00,000**	**26,00,000**	**6,00,000**	**30.00**

Step 3: Verify the totals The increase in total equity and liabilities is Rs $3,00,000 + 5,00,000 - 2,00,000 = 6,00,000$. The increase in total assets is also Rs $5,00,000 + 50,000 + 50,000 = 6,00,000$. Thus both sides increase from Rs 20,00,000 to Rs 26,00,000, and the total percentage increase is $6,00,000/20,00,000 \times 100 = 30\%$. Individual percentages are not added to find this total percentage.

Step 4: Conclusion Hira Ltd.'s comparative Balance Sheet shows a Rs 6,00,000 (30%) increase in its total assets and total equity and liabilities; trade payables alone decrease, by Rs 2,00,000 (66.67%).

Quick Tip to Solve: Always divide the change by the 2022 amount, and carry the negative sign for trade payables into both change columns.

OR

33(b). From the following information of NK Ltd., prepare a Common Size Statement of Profit and Loss for the years ended 31st March, 2022 and 31st March, 2023:

Particulars	31.3.2023	31.3.2022
Revenue from Operations (Rs.)	25,00,000	20,00,000
Cost of Materials Consumed (Rs.)	8,00,000	6,00,000
Employee Benefit Expenses (Rs.)	4,00,000	4,00,000
Income Tax Rate %	20	30

[4 marks]

Solution:

Concept:

- In a common size Statement of Profit and Loss, revenue from operations for each year is taken as 100%. Each income, expense and profit is expressed as a percentage of that same year's revenue from operations.
- Profit before tax equals revenue less the listed expenses. Income tax equals profit before tax multiplied by the applicable tax rate; profit after tax equals profit before tax less tax.

Step 1: Compute profit and tax for each year **Working Notes.** For 2022, total expenses are Rs $6,00,000 + 4,00,000 = 10,00,000$. Therefore, profit before tax is Rs $20,00,000 - 10,00,000 = 10,00,000$. Tax at 30% is Rs $10,00,000 \times 30/100 = 3,00,000$, leaving profit after tax of Rs 7,00,000. For 2023, total expenses are Rs $8,00,000 + 4,00,000 = 12,00,000$. Profit before tax is Rs $25,00,000 - 12,00,000 = 13,00,000$. Tax at 20% is Rs $13,00,000 \times 20/100 = 2,60,000$, leaving profit after tax of Rs 10,40,000. The tax rate is applied to profit before tax, not to revenue.

Step 2: Express each amount as a percentage of revenue In 2022 divide each amount by Rs 20,00,000 and multiply by 100. This gives materials 30%, employee benefits 20%, total expenses 50%, profit before tax 50%, tax 15% and profit after tax 35%. In 2023 divide each amount by Rs 25,00,000 and multiply by 100. The corresponding percentages are 32%, 16%, 48%, 52%, 10.40% and 41.60%. For example, $2,60,000/25,00,000 \times 100 = 10.40\%$; the tax charge's common size percentage differs from the 20% statutory rate because their bases differ.

Step 3: Present the common size statement **NK Ltd. — Common Size Statement of Profit and Loss**

For the years ended 31st March, 2022 and 31st March, 2023
Amounts in Rs; percentages are of the respective year's revenue.

Particulars	2022 (Rs)	2023 (Rs)	2022 (%)	2023 (%)
I. Revenue from Operations	20,00,000	25,00,000	100.00	100.00
II. Other Income	–	–	–	–
III. Total Revenue (I + II)	20,00,000	25,00,000	100.00	100.00
IV. Expenses:				
Cost of Materials Consumed	6,00,000	8,00,000	30.00	32.00
Employee Benefit Expenses	4,00,000	4,00,000	20.00	16.00
Total Expenses	10,00,000	12,00,000	50.00	48.00
V. Profit Before Tax (III - IV)	10,00,000	13,00,000	50.00	52.00
VI. Less: Tax Expense	3,00,000	2,60,000	15.00	10.40
VII. Profit After Tax (V - VI)	**7,00,000**	**10,40,000**	**35.00**	**41.60**

Only the income and expenses supplied in the question enter the calculations. The expense and profit-before-tax percentages sum to 100% in both years; deducting each year's tax percentage then gives its net profit percentage.

Step 4: Conclusion Profit after tax is Rs 7,00,000, or 35% of revenue, in 2022 and Rs 10,40,000, or 41.60% of revenue, in 2023. The net profit margin therefore rises by 6.60 percentage points.

Quick Tip to Solve: Compute tax on profit first; then divide that tax amount by the same year's revenue to obtain its common size percentage.

34. Calculate 'Cash Flows from Investing Activities' from the following information:

Particulars	31st March, 2023 (Rs.)	31st March, 2022 (Rs.)
Plant and Machinery	4,10,000	3,00,000
Goodwill	1,80,000	80,000

Additional Information:

(a) A machine costing Rs. 85,000 (depreciation provided thereon Rs. 15,000) was sold for Rs. 62,000. Depreciation charged during the year amounted to Rs. 48,000.

(b) Calculate 'Cash Flows From Financing Activities' from the following information:

Particulars	31st March, 2023 (Rs.)	31st March, 2022 (Rs.)
Equity Share Capital	15,00,000	10,00,000
Bank Overdraft	90,000	1,20,000
Loan from bank	7,00,000	6,00,000

Additional Information:

(i) Interest paid on bank loan amounted to Rs. 60,000.

(ii) Dividend paid Rs. 1,10,000. [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire fixed assets and goodwill and cash received from selling fixed assets. Depreciation and loss on sale are not themselves investing cash flows.
- Financing activities change the equity capital and borrowings of an enterprise. For a non-financial enterprise, interest paid and dividend paid are financing cash outflows.

Step 1: Working Notes: Calculate the carrying amount of the machine sold The machine's original cost is Rs 85,000 and depreciation already provided on it is Rs 15,000. Its carrying amount at the date of sale is therefore:

$$\text{Carrying amount} = 85,000 - 15,000 = \text{Rs } 70,000.$$

Cash received is only Rs 62,000. The difference of Rs 8,000 is the loss on sale, which is a non-cash

adjustment to profit; it must not be deducted again from investing cash flow.

Step 2: Working Notes: Determine the cash purchase of plant and machinery Treat the stated plant and machinery balances as carrying amounts, since no separate accumulated depreciation balance is given. Add purchases to the opening balance and deduct the carrying amount sold and the year's depreciation to obtain the closing balance:

$$3,00,000 + \text{Purchases} - 70,000 - 48,000 = 4,10,000,$$
$$\text{Purchases} = \text{Rs } 2,28,000.$$

The increase in goodwill is taken as a cash purchase, as no write-off or non-cash acquisition is specified:

$$\text{Goodwill purchased} = 1,80,000 - 80,000 = \text{Rs } 1,00,000.$$

Step 3: Prepare the investing activities extract Cash Flow Statement (Extract) for the year ended 31st March, 2023

Particulars	Amount (Rs)
Cash flows from investing activities	
Sale of plant and machinery	62,000
Purchase of plant and machinery	(2,28,000)
Purchase of goodwill	(1,00,000)
Net cash used in investing activities	**(2,66,000)**

Parentheses denote cash outflows. The full sale proceeds, rather than the carrying amount or profit/loss, enter this statement.

Step 4: Working Notes: Identify the financing changes In the absence of any non-cash changes, the increase in equity share capital represents cash raised and the increase in the bank loan represents additional borrowing. The decrease in bank overdraft represents repayment of a financing liability.

$$\text{Share capital raised} = 15,00,000 - 10,00,000 = \text{Rs } 5,00,000,$$
$$\text{Additional bank loan} = 7,00,000 - 6,00,000 = \text{Rs } 1,00,000,$$
$$\text{Overdraft repaid} = 1,20,000 - 90,000 = \text{Rs } 30,000.$$

Interest paid of Rs 60,000 and dividend paid of Rs 1,10,000 are separate cash payments and are deducted in the financing section.

Step 5: Prepare the financing activities extract Cash Flow Statement (Extract) for the year ended 31st March, 2023

Particulars	Amount (Rs)
Cash flows from financing activities	
Proceeds from issue of equity shares	5,00,000
Proceeds from bank loan	1,00,000
Total cash inflows	6,00,000
Repayment of bank overdraft	(30,000)
Interest paid on bank loan	(60,000)
Dividend paid	(1,10,000)
Total cash outflows	(2,00,000)
Net cash from financing activities	**4,00,000**

Step 6: Conclusion Net cash used in investing activities is **Rs 2,66,000**; net cash generated from financing activities is **Rs 4,00,000**.

Quick Tip to Solve: Reconcile machinery using its carrying amount sold, but put the actual Rs 62,000 proceeds in investing cash flow. For financing, add capital and loan increases and deduct repayment, interest and dividend payments.

OPTION II (Computerised Accounting)

27. Identify the type of software which is suited for large and medium organisations and can be linked to other information systems. [1 mark]

(A) Specific

(B) Generic

(C) Tailored

(D) Both (B) and (C)

Correct Answer: (C) Tailored

Solution:

Concept:

- Tailored accounting software is developed specifically for the requirements of an organisation, including its scale, procedures and reporting needs.
- Integration means linking the accounting system with other information systems so that relevant data can be shared.

Step 1: Identify the software suited to the requirement Large and medium organisations often have specialised accounting processes and need connections to inventory, payroll and other information systems. Tailored software is designed around these requirements and can incorporate the required links.

Step 2: Check the alternatives Generic software is a standard package intended for common accounting needs and does not, by itself, describe this organisation-specific design. Specific is not the recognised category identified by the wording. The combined choice includes generic software and

therefore does not match the stated characteristic as precisely as tailored software.

Step 3: Conclusion The software is tailored accounting software. Hence, the correct option is (C).

Quick Tip to Solve: Associate large or medium organisations and integration with other systems with tailored accounting software.

28(a). In a graph, the area bounded by different axes is known as: [1 mark]

(A) Legend

(B) Data point

(C) Axis title

(D) Plot area

Correct Answer: (D) Plot area

Solution:

Concept:

- A chart contains a plot area in which the data series are displayed against the axes.
- The legend identifies data series, whereas an axis title describes the quantity represented by an axis.

Step 1: Locate the region described The horizontal and vertical axes bound the region in which columns, lines or other data representations are plotted. This interior region is called the plot area.

Step 2: Distinguish the other chart elements A legend is the key that explains colours or symbols. A data point is one individual plotted observation. An axis title is the descriptive text attached to an axis. None of these names denotes the whole area bounded by the axes.

Step 3: Conclusion The area bounded by the axes is the plot area. Hence, the correct option is (D).

Quick Tip to Solve: When the question describes an area inside the axes, choose plot area; a legend explains the data series.

OR

28(b). Which of the following is not contained on formula tab on Excel ribbon? [1 mark]

(A) Function library

(B) Defined names

(C) Calculations

(D) Page layout

Correct Answer: (D) Page layout

Solution:

Concept:

- The Formulas tab groups tools used to insert functions, manage named ranges, inspect formulas and control calculation.
- Page Layout is a separate ribbon tab concerned with page arrangement and printing settings.

Step 1: Identify the groups associated with formulas Function Library provides access to worksheet functions. Defined Names manages names assigned to cells or ranges. Calculation controls how and when formulas recalculate. These are associated with the Formulas tab.

Step 2: Locate the item outside that tab Page Layout deals with features such as margins, orientation and page size. It is a separate tab rather than a group contained in the Formulas tab. Since the question asks which item is not contained there, this is the required choice.

Step 3: Conclusion Page Layout is not contained on the Formulas tab. Hence, the correct option is (D).

Quick Tip to Solve: Notice the word not: function, name and calculation tools belong to Formulas; page settings belong to Page Layout.

29. How is navigation conducted from the first to the last filled cells of clusters when moving one cell at a time in a row? [1 mark]

(A) Home + Right arrow (→)

(B) CTRL + Right arrow (→) successively

(C) END + Right arrow (→)

(D) CTRL + END

Correct Answer: (B) CTRL + Right arrow (→) successively

Solution:

Concept:

- Ctrl with a horizontal arrow moves to a boundary of a filled data region in that direction.
- Repeating Ctrl plus Right Arrow moves successively through the boundaries of clusters of filled cells in a row.

Step 1: Apply the shortcut along the row Use Ctrl+ → successively. Within a continuous filled cluster

it moves to its last filled cell; further applications move across intervening blank cells to the next filled cluster and through its boundary. Thus it provides the stated navigation through clusters.

Step 2: Compare the remaining options Home returns towards the beginning of a row; combining it with Right Arrow does not give the requested successive boundary navigation. End followed by Right Arrow uses End-mode navigation, but the listed successive Ctrl shortcut is the direct method described. Ctrl plus End moves to the last used cell of the worksheet, which may lie in another row, rather than through clusters along the current row.

Step 3: Conclusion Use Ctrl plus Right Arrow successively. Hence, the correct option is (B).

Quick Tip to Solve: For successive filled-region boundaries in one row, hold Ctrl and press Right Arrow; Ctrl plus End targets the sheet end.

30(a). Which Date and Time function returns value of today's date with time? [1 mark]

(A) Today( )

(B) Day( )

(C) Now( )

(D) Day time( )

Correct Answer: (C) Now( )

Solution:

Concept:

- NOW() returns the current date and current time as an Excel date-time serial value.
- TODAY() returns the current date without the current time, while DAY() extracts the day of the month from a supplied date.

Step 1: Match both parts of the requirement The question requires today's date together with the time. NOW() supplies both components in one value. The visible display can be controlled by the cell's date and time number format, but the function returns the date-time value.

Step 2: Eliminate functions that do not return both TODAY() gives the date alone, so it omits the requested current time. DAY() returns only a day number and does not return today's complete date-time value. DAY TIME() is not the standard Excel function for this purpose.

Step 3: Conclusion NOW() returns today's date with the current time. Hence, the correct option is (C).

Quick Tip to Solve: Use NOW() when both date and time are requested; use TODAY() when only the current date is required.

OR

30(b). What is the outcome of an arithmetic expression or function called? [1 mark]

(A) Basic Value

(B) Vertical Vector

(C) Derived Value

(D) Horizontal Vector

Correct Answer: (C) Derived Value

Solution:

Concept:

- A basic value is supplied directly as input, whereas a derived value is obtained by processing existing values.
- An arithmetic expression or function performs a calculation and returns its result.

Step 1: Identify how the value is obtained The question asks about the outcome of a calculation, not the original input. For example, if cells contain 10 and 20, their sum 30 is produced by an arithmetic expression or a SUM function. The result is therefore derived from the input values.

Step 2: Eliminate the other descriptions Basic Value describes a directly entered value. A Vertical Vector is a column arrangement of values and a Horizontal Vector is a row arrangement. Neither vector term names the result of evaluating an expression or function.

Step 3: Conclusion The outcome is called a Derived Value. Hence, the correct option is (C).

Quick Tip to Solve: Ask whether a value was entered or calculated: a calculated result is a derived value.

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

[3 marks]

Solution:

Concept:

- A Computerised Accounting System (CAS) records and processes transactions through accounting software and a common database.
- Its usefulness depends on accessible, controlled information and rapid, consistent processing of correctly entered data.

Step 1: Explain transparency and control A CAS gives authorised users access to relevant and up-to-date accounting information. Transactions can be traced through their records, and reports make the financial position and operating results visible to management. This transparency helps users understand the basis of reported amounts instead of relying only on isolated summaries.

Control is strengthened through authorised access, prescribed procedures and checks over the recording and processing of transactions. Timely information allows management to monitor activities, identify deviations and take corrective action. Thus, information is available to the users who need it

while their permitted operations remain controlled.

Step 2: Explain accuracy and speed A CAS carries out calculations and processes transactions according to programmed rules. Once correct data and instructions are supplied, additions, postings, balances and reports are generated consistently, reducing arithmetic and repetitive clerical errors. However, incorrect input or an incorrect rule can still produce an incorrect result; automation does not remove the need to verify source data.

Computers process a large volume of transactions quickly. A transaction entered into the system can update the related records and enable reports to be prepared promptly. This saves the time needed for repeated manual posting and calculation and makes accounting information available for timely decisions.

Step 3: Conclusion Transparency and control provide accessible information with checks over its use; accuracy and speed provide reliable processing of correct inputs and timely accounting reports.

Quick Tip to Solve: For each pair, explain both words: visibility plus monitoring, and correct processing plus quick reporting.

32. State the parameters of Excel's PMT function. What is the use of this function? [3 marks]

Solution:

Concept:

- PMT calculates the constant periodic payment for a loan or annuity using a constant interest rate and equal payment intervals.
- Interest rate and number of periods must use the same time unit, and amounts paid and received must have opposite signs.

Step 1: State the syntax and required parameters The syntax is `PMT(rate, nper, pv, [fv], [type])`.

rate is the interest rate for each payment period. For monthly instalments with a stated annual nominal interest rate, use the annual rate divided by 12.

nper is the total number of payment periods. For monthly payments over five years, it is $5 \times 12 = 60$.

pv is the present value of the loan or annuity, namely the current principal amount. These three parameters are required.

Step 2: State the optional parameters **fv** is the future value or balance desired after the final payment. If omitted, it is zero, representing complete repayment of the loan.

type specifies when each payment is due: 0 means the end of the period and 1 means the beginning. If omitted, it is taken as 0. The square brackets in the syntax indicate optional parameters; they are not typed around the supplied values.

Step 3: Explain the use of the function PMT is used to determine the equal periodic instalment needed to repay a loan at a fixed rate over a specified number of periods. Each instalment includes principal and interest, but excludes taxes and other loan fees. It is useful for preparing loan repayment budgets.

For a loan received as a positive `pv`, the returned payment is negative because repayments are cash outflows. The rate must be entered as a percentage or its decimal equivalent, with the same period as `nper`.

Step 4: Conclusion The parameters are rate, nper, pv, fv and type; fv and type are optional. PMT returns the constant periodic payment for a loan or annuity.

Quick Tip to Solve: For monthly instalments, divide the annual rate by 12 and multiply the loan term in years by 12 before using PMT.

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

Solution:

Concept:

- Security in a Computerised Accounting System protects accounting data against unauthorised access and alteration.
- Password security controls access, while data audit provides a record through which changes to accounting data can be examined.

Step 1: Explain password security A password is a confidential code used to authenticate a user before allowing access to the accounting system or its data. The user supplies the required identity and password, and the system checks them before permitting access. This helps prevent an unauthorised person from reading or changing confidential accounting information.

Different users can be given different access rights according to their duties. For example, a data-entry operator may be allowed to enter vouchers while only an authorised supervisor may approve or alter specified records. Passwords should be kept confidential and changed periodically; sharing them weakens the control because the system can no longer reliably associate access with the intended user.

Step 2: Explain data audit Data audit allows changes made to accounting records to be traced and reviewed. The system maintains an audit trail of relevant activities, such as the addition, alteration or deletion of a voucher, together with the responsible user and the time of the activity. These records help the auditor or authorised manager examine whether changes were properly authorised and supported.

For example, if a voucher amount is changed after its original entry, the audit trail helps trace the alteration to the user who made it and supports comparison with the original source document. This establishes accountability and assists in detecting errors or improper manipulation. The audit trail must itself be protected from unauthorised alteration so that it remains useful evidence.

Step 3: Relate the two controls Password security acts at the point of access by restricting who can use the system and the operations allowed. Data audit supports subsequent examination of what those users did. A valid password alone does not prove that every transaction entered by its holder is correct, so both controls are needed.

Step 4: Conclusion Password security restricts access to authorised users, and data audit traces changes for review and accountability. Together, they help safeguard the confidentiality and integrity

of accounting data.

Quick Tip to Solve: Distinguish the controls by timing: passwords check entry into the system; the audit trail helps examine actions performed within it.

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 worksheet cells so that it is clear, readable and suitable for its purpose.
- Formatting normally changes how a cell's contents are displayed, without changing the underlying value used in calculations. Spreadsheet formatting tools are available on the Home tab and in the Format Cells dialog box.

Step 1: Explain the meaning of data formatting A worksheet may contain headings, text, dates and numerical amounts. Data formatting presents these different kinds of information appropriately: headings can be bold, dates can follow a consistent date pattern, and amounts can show a currency symbol and a fixed number of decimal places. For example, displaying a stored value of 2500 as Rs 2,500.00 makes its meaning and scale clear; it does not change the stored amount merely by applying that number format.

Step 2: Describe the tools used to format data **Font tools:** Font name, font size, bold, italic, underline and font colour distinguish headings and emphasise important information.

Alignment tools: Left, centre and right alignment, vertical alignment, text orientation, indentation and Wrap Text arrange contents within cells. Merge and Centre may be used for a heading spanning several columns.

Number-format tools: Number, Currency, Accounting, Percentage and Date formats, together with decimal-place and separator controls, present values in the required form.

Border and fill tools: Cell borders outline data ranges, while fill colours distinguish headings, totals or categories.

Styles and copying tools: Cell Styles apply a consistent group of settings; Conditional Formatting highlights values meeting a specified condition. Format Painter copies an existing format to another cell or range. Row-height and column-width controls help display the formatted contents fully.

Step 3: Conclusion Data formatting improves the presentation and readability of worksheet data. Its main tools include font, alignment, number formats, borders, fills, styles and Format Painter, accessed through the Home tab or Format Cells.

Quick Tip to Solve: Organise the answer by the Format Cells categories: Number, Alignment, Font, Border and Fill; then give one practical use of each.

34.

	A	B	C	D
1	S. No.	Consumables	Price in FY 21-22	Price in FY 23-24
2	1	Apple	50	60
3	2	Orange	20	40
4	3	Banana	60	80
5	4	Lemon	40	80
6	5	Milk	53	60
7	6	Bread	40	45
8	7	Egg	58	60
9				

Using the worksheet, find out the error and its reason for the given syntax:

(i) = VLOOKUP (B1, B4 : D6, 2, 0)

(ii) = SQRT (VLOOKUP (C2, C2 : D8, 2, 0) − 100)

(iii) = VLOOKUP (B5, B6 : D8, 1, 0)

(iv) = VLOOKUP (B3, B2 : D8, 5, 0)

(v) = VLOOKUP (B5, B3 : D8, 0, 0)

(vi) = VLOOKUP (B2, B2 : D7, 2, 0)/0 [6 marks]

Solution:

Concept:

- VLOOKUP searches for a lookup value in the first column of its specified table range and returns a value from the same row. Its column index is counted relative to that range, beginning at 1.
- The final argument 0 requests an exact match. A missing exact match produces `#N/A`; an index larger than the table width produces `#REF!`; an index below 1 produces `#VALUE!`.
- SQRT requires a non-negative number in a real-valued worksheet calculation. A negative argument produces `#NUM!`, while division by zero produces `#DIV/0!`.

Step 1: Examine expression (i) B1 contains the heading `Consumables`. The first column of the range B4:D6 is B4:B6, containing Banana, Lemon and Milk. The heading is absent from this lookup column. Since the final argument is 0, an exact match is required and the formula returns `#N/A`. The return-column index 2 is valid, but a value cannot be returned until a matching row is found.

Step 2: Evaluate the argument of SQRT in expression (ii) C2 contains 50. In C2:D8, the first column is column C, and its first data cell C2 matches 50 exactly. Column index 2 therefore returns the corresponding value D2, which is 60. The argument supplied to SQRT is consequently

$$60 - 100 = -40.$$

The square root of a negative number is not a real number accepted by SQRT. The resulting error is `#NUM!`; the inner VLOOKUP itself succeeds.

Step 3: Examine expression (iii) B5 contains Lemon. The lookup column of B6:D8 is B6:B8, containing Milk, Bread and Egg. Lemon is outside this specified search range, so no exact match exists. The formula returns `#N/A`. Column index 1 is allowed: it would return the matched value from the first

table column if the lookup value were present.

Step 4: Check the return-column index in expression (iv) The lookup value in B3 is Orange, which is present in the first column of B2:D8. However, this table contains only three columns: B is index 1, C is index 2 and D is index 3. The requested index 5 refers beyond the table's right boundary. The formula therefore returns `#REF!`, even though the lookup value itself is present.

Step 5: Check the starting index in expression (v) The lookup value Lemon from B5 is present in B3:B8, but the return-column index is 0. VLOOKUP counts table columns from 1 and has no column numbered 0. Because the supplied index is less than 1, the error is `#VALUE!`. This differs from expression (iv), where the index was positive but exceeded the table width.

Step 6: Check the final operation in expression (vi) B2 contains Apple. The range B2:D7 includes Apple in its first column, and index 2 returns C2, which is 50. The lookup is valid, but the complete expression then attempts to calculate $50/0$. Division by zero is undefined, so the final error is `#DIV/0!`.

Step 7: Conclusion The errors are: (i) `#N/A`; (ii) `#NUM!`; (iii) `#N/A`; (iv) `#REF!`; (v) `#VALUE!`; and (vi) `#DIV/0!`.

Quick Tip to Solve: Check the first column of the stated range, count return columns from 1, and then evaluate any operation outside VLOOKUP, such as SQRT or division.