CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-3-2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. 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.
- The issue price includes face value and securities premium; both are received when the entire price is payable on application.

Step 1: Identify the relevant number of shares The company offered 50,000 shares, but applications actually received were for only 48,000 shares. Cash received must therefore be based on 48,000 shares, not the number offered.

Step 2: Calculate application receipts Each applicant paid the full issue price of Rs 110 per share. Thus,

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

Rs 55,00,000 uses all shares offered; Rs 48,00,000 uses only Rs 100 per share, while Rs 50,00,000 also fails to use the actual subscription and price.

Step 3: Conclusion Application money received is Rs 52,80,000. Hence, the correct option is (A).

Quick Tip to Solve: Use shares actually applied for and the full application price, including premium.

2. 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:

- Unpaid calls create a debit balance in Calls in Arrears Account.
- On forfeiture, Calls in Arrears Account is credited to cancel the amount outstanding on the forfeited shares.

Step 1: Determine the unpaid call per share Total issue price is Rs 10 face value plus Rs 2 premium, or Rs 12. Application and allotment collected Rs 7, including the entire premium. Hence the first and final call is $12 - 7 = \text{Rs } 5$ per share.

Step 2: Cancel the arrears on forfeiture The unpaid amount is $1,000 \times 5 = \text{Rs } 5,000$. Forfeiture cancels this debit balance by crediting Calls in Arrears Account. Rs 7,000 is the amount received, not the call unpaid. A debit would increase the arrears instead of closing them.

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

Quick Tip to Solve: Find the unpaid balance of the issue price before choosing the direction of the arrears entry.

3(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 Account receives the capital amount already paid on forfeited shares.
- Capital reserve equals forfeiture relating to reissued shares less the discount allowed on their

reissue.

Step 1: Calculate the forfeited amount Called-up capital was Rs 8 per share, of which the first call of Rs 2 was unpaid. Capital already received was therefore $8 - 2 =$ Rs 6 per share. The forfeiture credit is $3,000 \times 6 =$ Rs $18,000$.

Step 2: Deduct the reissue discount The shares are reissued as Rs 8 paid up for Rs 7, so the discount is Rs 1 per share, totalling Rs 3,000. All forfeited shares are reissued, so

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

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

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

Quick Tip to Solve: Measure reissue discount against paid-up value of Rs 8, rather than face value of Rs 10.

OR

3(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 credit attributable to shares actually reissued can be transferred to capital reserve.
- Reissue above face value creates securities premium; this premium is separate from capital reserve.

Step 1: Find forfeiture attributable to reissued shares The Rs 10 shares were fully called, but the final Rs 2 call was unpaid. Capital received was Rs 8 per share. Of the 1,000 forfeited shares, only 800 are reissued, so the relevant forfeiture credit is $800 \times 8 =$ Rs $6,400$.

Step 2: Check whether reissue uses any forfeiture Reissue at Rs 11 fully paid is at a premium of Rs 1, not at a discount. No forfeiture is used to meet a reissue discount, and the entire Rs 6,400 becomes capital reserve. Rs 8,000 includes the 200 unreissued shares; Rs 7,200 wrongly adds the Rs 800 reissue premium, which belongs to Securities Premium Account. Rs 10,000 is original face capital.

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

Quick Tip to Solve: Allocate forfeiture to only the 800 reissued shares; keep reissue premium separate.

4. 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 rate of periodic interest payable on a debenture.
- Classification by coupon rate is distinct from classification according to whether the debenture is secured.

Step 1: Identify the interest classification The question describes debentures without a specific periodic interest rate. These are zero coupon rate debentures. The investor's return is generally represented by the difference between issue price and redemption value rather than a stated periodic coupon.

Step 2: Eliminate other descriptions Specific coupon rate debentures carry a stated rate, so option (B) contradicts the condition. Secured and unsecured debentures refer to the presence or absence of security over assets. Neither description, by itself, tells us that no specific interest rate is carried.

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

Quick Tip to Solve: Use the word coupon to identify an interest-rate classification; security is a different feature.

5. 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 capital offered for subscription that must be subscribed before allotment.
- For this question, the minimum subscription requirement is 90% of issued capital.

Step 1: Identify the capital offered to investors Issued capital is the part of authorised or nominal capital offered for subscription. The stated 90% threshold is applied to this amount, because the requirement concerns the success of that particular issue.

Step 2: Distinguish the alternatives Nominal capital is the authorised ceiling and may exceed the amount offered. Reserve capital is uncalled capital callable only on winding up. Subscribed capital is the amount actually taken up by applicants; it is compared with the required minimum, rather than serving as the base of that minimum.

Step 3: Conclusion The minimum subscription cannot be less than 90% of Issued Capital. Hence, the correct option is (D).

Quick Tip to Solve: Apply the subscription percentage to the capital offered in the issue, namely issued capital.

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6. 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:

- Forfeiture cancels called-up share capital and the unpaid calls relating to the forfeited shares.
- Capital already received is credited to Share Forfeiture Account; securities premium already received is retained.

Step 1: Judge Assertion (A) The assertion correctly describes the normal forfeiture treatment: debit Share Capital Account with called-up capital, credit the relevant unpaid calls or Calls in Arrears Account, and credit Share Forfeiture Account with capital already received. Thus Assertion (A) is correct.

Step 2: Judge Reason (R) Forfeiture reverses the capital and call entries associated with the forfeited shares. Securities premium already received is not reversed, since it remains the company's premium. In this standard sense, Reason (R) is correct.

Step 3: Test the explanatory link Reversal of called-up capital explains the debit to Share Capital Account; cancellation of unpaid amounts explains the credit to the unpaid calls account. The retained capital received explains the forfeiture credit. Thus the reason explains the assertion, excluding option (B), while (C) and (D) wrongly reject one of the statements.

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

Quick Tip to Solve: On forfeiture, reverse capital and unpaid calls, but retain securities premium already received.

7. 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.

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 dates of drawings during the year are not given, interest on the total drawings is calculated for an average period of six months.
- Interest on drawings equals drawings multiplied by annual rate and average time in years.

Step 1: Select Sheena's drawings and period Sheena drew Rs 40,000 during the year. No specific withdrawal dates are supplied, so use the standard average period of six months. The profit-sharing ratio and the firm's net profit do not affect the calculation of her interest on drawings.

Step 2: Calculate the charge

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

Rs 4,000 would charge a full year on the entire amount. Rs 5,000 and Rs 3,000 do not follow from Sheena's drawings and the applicable average period.

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

Quick Tip to Solve: When withdrawal dates are absent, apply six months to the aggregate annual drawings.

8. 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.

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 Profit and Loss Appropriation Account and increases the profit available for distribution.
- A partner's share of divisible profit follows the agreed profit-sharing ratio.

Step 1: Find total interest on drawings For drawings during the year without specific dates, use six months as the average period. Total drawings are $50,000 + 40,000 + 30,000 = \text{Rs } 1,20,000$. Thus total interest is $1,20,000 \times 10/100 \times 6/12 = \text{Rs } 6,000$.

Step 2: Determine Tapti's profit share Divisible profit is $57,000 + 6,000 = \text{Rs } 63,000$. Tapti's ratio is 1 out of $3 + 2 + 1 = 6$, so her share is $63,000 \times 1/6 = \text{Rs } 10,500$. This is her share of profit before separately debiting her own drawings interest. Rs 11,500 assumes a full year's interest, while Rs 34,500 and Rs 23,000 also use other partners' ratio shares on that incorrect profit.

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

Quick Tip to Solve: Add total interest on drawings to net profit before applying Tapti's one-sixth share.

9(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:

- A surrendered fraction is multiplied by the partner's existing share, not by the whole firm.
- New share = old share minus sacrificed share; total new shares must equal one.

Step 1: Calculate the continuing partners' shares Hema retains $\frac{2}{5}(1-\frac{1}{3}) = \frac{4}{15} = \frac{8}{30}$. Tara retains $\frac{3}{5}(1-\frac{1}{2}) = \frac{3}{10} = \frac{9}{30}$. Each surrender is a fraction of that partner's own old share.

Step 2: Calculate Ojas' share and compare options Ojas receives $\frac{2}{5} \times \frac{1}{3} + \frac{3}{5} \times \frac{1}{2} = \frac{2}{15} + \frac{3}{10} = \frac{13}{30}$. Thus the shares sum to $\frac{8+9+13}{30} = 1$. Options (B), (C) and (D) do not represent these retained and acquired shares.

Step 3: Conclusion The new ratio is $8 : 9 : 13$. Hence, the correct option is (A).

Quick Tip to Solve: First calculate each old partner's retained share; do not treat the surrender fractions as shares of the firm.

OR

9(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 surviving partner's new share equals old share plus the share acquired from the deceased partner.
- The gaining ratio divides only the deceased partner's share.

Step 1: Find the gains Charu's old share is $6/9$. Aaroh gains $\frac{6}{9} \times \frac{2}{3} = \frac{4}{9}$, while Bhuvan gains $\frac{6}{9} \times \frac{1}{3} = \frac{2}{9}$. These gains together exhaust Charu's share.

Step 2: Add gains to old shares Aaroh's new share is $\frac{1}{9} + \frac{4}{9} = \frac{5}{9}$, and Bhuvan's is $\frac{2}{9} + \frac{2}{9} = \frac{4}{9}$. Option (A) repeats only the gaining ratio and (B) repeats the old ratio of survivors. Option (D) reverses the correctly calculated new shares.

Step 3: Conclusion The new ratio is $5 : 4$. Hence, the correct option is (C).

Quick Tip to Solve: Add each gain to the old share; the gaining ratio need not equal the new profit sharing ratio.

10(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 = total drawings multiplied by annual rate and average time in years.
- For equal drawings at the beginning of each quarter, the average period is 7.5 months.

Step 1: Identify the time for each withdrawal The four drawings are made on 1st April, 1st July, 1st October and 1st January. They remain withdrawn for 12, 9, 6 and 3 months respectively. Average time is $(12+9+6+3)/4 = 7.5$ months.

Step 2: Apply the annual interest rate Total drawings are Rs $10,000 \times 4 =$ Rs $40,000$. Interest is $40,000 \times \frac{6}{100} \times \frac{7.5}{12} =$ Rs $1,500$. Option (A) charges a whole year on all drawings; (B) uses six months and (D) uses 4.5 months. Neither is the stated timing.

Step 3: Conclusion Interest on drawings is Rs 1,500. Hence, the correct option is (C).

Quick Tip to Solve: For beginning-of-quarter drawings use 7.5 months; end-of-quarter drawings instead use 4.5 months.

OR

10(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:

- Calculate interest on each drawing for its actual period, or use the average period for equal drawings.
- For drawings at the beginning of each half year, the periods are 12 and 6 months.

Step 1: Determine total drawings and average time Rhea withdraws Rs 30,000 on 1st April and another Rs 30,000 on 1st October. Total drawings are Rs 60,000. Average time is $(12+6)/2 = 9$ months; the profit sharing ratio has no role in this calculation.

Step 2: Calculate interest and test the alternatives Interest is $60,000 \times \frac{10}{100} \times \frac{9}{12} =$ Rs $4,500$. Directly, the two withdrawals bear Rs 3,000 and Rs 1,500 interest respectively. Option (A) charges both for a full year; (C) and (D) omit part of the required interest.

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

Quick Tip to Solve: List the two withdrawal dates first: beginning of each half year means interest for twelve and six months.

11(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:

- Profit up to death is estimated proportionately from the previous annual profit when the agreement specifies that basis.
- The deceased partner receives the estimated period profit multiplied by the old profit share.

Step 1: Estimate the firm's profit up to death The accounting year begins on 1st April. From 1st April, 2023 to 30th September, 2023 is six months. On the basis of the previous year's profit of Rs 80,000, estimated profit for this period is $80,000 \times 6/12 =$ Rs $40,000$.

Step 2: Apply Nicku's share Nicku's share in the old ratio $5:3:2$ is $5/10$. His profit entitlement is $40,000 \times 5/10 =$ Rs $20,000$. Option (D) is the whole firm's six-month profit; (A) understates the entitlement and (C) does not follow the specified period and share.

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

Quick Tip to Solve: Apply both fractions: the fraction of the year up to death and the deceased partner's old profit share.

OR

11(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:

- Sacrifice = old profit share minus new profit share.
- A positive difference is sacrifice; a negative difference represents gain.

Step 1: Express Mansi's old and new shares The old ratio $4:3:3$ totals 10, so Mansi's old share is $3/10$. The new ratio $5:3:2$ also totals 10, so her new share is $2/10$. The comparison must use the same partner in both ratios.

Step 2: Find the change and check its direction Mansi's sacrifice is $\frac{3}{10}-\frac{2}{10}=\frac{1}{10}$. Her share falls, so this is a sacrifice rather than a gain. Options (A) and (D) wrongly describe a gain; (B) mistakes her entire old share for the amount surrendered.

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

Quick Tip to Solve: Compare the old and new fractional shares before deciding whether the change is a gain or sacrifice.

12(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:

- A liability settled partly by an asset is reduced by the asset's agreed takeover value.
- Cash settlement = amount payable minus agreed value of the asset taken over.

Step 1: Value the stock accepted by creditors Creditors accept stock at 80 percent of its book value, not at its full book value. The agreed settlement value is $80,000 \times 80/100 = \text{Rs } 64,000$. This amount reduces the creditors' claim of Rs 90,000.

Step 2: Calculate the remaining payment The balance payable by cheque is $90,000 - 64,000 = \text{Rs } 26,000$. Option (B) gives the stock settlement value rather than the cheque. Option (C) gives the stock's book value. Option (D) adds irrelevant amounts instead of deducting the part already settled.

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

Quick Tip to Solve: Deduct the agreed takeover value of stock from creditors; book value alone does not measure the settlement.

OR

12(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 actual bad debts and the recovery rate of the remaining debtors.
- The existing provision is a prior accounting estimate, not an additional cash deduction.

Step 1: Remove the actual bad debts Gross debtors are Rs 3,00,000. Debtors of Rs 20,000 prove bad, leaving $3,00,000 - 20,000 = \text{Rs } 2,80,000$ eligible for recovery. The provision of Rs 30,000 must not be deducted again when calculating actual cash received.

Step 2: Apply the stated realisation percentage The remaining debtors realise 90 percent, so cash received is $2,80,000 \times 90/100 = \text{Rs } 2,52,000$. Option (A) ignores all losses, (C) ignores the ten percent recovery shortfall, and (B) incorrectly deducts the existing provision before applying the recovery rate.

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

Quick Tip to Solve: Start from gross debtors, subtract actual bad debts, then apply the recovery rate; do not subtract the provision again.

13. 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:

- Implied total capital = incoming partner's capital divided by their profit share.
- Hidden goodwill = implied total capital minus actual combined capital after admission.

Step 1: Infer the firm's total capital value Aadi brings Rs 1,50,000 for a $1/5$ share. The implied capital of the whole firm is $1,50,000 \div \frac{1}{5} = \text{Rs } 7,50,000$. This is the capitalised value including hidden goodwill, not goodwill by itself.

Step 2: Deduct the actual combined capitals Actual capitals after admission total $2,00,000 + 1,80,000 + 1,50,000 = \text{Rs } 5,30,000$. Hidden goodwill is $7,50,000 - 5,30,000 = \text{Rs } 2,20,000$. Option (A) is the implied total value, (C) excludes Aadi's capital from the deduction, and (D) merely repeats his contribution.

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

Quick Tip to Solve: Include the incoming partner's capital in actual total capital before subtracting it from the implied firm value.

14. 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:

- Sacrificing share = old share minus new share. The sacrificing ratio measures the shares surrendered by the old partners.
- The new partner compensates the sacrificing partners for goodwill in their sacrificing ratio.

Step 1: Identify the shares surrendered Krish acquires his entire $1/5$ share from Geeta and Hari in the stated ratio $2:3$. Hence Geeta sacrifices $\frac{1}{5} \times \frac{2}{5} = \frac{2}{25}$, while Hari sacrifices $\frac{1}{5} \times \frac{3}{5} = \frac{3}{25}$.

Step 2: Compare the options The sacrificing ratio is therefore $\frac{2}{25} : \frac{3}{25} = 2:3$. Option (A) is the old ratio, and (B) incorrectly assumes equal sacrifice. Option (D) is the new ratio, since the retained shares are $\frac{3}{5} - \frac{2}{25} = \frac{13}{25}$ and $\frac{2}{5} - \frac{3}{25} = \frac{7}{25}$. The capital and premium amounts do not alter the explicitly stated sacrifice.

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

Quick Tip to Solve: Use the ratio in which Krish acquires shares directly as the sacrificing ratio.

15. 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, a separate current account records recurring adjustments for each partner.
- Capital accounts normally change only for permanent introduction or withdrawal of capital.

Step 1: Judge the assertion The assertion is correct. A current account is credited with interest on capital and share of profit and debited with drawings, interest on drawings and share of loss. Credits may exceed debits, giving a credit balance, or debits may exceed credits, giving a debit balance.

Step 2: Judge the reason The reason is incorrect. Under the fixed capital method, the recurring items listed in the reason are recorded in current accounts, not in capital accounts. They would be recorded in capital accounts under the fluctuating capital method.

Step 3: Select the appropriate code Since A is true and R is false, R cannot explain A. Options (A) and (B) incorrectly treat the reason as correct, while (D) incorrectly rejects the assertion.

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

Quick Tip to Solve: For fixed capitals, place all routine profit and drawing adjustments in current accounts.

16. 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) 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) 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) Manu's Capital A/c Dr. 500
To Rahul's Capital A/c 500

(D) 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) 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:

- An estimated workmen compensation claim is first provided out of the reserve.
- The excess reserve belongs to the old partners and is distributed in their old profit-sharing ratio.

Step 1: Calculate the distributable excess The reserve is Rs 84,000 and the estimated claim is Rs 75,000. Thus the surplus is $84,000 - 75,000 =$ Rs $9,000$. In the old ratio $4:3:2$, Manu receives Rs 4,000, Sonu Rs 3,000 and Rahul Rs 2,000.

Step 2: Record and check the entry

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 distributed in the old ratio)			

Option (B) uses the new ratio; (D) uses equal shares. Option (C) does not record the claim and distribution required by the stated transaction.

Step 3: Conclusion The entry in option (A) correctly distributes the Rs 9,000 surplus in the old ratio.

Quick Tip to Solve: Deduct the claim first, then divide only the excess reserve in the old ratio.

17. Alisha, Bobby and Pooja were partners in a firm sharing profits and losses in the ratio of 5:3:2. Pooja died on 30th September, 2023. Pooja'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. 30,00,000 and sales from 1st April, 2023 to 30th September, 2023 were Rs. 10,00,000. The profit for the year ended 31st March, 2023 was Rs. 3,00,000. Calculate Pooja'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:

- For an estimate based on sales, use the preceding year's profit-to-sales ratio on sales up to the date of death.
- The deceased partner receives her agreed share of estimated profit; Profit and Loss Suspense Account is debited for the estimate.

Step 1: Find the historical profit rate The previous year provides the basis for estimating the current period's profit. Profit for 2022–23 was Rs 3,00,000 on sales of Rs 30,00,000. Therefore,

$$\text{Profit rate on sales} = \frac{3,00,000}{30,00,000} \times 100 = 10\%.$$

This is a profit rate on sales, not a return on capital.

Step 2: Estimate profit and Pooja's share Sales from 1st April to 30th September, 2023 were Rs 10,00,000. Estimated profit for that period is $10,00,000 \times 10\% = \text{Rs } 1,00,000$. Pooja's share in the ratio $5:3:2$ is $2/10$. Hence her share is

$$1,00,000 \times \frac{2}{10} = \text{Rs } 20,000.$$

No further multiplication by six months is needed because the sales already relate to the period up to death.

Step 3: Pass the necessary entry

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30-9-2023	Profit and Loss Suspense A/c Dr.		20,000	
	To Pooja's Capital A/c			20,000
	(Being Pooja's share of estimated profit up to death credited to her capital account)			

The credit recognises the amount due to Pooja; the suspense debit records the estimated profit adjustment pending preparation of the final accounts.

Step 4: Conclusion Pooja's share of profit up to 30th September, 2023 is Rs 20,000. Debit Profit and Loss Suspense A/c and credit Pooja's Capital A/c by Rs 20,000.

Quick Tip to Solve: Use actual sales up to death; do not apply a second time fraction to the resulting profit.

18. The average profit for the last five years of a firm was Rs. 20,000. The normal rate of return in a similar business is 8%. Goodwill of the firm is valued at Rs. 24,000 at three years' purchase of super profit. Calculate the amount of capital employed by the firm. [3 marks]

Solution:

Concept:

- Goodwill under the super profit method equals super profit multiplied by the number of years' purchase.
- Super profit equals average profit less normal profit; normal profit equals capital employed multiplied by the normal rate of return.

Step 1: Recover the annual super profit Goodwill of Rs 24,000 represents three years' purchase of super profit. Let annual super profit be S. Then

$$24,000 = 3S, \qquad S = \frac{24,000}{3} = \text{Rs } 8,000.$$

The five years mentioned in the question describe the period used to compute average profit. They are not the purchase multiplier for goodwill.

Step 2: Calculate the normal profit The average annual profit is Rs 20,000. Since this includes both normal profit and super profit,

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

This represents the annual profit that a similar business would normally earn on the firm's capital.

Step 3: Derive and verify capital employed At the normal rate of return of 8%,

$$\text{Capital employed} = \frac{\text{Normal profit} \times 100}{\text{Normal rate}} = \frac{12,000 \times 100}{8} = \text{Rs } 1,50,000.$$

Check: $1,50,000 \times 8\% = 12,000$, giving super profit $20,000 - 12,000 = 8,000$ and goodwill $8,000 \times 3 = 24,000$, as stated.

Step 4: Conclusion The capital employed by the firm is Rs 1,50,000.

Quick Tip to Solve: Work backwards: goodwill divided by purchase years gives super profit, then find normal profit.

19(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% per annum.
- Interest on capital is an appropriation of profit, while interest on drawings is credited to the Profit and Loss Appropriation Account.

Step 1: Adjust profit for interest on the loan Prisha's loan of Rs 20,000 was advanced on 1st August, 2022 and remained outstanding for eight months to 31st March, 2023. Interest on loan is $20,000 \times \frac{6}{100} \times \frac{8}{12} =$ Rs 800. Profit available for appropriation is therefore $22,600 - 800 =$ Rs $21,800$. The loan interest is deducted before preparing the appropriation account.

Step 2: Calculate the appropriations Interest on capital is Rs 5,000 for Misha and Rs 3,000 for Prisha, calculated at 10% on Rs 50,000 and Rs 30,000 respectively. Interest on drawings totals $660 + 540 =$ Rs $1,200$. Residual profit is $21,800 + 1,200 - 5,000 - 3,000 =$ Rs $15,000$, shared as Rs 9,000 and Rs 6,000 in the ratio $3:2$. Drawings themselves are adjusted in partners' accounts.

Step 3: Prepare the 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 Profit transferred to:		Prisha	540	
	Misha's Capital A/c	9,000			
	Prisha's Capital A/c	6,000			
	Total	23,000	Total	23,000	

The account closes after the residual profit is transferred to the partners, so no balance is carried down.

Step 4: Conclusion The distributable profit is Rs 15,000: Misha receives Rs 9,000 and Prisha Rs

6,000. Both sides of the Appropriation Account total Rs 23,000.

Quick Tip to Solve: Deduct loan interest before appropriation; add drawing interest before dividing the residual profit.

OR

19(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:

- Interest on capital is calculated on opening capital when the stated closing capitals already include drawings and profit. Opening capital = closing capital + drawings - profit already credited.
- When no profit-sharing ratio is stated, profits are shared equally. The omitted interest must be credited to partners and the corresponding reduction in divisible profit debited equally.

Step 1: Reconstruct the opening capitals Raghav's annual drawings are $2,000 \times 12 = \text{Rs } 24,000$, while Diya's are $3,000 \times 4 = \text{Rs } 12,000$. Each has already received half of the net profit, namely $1,00,000/2 = \text{Rs } 50,000$.

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

The timing of drawings does not call for interest on drawings: no such charge is stipulated.

Step 2: Find the net adjustment Interest omitted is $3,74,000 \times 10\% = \text{Rs } 37,400$ for Raghav and $2,62,000 \times 10\% = \text{Rs } 26,200$ for Diya. Total interest is Rs 63,600, so the profit previously credited must be reduced by Rs 31,800 for each partner. Raghav therefore needs a net credit of $37,400 - 31,800 = \text{Rs } 5,600$; Diya needs a net debit of $31,800 - 26,200 = \text{Rs } 5,600$.

Step 3: Pass the 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 omitted interest on capital adjusted through partners' capital accounts)			

Step 4: Conclusion Debit Diya's Capital A/c and credit Raghav's Capital A/c by Rs 5,600.

Quick Tip to Solve: Add drawings and deduct the profit already credited before calculating interest on the opening capitals.

20(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:

- Goodwill is the excess of purchase consideration over net identifiable assets acquired: goodwill = purchase consideration - (assets - liabilities).
- Debentures issued at a premium settle the vendor at their issue value. The nominal amount is credited to Debentures A/c and the premium to Securities Premium A/c.

Step 1: Calculate goodwill on acquisition The net identifiable assets acquired from Pandora Ltd. are $8,00,000 - 2,00,000 =$ Rs $6,00,000$. Since the agreed purchase consideration is Rs 9,00,000, goodwill is $9,00,000 - 6,00,000 =$ Rs $3,00,000$. Credit the creditors taken over separately; the purchase consideration is the amount payable to Pandora Ltd., not the value of the assets alone.

Step 2: Calculate the debenture issue After the cheque payment of Rs 4,60,000, the outstanding vendor balance is $9,00,000 - 4,60,000 =$ Rs $4,40,000$. Each Rs 100 debenture is issued at $100 + 10 =$ Rs 110. Thus the number issued is $4,40,000/110 = 4,000$. The face value is Rs 4,00,000 and securities premium is Rs 40,000. Their sum equals the remaining consideration.

Step 3: Record the 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.			9,00,000
	(Being assets and creditors taken over for the agreed consideration)			
	Pandora Ltd. Dr.		9,00,000	
	To Bank A/c			4,60,000
	To 9% Debentures A/c			4,00,000
	To Securities Premium A/c			40,000
	(Being consideration settled by cheque and 4,000 debentures issued at 10% premium)			

Step 4: Conclusion Goodwill is Rs 3,00,000; issue 4,000 debentures of Rs 100 each, with securities premium of Rs 40,000.

Quick Tip to Solve: Divide the unpaid purchase consideration by Rs 110, the issue price, to find the number of debentures.

OR

20(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:

- Goodwill equals purchase consideration less net assets acquired; liabilities taken over reduce the net assets.
- At a 10% discount, debentures settle the vendor for 90% of their nominal amount. Discount on Issue of Debentures A/c is debited separately.

Step 1: Determine goodwill Net identifiable assets taken over from AK Ltd. are $9,00,000 - 3,00,000 =$ Rs $6,00,000$. Against purchase consideration of Rs 14,00,000, the excess is goodwill:

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

The liabilities are credited in their own account; only the agreed consideration is credited to the vendor.

Step 2: Calculate the nominal debenture amount The bank draft settles Rs 5,00,000, leaving $14,00,000 - 5,00,000 =$ Rs $9,00,000$ payable to AK Ltd. This is the issue value, equal to 90% of the nominal debenture amount. Hence:

$$\text{Nominal amount} = 9,00,000 \times \frac{100}{90} = \text{Rs } 10,00,000.$$

Discount is $10,00,000 \times 10\% =$ Rs $1,00,000$. The face value per debenture is not specified, so only the aggregate nominal amount is required. The 8% rate determines future interest, not the purchase settlement.

Step 3: Pass the necessary journal entries 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 Liabilities A/c			3,00,000
	To AK Ltd.			14,00,000
	(Being assets and liabilities taken over for 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 consideration settled by bank draft and debentures issued at 10% discount)			

Step 4: Conclusion Goodwill is Rs 8,00,000; 8% debentures of nominal amount Rs 10,00,000 are issued at discount of Rs 1,00,000.

Quick Tip to Solve: Gross up the unpaid consideration by 100/90; a discount makes nominal debentures larger than the amount settled.

21. 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: Frank 4,00,000 George 3,00,000 Hemant 2,00,000	9,00,000	Land	5,00,000
		Building	3,00,000
		Machinery	2,00,000
Creditors	5,00,000	Stock	1,50,000
Employees' Provident Fund	1,00,000	Debtors	2,50,000
General Reserve	2,00,000	Cash	3,00,000
	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:

- Accumulated reserves and revaluation profit belong to the partners in the old profit-sharing ratio, namely $5:3:2$.
- For goodwill adjustment, sacrifice equals old share minus new share. Gaining partners compensate the sacrificing partner through capital accounts when goodwill is not to appear in the books.

Step 1: Calculate sacrifice, gain and land appreciation Frank's sacrifice is $5/10 - 2/10 = 3/10$. George gains $5/10 - 3/10 = 2/10$, and Hemant gains $3/10 - 2/10 = 1/10$. Thus, George and Hemant compensate Frank in the ratio $2:1$. The land appreciates by Rs $6,50,000 -$ Rs $5,00,000 =$ Rs $1,50,000$. This revaluation profit is divided in the old ratio: Frank Rs 75,000, George Rs 45,000 and Hemant Rs 30,000. The general reserve of Rs 2,00,000 is similarly credited as Rs 1,00,000, Rs 60,000 and Rs 40,000 respectively.

Step 2: Record reserve and revaluation entries Journal of Frank, George and Hemant (1st April, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	General Reserve A/c Dr. To Frank's Capital A/c To George's Capital A/c To Hemant's Capital A/c (Being reserve distributed in the old ratio of 5:3:2)		2,00,000	 1,00,000 60,000 40,000
1-4-2023	Land A/c Dr. To Revaluation A/c (Being increase in land value recorded)		1,50,000	 1,50,000
1-4-2023	Revaluation A/c Dr. To Frank's Capital A/c To George's Capital A/c To Hemant's Capital A/c (Being revaluation profit distributed in the old ratio)		1,50,000	 75,000 45,000 30,000

Step 3: Adjust goodwill through capital accounts George's compensation is Rs $2,00,000 \times 2/10 =$ Rs $40,000$; Hemant's compensation is Rs $2,00,000 \times 1/10 =$ Rs $20,000$. Frank receives Rs 60,000 for his sacrifice of $3/10$.

Journal (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	George's Capital A/c Dr. Hemant's Capital A/c Dr. To Frank's Capital A/c (Being goodwill adjusted for the change in ratio without opening a goodwill account)		40,000 20,000	 60,000

Employees' Provident Fund is a liability towards employees; it is not an accumulated profit and is therefore not distributed.

Step 4: Conclusion The necessary entries distribute the reserve and land appreciation in $5:3:2$, and debit George and Hemant by Rs 40,000 and Rs 20,000 respectively to credit Frank by Rs 60,000 for goodwill.

Quick Tip to Solve: Use the old ratio for past profits, but only the gain or sacrifice for goodwill compensation.

22. 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 registered share capital; issued capital is the nominal value of shares offered. Subscribed capital is divided between fully paid shares and shares subscribed but not fully paid.
- Calls in arrears reduce called-up share capital. All 50,000 shares are fully called at Rs 10 each, but the unpaid call must be deducted to find paid-up capital.

Step 1: Compute the unpaid call and classify shares The first and final call per share is Rs $10 -$ Rs $4 -$ Rs $4 =$ Rs 2. Hence calls in arrears are $4,000 \times$ Rs $2 =$ Rs $8,000$. Of the 50,000 subscribed shares, $50,000 - 4,000 = 46,000$ are fully paid, giving Rs 4,60,000. The remaining 4,000 shares have been called at Rs 10 each, but only Rs 8 per share has been received, giving paid-up capital of Rs 32,000. Total paid-up share capital is therefore Rs $4,60,000 +$ Rs $32,000 =$ Rs $4,92,000$.

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

Share capital is reported under shareholders' funds at the amount actually paid up. The authorised limit and the issued amount are disclosed in the supporting note; neither replaces the paid-up amount on the face of the Balance Sheet.

Step 3: Prepare the supporting note 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:	
46,000 equity shares of Rs 10 each	4,60,000
Subscribed but not fully paid:	
4,000 equity shares of Rs 10 each, fully called up	40,000
Less: Calls in arrears (4,000 shares at Rs 2 each)	(8,000)
Paid-up amount on these 4,000 shares	32,000
Total subscribed and paid-up share capital	4,92,000

The reconciliation is Rs 5,00,000 called up less Rs 8,000 unpaid. The unpaid call does not reduce the number of shares subscribed or change their face value.

Step 4: Conclusion Share capital shown in the Balance Sheet is Rs 4,92,000, supported by Note 1 disclosing authorised capital Rs 7,00,000, issued capital Rs 5,00,000 and calls in arrears Rs 8,000.

Quick Tip to Solve: Separate fully paid shares from defaulting shares, then deduct only the unpaid call from called-up capital.

23. Rishan, Suzane and Tapti were partners in a firm sharing profits and losses equally. On 31st March, 2023 their Balance Sheet was as follows:

Balance Sheet of Rishan, Suzane and Tapti as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	60,000	Cash at Bank	25,000
General Reserve	60,000	Debtors	40,000
Capital: Rishan 1,25,000 Suzane 1,05,000 Tapti 55,000	2,85,000	Stock	60,000
		Investments	80,000
		Plant and Equipment	2,00,000
	4,05,000		4,05,000

On the above date, the firm was dissolved on the following terms: (i) Plant and Equipment were realised at 10% less than the book value. (ii) Debtors were realised at book value. (iii) Investments were taken over by Suzane at Rs. 1,00,000. (iv) Tapti took over 50% of the stock at Rs. 36,000. The remaining stock was sold for Rs. 19,000. (v) Expenses of realisation amounted to Rs. 20,000 which were paid by Rishan.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Realisation Account records the book values of non-cash assets and outside liabilities, their settlement, and realisation expenses. Cash at Bank, general reserve and partners' capitals are not transferred to this account.
- Assets taken over by a partner are credited to Realisation Account at the agreed value and debited to that partner's Capital Account. Expenses paid by a partner are debited to Realisation and credited to that partner's Capital Account.
- The final loss on realisation is borne by Rishan, Suzane and Tapti equally, their existing profit-sharing ratio being $1:1:1$.

Step 1: Calculate the amounts realised Plant and Equipment realise Rs $2,00,000 \times 90\% =$ Rs $1,80,000$. Debtors realise their book value of Rs 40,000. Suzane takes investments at Rs 1,00,000; this is credited through her Capital Account, without a bank receipt. Tapti takes half the stock at the agreed Rs 36,000, while the other half fetches Rs 19,000. Thus total value recovered from stock is Rs 55,000. The total cash received from assets is $1,80,000 + 40,000 + 19,000 =$ Rs $2,39,000$.

Step 2: Prepare the Realisation Account The creditors are transferred at Rs 60,000 and, as no different settlement is stated, paid at book value. Rishan's payment of expenses creates a credit to his Capital Account, not to Bank in this account.

Realisation Account

Dr. Particulars	Amount (Rs)		Particulars	Amount (Rs)	Cr.
To Debtors	40,000		By Creditors	60,000	
To Stock	60,000		By Bank: Plant	1,80,000	
To Investments	80,000		By Bank: Debtors	40,000	
To Plant and Equipment	2,00,000		By Suzane's Capital	1,00,000	
To Bank (Creditors)	60,000		By Tapti's Capital	36,000	
To Rishan's Capital	20,000		By Bank: Stock	19,000	
			By Partners' Capitals (Loss, equally)	25,000	
Total	4,60,000		Total	4,60,000	

Step 3: Verify and allocate the loss The assets transferred total $40,000+60,000+80,000+2,00,000 =$ Rs $3,80,000$. Their aggregate realisation is $2,39,000 + 1,00,000 + 36,000 =$ Rs $3,75,000$, giving an asset loss of Rs 5,000. Adding expenses of Rs 20,000 gives a total loss of Rs 25,000; creditors cause no additional gain or loss. Each partner bears exactly Rs $25,000/3 =$ Rs $8,333\frac{1}{3}$. The combined partners' capital credit shown in the account closes Realisation; there is no balance carried forward. General reserve is distributed directly to capitals and the opening Bank balance stays in Bank Account.

Step 4: Conclusion The Realisation Account totals Rs 4,60,000 on each side and shows a loss of Rs 25,000, borne equally by the three partners.

Quick Tip to Solve: Credit partner takeovers at agreed values; debit expenses paid personally to Realisation and credit the paying partner.

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24. On 1st April, 2022, Bellfont Ltd. issued 5,000, 7% Debentures of Rs. 500 each at a premium of 5%, redeemable at a premium of 10% after five years. The company had a balance of Rs. 3,25,000 in 'Securities Premium Account' before the issue.

(a) Pass 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 Account is credited with nominal value. The issue premium is credited separately to Securities Premium Account; the redemption premium is provided at issue through Loss on Issue of Debentures Account.
- Securities premium may be used to write off loss on issue of debentures. The available balance includes both the opening securities premium and the premium received on this issue.

Step 1: Calculate nominal value, proceeds and loss The nominal value is $5,000 \times$ Rs $500 =$ Rs $25,00,000$. Issue premium is $25,00,000 \times 5\% =$ Rs $1,25,000$, so Bank receives Rs 26,25,000. Premium payable on redemption is $25,00,000 \times 10\% =$ Rs $2,50,000$. As the issue is at a premium

rather than a discount, the loss on issue consists solely of this redemption premium. The issue premium remains separately credited to Securities Premium Account. The 7% coupon determines interest and does not change either premium.

Step 2: Pass the journal entries **Journal of Bellfont Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2022	Bank 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 5,000 debentures of Rs 500 each issued at 5% premium, redeemable at 10% premium)		26,25,000 2,50,000	 25,00,000 1,25,000 2,50,000
31 Mar 2023	Securities Premium A/c Dr. To Loss on Issue of Debentures A/c (Being loss on issue written off fully against securities premium)		2,50,000	 2,50,000

Available securities premium is $3,25,000 + 1,25,000 =$ Rs $4,50,000$, sufficient for the complete write-off. Its remaining credit balance is $4,50,000 - 2,50,000 =$ Rs $2,00,000$. No charge to the Statement of Profit and Loss is needed.

Step 3: Prepare the loss account for the year **Loss on Issue of Debentures Account**

For the year ended 31st March, 2023

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

The debit arises when the redemption obligation is recognised at issue. The credit represents its full write-off at the end of the first year. Consequently this account is closed and has no balance c/d; the separate redemption premium liability remains outstanding until redemption.

Step 4: Conclusion Loss on issue of Rs 2,50,000 is fully written off on 31st March, 2023 using Securities Premium Account. The Loss on Issue of Debentures Account closes with equal totals of Rs 2,50,000.

Quick Tip to Solve: Compute issue and redemption premiums separately: credit the former to Securities Premium and debit the latter to loss on issue.

25(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: Sarah 60,000 Varsha 50,000	1,10,000	Plant and Machinery	2,00,000
Workmen's Compensation Fund	20,000	Stock	30,000
Provident Fund	1,20,000	Debtors 50,000 Less: Provision for doubtful debts 5,000	45,000
Creditors	50,000	Cash	25,000
	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 ratio, Sarah : Varsha $= 3:2$. An unclaimed creditor is a gain; a fall in an asset value is a loss.
- In the absence of a workmen compensation claim, the Workmen's Compensation Fund is distributed to the old partners. Provident Fund remains an outside liability.
- Tasha receives $1/4$; the old partners retain $3/4$ in their existing ratio. Her capital determines total capital: $C = 40,000 \div (1/4)$.

Step 1: Determine the new ratio and goodwill distribution Sarah's share is $\frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$, Varsha's is $\frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$, and Tasha's is $\frac{5}{20}$. Thus the new ratio is $9:6:5$. The old partners sacrifice in $3:2$, so the premium of Rs 20,000 is credited to Sarah, Rs 12,000, and Varsha, Rs 8,000. The Workmen's Compensation Fund of Rs 20,000 is similarly credited as Rs 12,000 and Rs 8,000. No claim against this fund is stated.

Step 2: Prepare the Revaluation Account Plant and machinery decreases by $2,00,000 - 1,90,000 =$ Rs $10,000$. Writing off the unclaimed creditor produces a gain of Rs 20,000. Hence profit is Rs 10,000, allocated as Rs 6,000 and Rs 4,000.

Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
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 capital adjustments Total capital of the new firm is $40,000 \times 4 =$ Rs $1,60,000$. The required capitals in $9 : 6 : 5$ are Sarah, Rs 72,000; Varsha, Rs 48,000; and Tasha, Rs 40,000. Before cash adjustment, Sarah has $60,000 + 12,000 + 12,000 + 6,000 =$ Rs $90,000$, while Varsha has $50,000 + 8,000 + 8,000 + 4,000 =$ Rs $70,000$. Therefore Rs 18,000 and Rs 22,000 respectively are paid back. Tasha's premium is separate from her capital contribution.

Step 4: Prepare Partners Capital Accounts Partners' Capital Accounts

Dr. 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 W.C. Fund	12,000	8,000	–
				By Goodwill premium	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 cash payment affects the partners' capitals only; the Provident Fund is not transferred to capital accounts.

Step 5: Conclusion Revaluation profit is Rs 10,000. Closing capitals are Sarah Rs 72,000, Varsha Rs 48,000 and Tasha Rs 40,000; Sarah and Varsha receive cash of Rs 18,000 and Rs 22,000 respectively.

Quick Tip to Solve: First add reserves, goodwill premium and revaluation profit to old capitals; compare these adjusted balances with capitals based on the incoming partner.

OR

25(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: Inder 90,000 / Jonny 75,000 / Kapil 60,000	2,25,000	Fixed Assets	1,20,000
General Reserve	80,000	Stock	60,000
Creditors	10,000	Debtors	1,00,000
		Cash	35,000
	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:

- Accumulated reserves and revaluation profit or loss are allocated in the old ratio $9 : 3 : 4$. Revaluation records changes in assets, while settlement of a creditor at book value produces no gain or loss.
- The retiring partner's goodwill entitlement equals firm goodwill multiplied by the retiring share. Continuing partners bear it in their gaining ratio, calculated as new share minus old share.
- The amount due to a retiring partner is transferred to a loan account when immediate payment or another settlement arrangement is not specified.

Step 1: Compute reserve, revaluation and gaining ratio The reserve of Rs 80,000 is allocated: Inder $80,000 \times 9/16 =$ Rs $45,000$, Jonny Rs 15,000 and Kapil Rs 20,000. Revaluation losses comprise bad debts Rs 5,000 and fall in fixed assets $1,20,000 - 96,000 =$ Rs $24,000$. Stock increases by Rs 29,000. Thus $29,000 - 5,000 - 24,000 = 0$; there is no net revaluation balance to transfer.

Inder's gain is $3/5 - 9/16 = 3/80$; Jonny's is $2/5 - 3/16 = 17/80$. The gaining ratio is $3 : 17$. Kapil's goodwill share is $80,000 \times 4/16 =$ Rs $20,000$, debited to Inder Rs 3,000 and Jonny Rs 17,000.

Step 2: Record reserve and revaluation entries Journal of the Firm (31st March, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	General Reserve A/c Dr.		80,000	
	To Inder's Capital A/c			45,000
	To Jonny's Capital A/c			15,000
	To Kapil's Capital A/c			20,000
	(Being reserve distributed in old ratio 9:3:4)			
	Revaluation A/c Dr.		5,000	
	To Debtors A/c			5,000
	(Being bad debts written off)			
	Revaluation A/c Dr.		24,000	
	To Fixed Assets A/c			24,000
	(Being fixed assets reduced to Rs 96,000)			
	Stock A/c Dr.		29,000	
	To Revaluation A/c			29,000
	(Being undervaluation of stock corrected)			

Step 3: Record payment, goodwill and retirement settlement Journal of the Firm (31st March, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Creditors A/c Dr.		10,000	
	To Cash A/c			10,000
	(Being creditors paid in full)			
	Inder's Capital A/c Dr.		3,000	
	Jonny's Capital A/c Dr.		17,000	
	To Kapil's Capital A/c			20,000
	(Being Kapil's goodwill adjusted in gaining ratio 3:17)			
	Kapil's Capital A/c Dr.		1,00,000	
	To Kapil's Loan A/c			1,00,000
	(Being balance due to Kapil transferred to loan)			

Kapil's amount due is opening capital Rs 60,000 plus reserve Rs 20,000 plus goodwill Rs 20,000, totalling Rs 1,00,000. There is no revaluation profit or loss. As no payment terms for Kapil are given, his balance is transferred to his loan account; payment of creditors is the separate cash transaction expressly required.

Step 4: Conclusion The gaining ratio is 3:17, goodwill adjustment is Rs 3,000 against Inder and Rs 17,000 against Jonny, and Rs 1,00,000 is transferred to Kapil's Loan Account. Revaluation has no net profit or loss.

Quick Tip to Solve: Calculate each continuing partner's gain separately: using the new ratio directly would incorrectly divide Kapil's goodwill adjustment.

26(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. Credit unpaid calls or allotment and credit Share Forfeiture with capital already received.
- Unreceived securities premium previously credited is reversed. Reissue discount is debited to Share Forfeiture; only the surplus relating to reissued shares goes to Capital Reserve.

Step 1: Neon Ltd.: determine the called-up and received amounts The uncalled final call is Rs 2, so called-up capital is $10 - 2 =$ Rs 8 per share. The unpaid allotment of Rs 5 includes Rs 2 premium and Rs 3 capital. Thus capital received is $8 - 3 =$ Rs 5 per share. For 2,000 shares, Share Capital is debited Rs 16,000, Securities Premium is debited Rs 4,000, unpaid allotment is credited Rs 10,000 and Share Forfeiture is credited Rs 10,000. No uncalled money is included in the forfeiture entry.

Step 2: Neon Ltd.: journal 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)			
	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, Rs 8 paid up)			
	Share Forfeiture A/c Dr.		6,000	
	To Capital Reserve A/c			6,000
	(Being surplus on reissued shares transferred)			

The reissue discount is $1,500(8-7) =$ Rs $1,500$. Forfeiture attributable to reissued shares is $1,500 \times 5 =$ Rs $7,500$, so the surplus is $7,500 - 1,500 =$ Rs $6,000$. The forfeiture balance for 500 unreissued shares is Rs 2,500.

Step 3: Mamta Ltd.: calculate and journalise Called-up capital per share is $10 - 1 =$ Rs 9. Since the first call of Rs 3 was unpaid, capital received is Rs 6 per share. Reissue at Rs 9 as Rs 9 paid up involves no discount.

Journal of Mamta Ltd.

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

The reserve is $2,000 \times 6 = \text{Rs } 12,000$; Rs 6,000 remains in Share Forfeiture for 1,000 unreissued shares.

Step 4: Conclusion Capital Reserve is Rs 6,000 for Neon Ltd. and Rs 12,000 for Mamta Ltd.; the respective remaining forfeiture balances are Rs 2,500 and Rs 6,000.

Quick Tip to Solve: Calculate forfeiture using called-up capital, and transfer only the surplus attached to shares actually reissued.

OR

26(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:

- Share application money is transferred to capital for shares actually allotted. Allotment and calls are first made due, then receipts and outstanding amounts are recorded.
- Calls-in-arrears is debited for unpaid money; Calls-in-advance is credited for money received before a call becomes due. Advance is adjusted against the later call.

Step 1: Calculate amounts due and received Only 58,000 shares were applied for, so 58,000 shares are allotted without any pro-rata adjustment. Application money is $58,000 \times 5 = \text{Rs } 2,90,000$, allotment is Rs 58,000, and the final call rate is $10 - 5 - 1 = \text{Rs } 4$. Rajat owes allotment of $300 \times 1 = \text{Rs } 300$. Usha pays an additional $500 \times 4 = \text{Rs } 2,000$ in advance. Bank receipt on allotment is therefore $58,000 - 300 + 2,000 = \text{Rs } 59,700$.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,90,000	
	To Share Application A/c			2,90,000
	(Being applications received for 58,000 shares)			
	Share Application A/c Dr.		2,90,000	
	To Share Capital A/c			2,90,000
	(Being application money transferred on allotment)			
	Share Allotment A/c Dr.		58,000	
	To Share Capital A/c			58,000
	(Being allotment of Rs 1 per share made due)			
	Bank A/c Dr.		59,700	
	Calls-in-arrears A/c Dr.		300	
	To Share Allotment A/c			58,000
	To Calls-in-advance A/c			2,000
	(Being allotment received with arrears and advance)			

Step 3: Record forfeiture and final call At forfeiture only Rs 6 per share has been called; Rajat has paid Rs 5 per share. Thus capital cancelled is Rs 1,800 and forfeiture is Rs 1,500. The later call applies only to $58,000 - 300 = 57,700$ shares: $57,700 \times 4 =$ Rs $2,30,800$. After adjusting Usha's Rs 2,000 advance, cash received is Rs 2,28,800.

Journal of Sai Ltd. (forfeiture and call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		1,800	
	To Calls-in-arrears A/c			300
	To Share Forfeiture A/c			1,500
	(Being Rajat's 300 shares forfeited after allotment)			
	Share First and Final Call A/c Dr.		2,30,800	
	To Share Capital A/c			2,30,800
	(Being final call of Rs 4 due on 57,700 shares)			
	Bank A/c Dr.		2,28,800	
	Calls-in-advance A/c Dr.		2,000	
	To Share First and Final Call A/c			2,30,800
	(Being call received and advance adjusted)			

Step 4: Open 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	
	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	
	Total	2,000	Total	2,000	

Both accounts close with nil balance: the arrear is cancelled on forfeiture, while the advance is applied against the final call. Therefore no Balance c/d remains to be carried forward.

Step 5: Conclusion Final call receipts are Rs 2,28,800. Share Forfeiture has Rs 1,500; Calls-in-arrears and Calls-in-advance both close with nil balances.

Quick Tip to Solve: Exclude forfeited shares before computing the later call, and deduct the advance already received from the call cash receipt.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

27(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. Cash collected from customers for goods sold is an operating receipt.
- Investing activities concern long-term assets and investments; for an ordinary non-financial enterprise, dividend received is an investing inflow.

Step 1: Identify the operating receipt Sale of goods is the normal revenue-generating activity. Therefore the cash receipt of Rs 94,000 from customers belongs to cash flows from operating activities. The amount determines the size of the inflow, while the nature of the transaction determines its classification.

Step 2: Check the other alternatives Option (A), sale of investments for Rs 60,000, is an investing inflow. Option (C), dividend received of Rs 31,000, is also an investing inflow in the ordinary classification applicable here. Option (D), purchase of fixed assets for Rs 3,00,000, is an investing outflow. None represents cash collected from the principal sale of goods.

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

Quick Tip to Solve: Classify the underlying transaction first: customer receipts from selling goods belong to operating activities.

OR

27(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 change the size or composition of owners' capital and borrowings.
- Dividend paid is a financing cash outflow, including for a finance company.

Step 1: Identify the nature of dividend paid Dividend paid distributes a return to shareholders who supplied owners' funds. It is therefore associated with financing the company. The fact that the payer carries on a finance business does not change this classification.

Step 2: Check the alternatives Operating activities concern revenue-producing operations; investing activities concern investments and long-term assets. Dividend paid is neither of these. Cash and cash equivalents name the cash resources being reconciled, rather than an activity category for dividend payments.

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

Quick Tip to Solve: Distinguish dividend paid to owners from dividend received on investments before classifying the cash flow.

28(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 financial figures for different periods side by side.
- Absolute and percentage changes reveal the direction and trend of performance and financial position.

Step 1: Identify the information sought To see whether financial position and operating results are

improving or declining, compare the same items across successive accounting periods. Comparative Balance Sheets and Comparative Statements of Profit and Loss provide this comparison.

Step 2: Check the other tools Common size statements emphasise each item as a percentage of a common base. Cash flow analysis explains cash movements, while ratio analysis studies relationships between selected figures. The tool directly described by the wording about trend and direction is comparative statements.

Step 3: Conclusion Comparative statements indicate the trend and direction of financial position and operating results. Hence, the correct option is (A).

Quick Tip to Solve: Link the words trend and direction with changes between periods in comparative financial statements.

OR

28(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 how efficiently business resources are used.
- These ratios express the speed of conversion or circulation of items such as inventory and trade receivables.

Step 1: Relate speed to business activity Inventory turnover measures how frequently inventory is sold and replaced, while trade receivables turnover indicates the speed of collection from credit customers. These are examples of turnover ratios and match the question's reference to speed.

Step 2: Eliminate the remaining categories Liquidity ratios assess short-term payment capacity. Solvency ratios assess long-term financial stability, and profitability ratios assess the ability to earn profits. None of these categories directly describes the speed at which operating activities are performed.

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

Quick Tip to Solve: When a question asks how fast assets circulate or business activities occur, look for turnover or activity ratios.

29. 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:

- Cash flows are inflows and outflows of cash and cash equivalents.
- A non-cash transaction or a transfer within cash and cash equivalents creates no cash flow.

Step 1: Evaluate Statement I Fully paid bonus shares issued out of Securities Premium Account capitalise an existing balance. Securities premium decreases and share capital increases, but no cash is received. Therefore, Statement I is incorrect.

Step 2: Evaluate Statement II Cash withdrawn from bank increases cash in hand and decreases the bank balance by the same amount. Both are components of cash and cash equivalents, so their combined total does not change. The withdrawal is an internal transfer rather than an inflow in the cash flow statement. Statement II is also incorrect.

Step 3: Compare the options Options (A), (C) and (D) each treat at least one statement as correct. Since both transactions fail to create a cash inflow, only the option declaring both statements incorrect is consistent with cash flow treatment.

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

Quick Tip to Solve: Before calling a receipt a cash inflow, check whether total cash and cash equivalents actually increases.

30. 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:

- Debt-Equity Ratio $= \dfrac{\text{Long-term debt}}{\text{Shareholders' funds}}$.
- The ratio increases when long-term debt rises while shareholders' funds remain unchanged.

Step 1: Apply the effect of issuing debentures Let long-term debt be $3x$ and shareholders' funds be $2x$, where $x > 0$. Issuing debentures of amount $d > 0$ makes the ratio $\dfrac{3x+d}{2x} > \dfrac{3}{2}$. Thus, issuing debentures increases the ratio.

Step 2: Check every other transaction Purchase of goods on credit increases trade payables, a current liability, and does not increase long-term debt. Issue of equity shares increases shareholders' funds, so the ratio decreases. Cash received from debtors only changes the composition of current assets; both long-term debt and shareholders' funds remain unchanged.

Step 3: Conclusion Issue of Debentures increases the Debt-Equity Ratio. Hence, the correct option is (B).

Quick Tip to Solve: Track only long-term debt and shareholders' funds; changes within current assets do not affect this ratio.

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) Loose Tools

(b) Provision for Tax

(c) Copyrights [3 marks]

Solution:

Concept:

- Schedule III classifies assets as current or non-current and liabilities under the appropriate equity and liabilities heads.
- Loose tools are inventories; a tax provision is a short-term provision; copyrights are intangible fixed assets.

Step 1: Classify loose tools Loose tools are included in inventories because they are small tools held for use in the normal operating process. Their major head is Current Assets and their sub-head is Inventories. They are not presented with the larger enduring items of plant and machinery.

Step 2: Classify provision for tax Provision for Tax represents an obligation for tax expected to be settled in the short term. It appears on the equity and liabilities side under the major head Current Liabilities and the sub-head Short-term Provisions. It is a liability, rather than an asset or a reserve forming part of shareholders' funds.

Step 3: Classify copyrights Copyrights confer identifiable legal rights and have no physical substance. Their major head is Non-current Assets, with the sub-head Fixed Assets and the further classification Intangible Assets. Their lack of physical form distinguishes them from tangible fixed assets.

Step 4: Present the Balance Sheet classification Balance Sheet extract (classification only)

Item	Major head	Sub-head / further classification
Loose Tools	Current Assets	Inventories
Provision for Tax	Current Liabilities	Short-term Provisions
Copyrights	Non-current Assets	Fixed Assets: Intangible Assets

Step 5: Conclusion Loose Tools: Current Assets – Inventories; Provision for Tax: Current Liabilities – Short-term Provisions; Copyrights: Non-current Assets – Fixed Assets – Intangible Assets.

Quick Tip to Solve: Classify tools by their inventory treatment and copyrights by their lack of physical substance; a tax provision is a liability.

32. From the following information, calculate 'Total Assets to Debt Ratio':

Particulars	(Rs.)
Current Assets	**8,00,000**
Current Liabilities	**5,00,000**
10% Debentures	**4,00,000**
9% Long-term Bank Loan	**1,00,000**
Shareholders' Funds	**15,00,000**

[3 marks]

Solution:

Concept:

- Total Assets to Debt Ratio $= \dfrac{\text{Total Assets}}{\text{Long-term Debt}}$.
- Total assets equal shareholders' funds plus all external liabilities. Debt here means long-term debt, excluding current liabilities.

Step 1: Calculate long-term debt The long-term borrowings consist of debentures and the long-term bank loan. Therefore,

$$\begin{aligned}\text{Long-term Debt} &= 10\%\ \text{Debentures} + 9\%\ \text{Long-term Bank Loan}\\ &= \text{Rs}\ 4,00,000 + \text{Rs}\ 1,00,000\\ &= \text{Rs}\ 5,00,000.\end{aligned}$$

The stated interest rates do not affect the principal amounts used in this ratio.

Step 2: Find total assets using the accounting equation The total funding of assets comprises

shareholders' funds, long-term debt and current liabilities. Thus,

$$\begin{aligned}\text{Total Assets} &= \text{Shareholders' Funds} + \text{Long-term Debt} \\ &\quad + \text{Current Liabilities} \\ &= \text{Rs } 15,00,000 + \text{Rs } 5,00,000 \\ &\quad + \text{Rs } 5,00,000 \\ &= \text{Rs } 25,00,000.\end{aligned}$$

Current assets of Rs 8,00,000 are already included within total assets; adding them again would double-count them.

Step 3: Substitute into the ratio

$$\text{Total Assets to Debt Ratio} = \frac{25,00,000}{5,00,000} = 5:1.$$

Current liabilities help determine total assets through the accounting equation, but they are excluded from the long-term debt denominator.

Step 4: Conclusion The Total Assets to Debt Ratio is $\boxed{5:1}$.

Quick Tip to Solve: Recover total assets from total financing first; do not add current assets again, and keep current liabilities out of debt.

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 item for the previous year and current year, together with its absolute and percentage change.
- Absolute change = current-year amount minus previous-year amount. Percentage change = absolute change divided by previous-year amount, multiplied by 100. A negative figure denotes a decrease.

Step 1: Calculate the changes Take 31st March, 2022 as the base date. 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 rise by Rs 5,00,000, or 100%. Trade payables fall by Rs 2,00,000, so the percentage change is $-2,00,000/3,00,000 \times 100 = -66.67\%$.

Fixed assets increase by Rs 5,00,000, or 33.33%; inventories increase by Rs 50,000, or 50%; and trade receivables increase by Rs 50,000, or 12.50%.

Step 2: Prepare the comparative statement **Hira Ltd. — Comparative Balance Sheet as at 31st March, 2023**

Particulars	31.3.2022 Rs	31.3.2023 Rs	Change Rs	Change (%)
I. Equity and Liabilities				
1. Shareholders' funds				
Share capital	12,00,000	15,00,000	3,00,000	25.00
2. Non-current liabilities				
Long-term borrowings	5,00,000	10,00,000	5,00,000	100.00
3. Current liabilities				
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				
Fixed assets: property, plant and equipment and intangible assets	15,00,000	20,00,000	5,00,000	33.33
2. Current assets				
Inventories	1,00,000	1,50,000	50,000	50.00
Trade receivables	4,00,000	4,50,000	50,000	12.50
Total	20,00,000	26,00,000	6,00,000	30.00

Both sides increase by Rs 6,00,000. The total percentage change is computed from the total base-year amount, $6,00,000/20,00,000 \times 100 = 30\%$; it is not the sum of the individual percentages.

Step 3: Conclusion Total assets and total equity and liabilities each increase from Rs 20,00,000 to Rs 26,00,000, an increase of Rs 6,00,000 or 30%.

Quick Tip to Solve: Always divide each change by that same item's previous-year figure; retain a minus sign for the decrease in trade payables.

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 is taken as 100 for each year separately. Each expense and profit is expressed as a percentage of that year's revenue.
- Profit before tax equals revenue from operations less total expenses. Income tax is calculated on profit before tax at the given rate; profit after tax equals profit before tax less tax.

Step 1: Compute profit and tax for each year For the year ended 31st March, 2023, total expenses are Rs $8,00,000 + 4,00,000 = 12,00,000$. Therefore, 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.

For the year ended 31st March, 2022, total expenses are Rs $6,00,000 + 4,00,000 = 10,00,000$. Profit before tax is Rs $20,00,000 - 10,00,000 = 10,00,000$. Tax at 30% is Rs 3,00,000, leaving profit after tax of Rs 7,00,000.

Step 2: Prepare the common size statement **NK Ltd. — Common Size Statement of Profit and Loss For the years ended 31st March, 2022 and 31st March, 2023**

Particulars	2022 Rs	2023 Rs	2022 (%)	2023 (%)
Revenue from operations	20,00,000	25,00,000	100.00	100.00
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
Profit before tax	10,00,000	13,00,000	50.00	52.00
Less: Income tax	3,00,000	2,60,000	15.00	10.40
Profit after tax	7,00,000	10,40,000	35.00	41.60

For example, the 2023 material cost percentage is $8,00,000/25,00,000 \times 100 = 32\%$, and the 2023 tax percentage is $2,60,000/25,00,000 \times 100 = 10.40\%$. The tax rates given in the question apply to profit before tax; they are not the common size percentages of tax.

Step 3: Conclusion Profit after tax is Rs 7,00,000 (35% of revenue) in 2022 and Rs 10,40,000 (41.60% of revenue) in 2023.

Quick Tip to Solve: Calculate the rupee tax on profit before tax first, then divide that tax by 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 sale of fixed assets.
- Financing activities include changes in share capital and borrowings, together with interest and dividend paid for a non-financial enterprise.
- Use the carrying amount of machinery sold when reconciling opening and closing net plant balances. Depreciation itself is a non-cash expense.

Step 1: Compute the carrying amount and loss on sale The machine sold had cost Rs 85,000 and accumulated depreciation of Rs 15,000. Hence:

$$\text{Carrying amount sold} = 85,000 - 15,000 = \text{Rs } 70,000,$$
$$\text{Loss on sale} = 70,000 - 62,000 = \text{Rs } 8,000.$$

The cash inflow is the actual sale proceeds of Rs 62,000. The loss does not represent an additional investing cash payment.

Step 2: Determine purchases of plant and goodwill Let cash purchases of plant be P. Reconcile the net carrying amounts:

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

Goodwill acquired is its increase: Rs $1,80,000 - 80,000 = 1,00,000$. No other movement or non-cash acquisition is given; these increases are treated as cash acquisitions.

Step 3: Prepare cash flows from investing activities Cash Flows from Investing Activities for the year

ended 31st March, 2023

Particulars	Amount (Rs)
Proceeds from sale of 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)

Depreciation is used only to reconstruct the plant purchase figure; it is not shown as a separate investing cash outflow.

Step 4: Compute financing movements The increase in equity share capital is Rs $15,00,000 - 10,00,000 = 5,00,000$, a cash inflow. The bank loan increases by Rs $7,00,000 - 6,00,000 = 1,00,000$, another inflow. Bank overdraft falls by Rs $1,20,000 - 90,000 = 30,000$; repayment is a financing outflow. Interest paid on the bank loan is Rs 60,000 and dividend paid is Rs 1,10,000, both financing outflows.

Step 5: Prepare cash flows from financing activities Cash Flows from Financing Activities for the year ended 31st March, 2023

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

The financing net amount is Rs $6,00,000 - 2,00,000 = 4,00,000$.

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

Quick Tip to Solve: For net plant balances, add back both depreciation and the carrying amount sold before calculating purchases.

OPTION II (Computerised Accounting)

27(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:

- The NOW() function returns the current system date together with the current time.
- TODAY() returns the current date only; DAY() extracts the day number from a date.

Step 1: Identify the required result The question requires both today's date and its time component. NOW() returns a date-time serial value, which can be displayed using a suitable date and time cell format.

Step 2: Check the alternatives TODAY() omits the current time. DAY() returns the day of the month rather than a full date-time value. Day time() is not the standard Excel function for this purpose. Thus only NOW() supplies both requested components.

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

Quick Tip to Solve: Remember NOW for date plus time, and TODAY for the date alone.

OR

27(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 entered directly into a cell.
- A derived value is calculated by applying an expression or function to input values.

Step 1: Classify the result An arithmetic expression performs a calculation on values, while a function applies a predefined calculation. In either case the displayed result is obtained from the input data and is therefore a derived value.

Step 2: Eliminate the other choices A basic value is original input, not the calculated outcome described here. A vertical vector and a horizontal vector refer to arrangements of values in a column or row; neither term names the result of an arithmetic expression or function.

Step 3: Conclusion The correct option is (C), Derived Value.

Quick Tip to Solve: Ask whether the value was entered directly or calculated: calculated results are derived values.

28. 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 + Right Arrow moves to the boundary of a data region in the active row.
- Repeated use moves across successive filled clusters and intervening gaps.

Step 1: Choose the row-navigation shortcut Starting within a filled cluster in a row, Ctrl + Right Arrow moves to its last filled cell. On subsequent use it moves to the next relevant data boundary, allowing navigation through successive clusters in that row.

Step 2: Compare all choices Home with Right Arrow does not provide this successive data-boundary navigation. End followed by Right Arrow can invoke an end-mode jump, but the specified repeated cluster navigation is Ctrl + Right Arrow successively. Ctrl + End moves to the last used cell of the worksheet, which need not lie in the current row.

Step 3: Conclusion The correct option is (B), CTRL + Right arrow successively.

Quick Tip to Solve: Use Ctrl with a horizontal arrow to travel between data boundaries within the same row.

29(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:

- The plot area is the region bounded by the chart axes in which data is plotted.
- A legend identifies data series, while axis titles describe the variables or units.

Step 1: Identify the bounded region The horizontal and vertical axes enclose the region in which the chart's data series appear. This inner data-display region is called the plot area.

Step 2: Distinguish the other chart elements A legend is the key used to identify different series. A data point represents one plotted observation. An axis title labels an axis. None of these describes the whole region bounded by the axes; that description belongs specifically to the plot area.

Step 3: Conclusion The correct option is (D), Plot area.

Quick Tip to Solve: Locate the axes first: the region inside their boundaries is the plot area.

OR

29(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 for functions, names and formula calculation.
- Page Layout is a separate ribbon tab used for page setup and printing layout.

Step 1: Identify the formula-related groups Function Library contains function commands; Defined Names manages named cells or ranges; Calculation controls calculation behaviour. These correspond to the formula tools represented by options (A), (B) and (C).

Step 2: Find the item outside the tab Page Layout concerns worksheet appearance and page setup, including margins, orientation and print-related layout. It is a separate tab on the ribbon rather than a group contained on the Formulas tab, so it satisfies the question's negative wording.

Step 3: Conclusion The correct option is (D), Page layout.

Quick Tip to Solve: For a negative ribbon question, separate a tab name from the groups contained within the named tab.

30. 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 or adapted to meet the specific requirements of an organisation.
- Suitability depends on the scale of operations, specialised reporting needs and integration with other information systems.

Step 1: Identify the required software Large and medium organisations often need accounting software matched to their workflows, controls and information requirements. Tailored software can

be designed for these requirements and linked to other information systems.

Step 2: Compare the alternatives Generic software provides standard features for a broad range of users; it does not by itself imply the required organisation-specific integration. The description given is the textbook description of tailored software, so neither Specific nor Generic is the appropriate choice, and combining Generic with Tailored is unnecessary.

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

Quick Tip to Solve: Associate tailored software with organisation-specific needs and links to other information systems.

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

Solution:

Concept:

- The PMT function calculates a constant periodic payment using a constant interest rate and a fixed number of payment periods.
- Its syntax is PMT(rate, nper, pv, [fv], [type]). Square brackets identify optional parameters.

Step 1: State the compulsory parameters **rate**: interest rate for each payment period. For monthly payments, an annual rate is divided by 12. **nper**: total number of payment periods; for a loan lasting five years with monthly payments, this is $5 \times 12 = 60$. **pv**: present value, namely the principal of the loan or the present value of the stream of payments.

Step 2: State the optional parameters **fv**: future value or balance required after the last payment; if omitted, it is zero. **type**: timing of payments, with 0 for payment at the end of each period and 1 for payment at the beginning. If omitted, type is 0. The rate and nper must refer to the same time interval.

Step 3: Explain its use PMT is used to calculate equal periodic loan instalments, including the interest and principal portions together. It can also calculate the regular payment needed for a specified financial arrangement. For example, PMT$(10\%/12, 60, 100000)$ calculates the monthly payment on a five-year loan of Rs 1,00,000 at an annual rate of 10%. When the principal is entered as a positive cash inflow, the returned payment is negative because it is a cash outflow. Fees and taxes are not automatically included.

Step 4: Conclusion PMT uses rate, nper and pv, with optional fv and type, to find the constant payment per period.

Quick Tip to Solve: Match the interest-rate period with the payment period before entering rate and nper.

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

[3 marks]

Solution:

Concept:

- A Computerised Accounting System (CAS) processes accounting data through an organised set of software procedures and produces accounting information.
- Its benefits include transparent records, effective control, accurate processing and rapid availability of reports.

Step 1: Explain transparency and control A CAS maintains transactions in a systematic, accessible form so that authorised users can examine entries and trace their effect on accounts and reports. Common data and consistent procedures improve visibility of accounting information. User permissions, validation rules and transaction records help management regulate who may enter or change information. This facilitates checking, supervision and accountability, and makes irregular entries easier to identify.

Step 2: Explain accuracy Once correct data and instructions are supplied, the computer performs calculations and postings consistently. Automatic addition, ledger posting and report preparation reduce the arithmetic and transcription errors that may arise in manual processing. Accuracy nevertheless depends on correct input, proper configuration and correct accounting treatment; an incorrect entry is not made correct merely because a computer processes it.

Step 3: Explain speed A CAS processes a large volume of transactions much faster than manual accounting. After recording data, it can quickly update related accounts and generate trial balances, financial statements and other reports. Timely information enables management to review results and make decisions without waiting for repeated manual calculations.

Step 4: Conclusion Transparency and control improve traceability and supervision; accuracy and speed provide reliable processing and timely reports when inputs and procedures are correct.

Quick Tip to Solve: Explain visibility and access controls separately from calculation accuracy and processing speed.

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

[4 marks]

Solution:

Concept:

- Security features protect accounting information against unauthorised access, alteration and misuse.
- Password security restricts access, while a data audit provides a record of activities and changes for checking accountability.

Step 1: Explain password security Password security requires a user to enter valid login credentials

before accessing the accounting system. A password should be known only to its authorised user. Individual user accounts, appropriate access rights and strong passwords help prevent outsiders and unauthorised employees from viewing or changing accounting records.

Step 2: Explain how passwords support control Different users may receive different permissions according to their duties: for example, one user may view reports while another may enter vouchers. Passwords should be kept confidential and changed when necessary, particularly if compromise is suspected. Sharing credentials weakens security because activity can no longer be reliably associated with the person responsible. These measures help protect confidential financial information and limit unauthorised processing.

Step 3: Explain data audit A data audit examines the records of transactions and changes made in the computerised accounting system. The audit facility or audit trail enables authorised reviewers to trace entries, alterations and deletions and, where recorded by the system, identify the responsible user and the date and time of the activity. It helps establish what changed and permits comparison with supporting vouchers and authorised transactions.

Step 4: Explain the benefit of the audit trail Reviewing this information helps detect errors, unauthorised changes and suspicious activity. It supports verification of the integrity of accounting records and fixes responsibility for actions. Password controls reduce the opportunity for unauthorised access, while data audit helps discover and investigate improper use that has occurred.

Step 5: Conclusion Password security controls access to accounting data; data audit traces and reviews transactions and changes to protect integrity and accountability.

Quick Tip to Solve: Remember the distinction: a password controls entry; an audit trail records activity for later verification.

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 to make information clear, consistent and easy to interpret.
- Formatting normally changes how stored data is displayed; it does not change its underlying value. For example, a stored number may be displayed as currency or as a percentage.

Step 1: Meaning and purpose Data formatting is the process of applying suitable display settings to cell contents. It makes headings, labels, dates and amounts distinguishable and improves the readability of accounting worksheets and reports. For example, a sales amount can be displayed with a currency symbol, comma separators and two decimal places, while a report heading can be made bold and centred.

Step 2: Font and alignment tools The Font tools select the typeface and size and apply bold, italics, underline and font colour. These emphasise headings and important figures. Alignment tools control

horizontal and vertical alignment, indentation, text orientation and Wrap Text. Merge and Center can centre a title across selected cells, and Wrap Text displays a long heading on multiple lines within its cell.

Step 3: Number, border and fill tools Number-format tools display values as Number, Currency, Accounting, Date, Time, Percentage or Fraction and control decimal places and digit grouping. Borders outline cells or separate headings and totals; fill colour shades selected cells. Row-height and column-width tools adjust the space available so that the formatted data remains visible.

Step 4: Apply and reuse suitable formats Select the required cells and use the Home tab groups or the Format Cells dialogue box to apply number, alignment, font, border, fill and protection settings. Format Painter copies formatting from an existing cell to another range. Cell Styles and Format as Table apply coordinated formats; Conditional Formatting highlights cells that satisfy specified rules, such as overdue balances or unusually high expenditure.

Step 5: Conclusion Data formatting improves the appearance and readability of worksheet data using font, alignment, number-format, border, fill, sizing and style tools, including Format Cells and Format Painter.

Quick Tip to Solve: Select the cells first; use Number for how values appear, Alignment for their position, and Font, Border and Fill for emphasis.

34.

	A	B	C	D
1	S. No.	Consumables	Price in FY 21-22	Price in FY 23-24
2	1	Pineapple	40	55
3	2	Kiwi	34	45
4	3	Jackfruit	50	62
5	4	Blueberry	35	54
6	5	Butter	50	56
7	6	Buns	48	45
8	7	Meat	36	48
9				

Using the worksheet, find out the error and its reason for the given 'VLOOKUP' 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(lookup value, table array, column index, 0) searches for an exact match in the first column of the specified table and returns a value from the stated relative column.
- The return-column index is counted from the left edge of the selected table, beginning at 1. An absent exact match gives $\#N/A$; an index beyond the table width gives $\#REF!$.
- An index below 1 gives $\#VALUE!$, the square root of a negative real number gives $\#NUM!$, and division by zero gives $\#DIV/0!$.

Step 1: (i) Lookup of the heading Cell B1 contains Consumables. The first column of B4:D6 contains Jackfruit, Blueberry and Butter. Consumables is absent, and the final argument 0 requires an exact match. Thus the formula returns $\boxed{\#N/A}$. The valid return-column index 2 does not cure the missing lookup value.

Step 2: (ii) Square root after the lookup Cell C2 contains 40. In the first column of C2:D8, the exact match 40 occurs in row 2, so VLOOKUP returns the second-column value D2, namely 55. The argument of SQRT is therefore

$$55 - 100 = -45.$$

Excel cannot return a real square root of a negative number through SQRT, so the formula returns $\boxed{\#NUM!}$. The lookup itself succeeds; the outer square-root operation causes the error.

Step 3: (iii) Lookup outside the selected rows Cell B5 contains Blueberry, but the first column of B6:D8 consists of Butter, Buns and Meat. Blueberry lies outside this search range. Consequently, an exact match cannot be found and the result is $\boxed{\#N/A}$. Column index 1 is allowed; it would return the first-column entry if a match existed.

Step 4: (iv) Return column beyond the table The range B2:D8 contains three columns: B is relative column 1, C is relative column 2 and D is relative column 3. The formula requests relative column 5, which does not exist in this table. Hence it returns $\boxed{\#REF!}$. Although the lookup value Kiwi from B3 is present, the return reference is invalid.

Step 5: (v) Zero return-column index The lookup value from B5 is Blueberry, which is present in B3:D8. However, the return-column index supplied is 0. Relative column numbering starts at 1; zero cannot designate a return column. Therefore the formula returns $\boxed{\#VALUE!}$, regardless of the presence of the lookup value.

Step 6: (vi) Division by zero Cell B2 contains Pineapple. Its exact match in the first column of B2:D7 returns C2, or 40, since the requested relative column is 2. The expression then attempts to evaluate

$$40/0.$$

Division by zero is undefined, so the final result is $\boxed{\#DIV/0!}$. The error arises after a successful lookup.

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

Quick Tip to Solve: Check the first search column and relative return-column number first, then evaluate any outer operation such as SQRT or division.