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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Assertion (A): 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) is incorrect.

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

Solution:

Concept:

- Forfeiture cancels the called-up share capital of the defaulting shareholder; the amount unpaid is cancelled and capital already received is retained in Share Forfeiture Account.
- The forfeiture entry reverses the relevant share-capital and unpaid-call entries. Securities premium already received is retained in Securities Premium Account.

Step 1: Evaluate the assertion Assertion (A) correctly states the ordinary forfeiture treatment: debit Share Capital Account with called-up capital, credit the unpaid calls or Calls in Arrears Account, and credit Share Forfeiture Account with the capital amount already received. The credits equal the called-up capital debited.

Step 2: Evaluate the reason Reason (R) states the textbook reversal principle underlying forfeiture and is correct in this context. The premium already received is not refunded or transferred to Share Forfeiture Account. If a premium had been due but never received, its outstanding credit would instead require reversal.

Step 3: Connect the reason to the assertion Cancelling the original share-capital credit requires a debit; cancelling the unpaid-call debit requires a credit. Retaining the capital cash received gives the credit to Share Forfeiture Account. Thus the reversal principle explains the directions of the entry in (A), so the option saying that no explanatory connection exists is unsuitable.

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

Quick Tip to Solve: For forfeiture, separate called-up capital into capital received and capital unpaid; keep premium already received out of the forfeiture credit.

2. 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:

- Issued capital is the part of authorised capital offered to investors for subscription.
- For the minimum-subscription rule in this question, the required subscription is at least 90% of the capital issued for subscription.

Step 1: Identify the relevant capital The company offers shares from its issued capital. Minimum subscription measures how much of that issue must be subscribed before allotment can proceed. Therefore the base is the capital offered, namely issued capital.

Step 2: Eliminate the other descriptions Nominal capital is the authorised ceiling and may exceed the present issue. Subscribed capital is what investors actually take up, so using it as the base would not measure subscription against the offer. Reserve capital is uncalled capital reserved for winding up and has no role in this threshold.

Step 3: Conclusion Minimum subscription is 90% of issued capital. Hence, the correct option is (D).

Quick Tip to Solve: Ask what amount was offered to the public: the subscription percentage uses that issued capital as its base.

3. 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 money received equals the number of shares applied for multiplied by the amount payable on application per share.
- The issue price includes face value and securities premium; when the entire price is payable on application, both components are received together.

Step 1: Use the actual applications Alfa Ltd. received applications for 48,000 shares, although it offered 50,000 shares. Cash received must therefore be based on 48,000 shares. The full issue price of Rs 110 per share is payable on application.

Step 2: Calculate the receipt and check the alternatives

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

Using all 50,000 offered shares gives Rs 55,00,000, which overstates actual receipts. Using only the Rs 100 premium on 48,000 shares gives Rs 48,00,000 and omits face value. Rs 50,00,000 likewise is not the cash from the actual applications.

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

Quick Tip to Solve: Multiply actual applications by the application instalment, including premium when it is payable at that stage.

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4. 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:

- Issue price equals face value plus premium. The unpaid call is the issue price less the amount already payable and received.
- Calls in Arrears Account carries a debit balance for unpaid calls; forfeiture credits this account to cancel the outstanding amount.

Step 1: Determine the unpaid call The issue price is Rs $10 + 2 = 12$ per share. Application and allotment collected Rs 7, including the Rs 2 premium, leaving a first and final call of Rs $12 - 7 = 5$ per share. Thus the arrears on 1,000 shares are $1,000 \times 5 = \text{Rs } 5,000$.

Step 2: Determine the side of the entry On forfeiture, Share Capital is debited with Rs 10,000; Share Forfeiture is credited with the Rs 5,000 capital already received, and Calls in Arrears is credited with Rs 5,000 to cancel its debit. A debit would increase, rather than cancel, the arrears. Rs 7,000 is the application and allotment receipt, not the unpaid call.

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

(C).

Quick Tip to Solve: Subtract the premium from receipts before finding capital received; credit the unpaid-call balance when shares are forfeited.

5. 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:

- The coupon rate is the stated periodic interest rate attached to a debt instrument.
- Zero Coupon Rate Debentures have no specified periodic coupon interest; their return is generally represented by the difference between issue and redemption prices.

Step 1: Match the description to the coupon The question classifies debentures according to whether they carry a stated interest rate. A debenture without a specific coupon rate is called a Zero Coupon Rate Debenture. It does not promise periodic interest at a specified coupon rate.

Step 2: Distinguish security from interest Specific Coupon Rate Debentures have a stated interest rate and therefore describe the opposite case. Secured and unsecured debentures are classified by the presence or absence of security over assets, not by the interest rate. Neither security category alone answers the given description.

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

Quick Tip to Solve: Use the classification named in the question: coupon concerns interest, while secured or unsecured concerns asset security.

6(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:

- Forfeited capital per share equals called-up capital less unpaid capital.
- Capital reserve is the forfeiture amount attributable to reissued shares less any discount allowed on their reissue. Compare reissue proceeds with paid-up value, not face value.

Step 1: Calculate the amount forfeited Rs 8 per share had been called and the unpaid first call was Rs 2. The capital received was therefore Rs $8 - 2 = 6$ per share. For 3,000 shares, Share Forfeiture Account was credited with $3,000 \times 6 =$ Rs $18,000$.

Step 2: Deduct the reissue discount The shares are reissued at Rs 7 as Rs 8 paid up, so the discount is only Rs $8 - 7 = 1$ per share. The total discount is Rs 3,000. The surplus is $18,000 - 3,000 =$ Rs $15,000$. Rs 18,000 ignores the discount, Rs 24,000 is called-up capital, and Rs 3,000 is the discount itself.

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

Quick Tip to Solve: For partly paid reissued shares, compare the reissue price with the stated paid-up value of Rs 8, not the face value of Rs 10.

OR

6(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 surplus relating to shares actually reissued is transferred to Capital Reserve Account.
- Premium on reissue belongs to Securities Premium Account; it is not added to the forfeiture surplus transferred to capital reserve.

Step 1: Find forfeiture per share The Rs 10 shares were fully called, with the final Rs 2 unpaid. Capital already received was Rs $10 - 2 = 8$ per share. The total forfeiture credit for 1,000 shares is Rs 8,000, but only 800 shares have been reissued.

Step 2: Restrict the transfer to reissued shares Reissue at Rs 11 for a Rs 10 fully paid share involves a premium of Rs 1, with no reissue discount. Therefore the forfeiture surplus available for transfer is $800 \times 8 =$ Rs $6,400$. Rs 1,600 remains for the 200 shares not yet reissued. Rs 8,000 includes that balance; Rs 7,200 wrongly adds the Rs 800 premium; 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: First multiply forfeiture per share by shares reissued; a reissue premium goes separately to Securities Premium Account.

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 only total drawings during a year are given and withdrawal dates are unspecified, the standard average period is six months.
- Interest on drawings equals drawings multiplied by the annual rate and the fraction of a year for which the drawings are outstanding.

Step 1: Select Sheena's drawings and the period Sheena withdrew Rs 40,000 during the year. Since the question specifies no dates or particular withdrawal schedule, use the standard average period of six months. The profit-sharing ratio and the firm's net profit do not affect this calculation.

Step 2: Calculate interest and compare the choices

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

Rs 4,000 would charge a full year's interest on all drawings. Rs 5,000 uses Richa's drawings for a full year, and Rs 3,000 uses Tapti's drawings for a full year; neither is Sheena's required charge.

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

Quick Tip to Solve: With annual total drawings and no withdrawal dates, apply the six-month average period before selecting the option.

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 added to net profit before distributing the available profit.
- Use six months as the average drawings period when no withdrawal dates are given. Partners then share the adjusted profit in their agreed ratio.

Step 1: Calculate total interest on drawings Total drawings are Rs $50,000 + 40,000 + 30,000 = 1,20,000$. For an average period of six months, total interest is

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

This comprises Rs 2,500 for Richa, Rs 2,000 for Sheena and Rs 1,500 for Tapti.

Step 2: Allocate the adjusted profit The divisible profit is Rs $57,000 + 6,000 = 63,000$. Tapti has one of the six shares in the ratio $3 : 2 : 1$, giving

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

Rs 11,500 incorrectly uses a full year's interest; Rs 34,500 and Rs 23,000 also apply the wrong profit share. Tapti's interest is charged separately and is not deducted in finding her share of profit.

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

Quick Tip to Solve: Add interest on drawings to net profit before sharing; distinguish a partner's profit share from the net credit after their own interest charge.

9(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:

- A deceased partner's estimated profit is based on the firm's annual profit, the elapsed fraction of the year and the partner's profit share.
- For Nicku, the profit share is $5/(5+3+2) = 5/10$; profit is estimated from 1 April to the date of death.

Step 1: Find the elapsed period From 1 April, 2023 to 30 September, 2023, the elapsed period is six months. The estimated profit of the firm for this period is

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

Step 2: Apply Nicku's share Nicku is entitled to half of this estimated profit:

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

Option (D), Rs 40,000, is the firm's six-month profit, not Nicku's share; options (A) and (C) do not apply both the time fraction and the correct profit share.

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

Quick Tip to Solve: Use two fractions: first $6/12$ for the time, then $5/10$ for Nicku's share.

OR

9(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:

- Sacrificing share equals old share minus new share; a positive difference denotes sacrifice.
- Compare fractional shares of the whole profit, not just the ratio numerators.

Step 1: Write Mansi's fractional shares The old ratio totals $4+3+3=10$, so Mansi's old share is $3/10$. The new ratio totals $5+3+2=10$, so her new share is $2/10$.

Step 2: Calculate and classify the difference

$$\text{Sacrifice} = \frac{3}{10} - \frac{2}{10} = \frac{1}{10}.$$

Her entitlement falls, so option (A), a gain of $1/10$, has the wrong direction. Option (B) mistakes the whole old share for the sacrifice, and option (D) has both the wrong size and direction.

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

Quick Tip to Solve: When both ratio totals are 10, subtract the new numerator from the old one and retain denominator 10.

10(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:

- An asset taken over by a creditor reduces the creditor's claim by the agreed takeover value.

- The cheque payment equals total creditors less the value of the stock accepted in settlement.

Step 1: Determine the stock settlement value The stock's book value is Rs 80,000, but creditors accept it at 80%:

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

This amount settles part of their Rs 90,000 claim without a cash payment.

Step 2: Calculate the remaining liability

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

Option (B) is the stock settlement value, while option (C) is its book value. Option (D) cannot be the remaining payment because it exceeds the original liability. The partners' ratio does not affect this payment.

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

Quick Tip to Solve: Subtract the agreed takeover value, Rs 64,000, from creditors; do not subtract stock at its book value.

OR

10(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 is determined from actual collectible debts and the stated recovery percentage.
- A provision is a prior accounting estimate, not a further cash deduction from actual collections.

Step 1: Exclude the debts proved bad Of total debtors of Rs 3,00,000, Rs 20,000 is irrecoverable. The balance on which the recovery percentage applies is

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

Step 2: Apply the recovery percentage

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

Option (A) ignores all losses, and option (C) ignores the further 10% loss on remaining debtors. Option (B) wrongly deducts the Rs 30,000 provision as well as actual bad debts before applying 90%. The provision must not be deducted again.

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

Quick Tip to Solve: For cash realisation, use (gross debtors − actual bad debts) × 90%; keep the provision separate.

11(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 fraction surrendered "of her share" must be multiplied by the partner's old fractional share.
- Each old partner retains old share minus sacrifice; the incoming partner receives the total sacrifice.

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

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

Step 2: Find Ojas's share and check the options Ojas receives

$$\frac{2}{5} \times \frac{1}{3} + \frac{3}{5} \times \frac{1}{2} = \frac{4}{30} + \frac{9}{30} = \frac{13}{30}.$$

The retained and acquired shares total $(8 + 9 + 13)/30 = 1$. Options (B) and (C) incorrectly give Ojas half the profit; option (D) also fails to match his actual acquired share.

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

Quick Tip to Solve: First multiply each surrendered fraction by that partner's old share; do not treat it as a fraction of total profits.

OR

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

(A) 2:1

(B) 1:2

(C) 5:4

(D) 4:5

Correct Answer: (C) 5:4

Solution:

Concept:

- A continuing partner's new share equals old share plus the share acquired from the deceased partner.
- The gaining ratio distributes only the deceased partner's share, not the entire future profit.

Step 1: Allocate Charu's share Charu's old share is $6/(1+2+6) = 6/9$. Aaroh and Bhuvan acquire it in the ratio $2:1$:

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

Step 2: Add the gains to the old shares

$$\text{Aaroh: } \frac{1}{9} + \frac{4}{9} = \frac{5}{9}, \qquad \text{Bhuvan: } \frac{2}{9} + \frac{2}{9} = \frac{4}{9}.$$

Option (A), $2:1$, is only the gaining ratio; option (B) preserves their old relative shares incorrectly. Option (D) reverses the order of the two partners.

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

Quick Tip to Solve: Distribute Charu's $6/9$ in the gaining ratio first, then add each gain to that partner's old share.

12(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 equals amount withdrawn multiplied by annual rate and the fraction of the year outstanding.
- For equal quarterly drawings at the beginning of each quarter, the periods are 12, 9, 6 and 3 months.

Step 1: Find total drawings and average time There are four withdrawals of Rs 10,000, so total drawings are Rs 40,000. Their dates are 1 April, 1 July, 1 October and 1 January. The average period is

$$(12 + 9 + 6 + 3)/4 = 7.5 \text{ months}.$$

Step 2: Calculate interest and compare timings

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

Option (A) charges all drawings for a full year. Option (B) uses a six-month average applicable to middle-quarter drawings; option (D) uses 4.5 months, applicable to end-quarter drawings.

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

Quick Tip to Solve: Beginning-quarter drawings use the average of 12 and 3 months: $(12+3)/2 = 7.5$ months.

OR

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

(A) Rs. 6,000

(B) Rs. 4,500

(C) Rs. 3,000

(D) Rs. 1,500

Correct Answer: (B) Rs. 4,500

Solution:

Concept:

- Interest on each drawing depends on the time from its withdrawal to the end of the accounting year.
- Equal drawings at the beginning of each half year remain outstanding for 12 and 6 months respectively.

Step 1: Identify the withdrawal dates Rhea withdraws Rs 30,000 on 1 April, 2022 and again on 1 October, 2022. Total drawings are Rs 60,000. For the year ended 31 March, 2023, the average period is

$$(12 + 6)/2 = 9 \text{ months.}$$

Step 2: Apply the annual rate

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

Equivalently, the two interest amounts are Rs 3,000 and Rs 1,500. Option (A) treats both drawings as outstanding for 12 months; options (C) and (D) each count only one withdrawal's interest.

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

Quick Tip to Solve: Beginning-half-year drawings earn interest for 12 and 6 months; use nine months on the combined amount.

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

(A)

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

(B)

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

(C)

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

(D)

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

Correct Answer: (A)

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

Solution:

Concept:

- On reconstitution, provide for an existing workmen compensation claim out of the related reserve.
- Distribute any excess reserve among the partners in their old profit-sharing ratio, since it accrued before the change.

Step 1: Calculate the distributable excess The reserve is Rs 84,000 and the claim is Rs 75,000. Therefore, excess reserve is

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

In the old ratio $4:3:2$, Manu receives Rs 4,000, Sonu Rs 3,000 and Rahul Rs 2,000.

Step 2: Record the claim and distribution 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 excess reserve distributed in the old ratio)			

Total credits are Rs 84,000, equal to the debit. Option (B) wrongly uses the new ratio, option (D) distributes equally, and option (C) alone neither records the claim nor distributes the reserve.

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

Quick Tip to Solve: Deduct the claim from the reserve first; distribute only the Rs 9,000 surplus in the old ratio $4 : 3 : 2$.

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14. 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, the capital account records permanent capital introduced or withdrawn; routine adjustments are recorded in a separate current account.
- A current account has a credit balance when credits exceed debits, and a debit balance when debits exceed credits.

Step 1: Evaluate Assertion (A) The assertion is true. Profit share, interest on capital and remuneration credit the current account; drawings, interest on drawings and loss share debit it. The net balance can therefore be either debit or credit.

Step 2: Evaluate Reason (R) The reason is false. Under the fixed capital method the stated routine items are entered in the partners' current accounts, not their capital accounts. Recording such items in capital accounts is the fluctuating capital method.

Step 3: Check the assertion-reason relationship A false reason cannot explain a true assertion. Options (A) and (B) wrongly treat the reason as true, while option (D) wrongly treats the assertion as false.

Step 4: Conclusion The assertion is correct, but the reason is not correct. Hence, the correct option is (C).

Quick Tip to Solve: For fixed capitals, place routine adjustments in current accounts before deciding whether the balance can be debit or credit.

15. 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 equals the incoming partner's capital divided by the fraction of profits acquired.
- Hidden goodwill is the excess of implied total capital over the combined actual capitals after admission.

Step 1: Find the implied total capital Aadi contributes Rs 1,50,000 for a $1/5$ share. Hence the implied value of total capital is

$$\frac{1,50,000}{1/5} = \text{Rs } 7,50,000.$$

This is the value for all partners together, not goodwill itself.

Step 2: Deduct the combined actual capitals Actual total capital after admission is

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

Therefore hidden goodwill is

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

Option (A) gives implied total capital. Option (C) results from omitting Aadi's capital from the deduction, and option (D) is merely his capital contribution.

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

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

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

(A) 3:2

(B) 1:1

(C) 2:3

(D) 13:7

Correct Answer: (C) 2:3

Solution:

Concept:

- Sacrifice is the old profit share minus the new profit share. Goodwill premium is credited to old partners in their sacrificing ratio.
- When the incoming partner acquires a share from old partners in an explicitly stated ratio, that ratio is their sacrificing ratio.

Step 1: Calculate the shares surrendered Krish acquires $1/5$ of the firm, from Geeta and Hari in the ratio $2:3$. Their individual sacrifices are

$$\text{Geeta} = \frac{1}{5} \times \frac{2}{5} = \frac{2}{25}, \qquad \text{Hari} = \frac{1}{5} \times \frac{3}{5} = \frac{3}{25}.$$

Step 2: Compare the sacrifices and check the alternatives The sacrifices are in the ratio $2/25 : 3/25 = 2:3$. The old ratio $3:2$ is not the stated acquisition ratio, and equal sacrifice $1:1$ is not given. The new shares of Geeta and Hari are $15/25 - 2/25 = 13/25$ and $10/25 - 3/25 = 7/25$, so $13:7$ describes their relative remaining shares. The capital and goodwill cash amounts do not change the sacrifice.

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

Quick Tip to Solve: Use the stated ratio in which the new partner acquires his share; do not substitute the old profit-sharing ratio.

17. Sangeet, Anju and Shiva were partners in a firm sharing profits and losses in the ratio of 3:4:5. Sangeet died on 31st July, 2023. Sangeet'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. 40,00,000 and sales from 1st April, 2023 to 31st July, 2023 were Rs. 10,00,000. The profit for the year ended 31st March, 2023 was Rs. 4,00,000. Calculate Sangeet'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:

- On the sales basis, profit to the date of death is estimated using the previous year's profit-to-sales rate and actual sales of the current period.

- The deceased partner receives the agreed share of that estimated profit. Profit and Loss Suspense Account is debited and the deceased partner's Capital Account is credited pending final determination of current-year profit.

Step 1: Determine the historical profit rate The profit and sales for the year ended 31st March, 2023 are Rs 4,00,000 and Rs 40,00,000 respectively. Therefore,

$$\text{Profit rate} = \frac{4,00,000}{40,00,000} \times 100 = 10\%.$$

This is a rate on sales, so it is applied to sales up to death rather than to the number of months elapsed.

Step 2: Estimate profit and allocate Sangeet's share Sales from 1st April to 31st July, 2023 are Rs 10,00,000. The estimated profit of this period is

$$10,00,000 \times \frac{10}{100} = \text{Rs } 1,00,000.$$

Sangeet's fraction of profit is $3/(3+4+5) = 3/12 = 1/4$. His entitlement is therefore

$$1,00,000 \times \frac{3}{12} = \text{Rs } 25,000.$$

No further multiplication by $4/12$ is appropriate because the sales already relate to the period ending on his death.

Step 3: Record the accrued share of profit Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 July 2023	Profit and Loss Suspense A/c Dr.		25,000	
	To Sangeet's Capital A/c			25,000
	(Being Sangeet's share of profit up to his death credited on the sales basis)			

The credit increases the amount due to Sangeet's estate; the suspense debit records the estimated profit pending preparation of final accounts.

Step 4: Conclusion Sangeet's share of profit up to 31st July, 2023 is Rs 25,000; debit Profit and Loss Suspense Account and credit his Capital Account by this amount.

Quick Tip to Solve: When the current period sales are supplied, apply the historical profit rate to those sales; do not also apply a time fraction.

18. The average profit for last five years of a firm of Suman and Dhawan was Rs. 6,00,000. The normal rate of return in a similar business is 10%. Goodwill of the firm is valued at Rs. 40,00,000 calculated by capitalisation of super profit. Find out the amount of capital employed by the firm. [3 marks]

Solution:

Concept:

- Super profit is average maintainable profit less normal profit, where normal profit equals capital employed multiplied by the normal rate of return.
- Under capitalisation of super profit, Goodwill $=$ Super profit $\times\, 100/r$, where r is the normal return expressed as a percentage.

Step 1: Recover super profit from goodwill The goodwill of Rs 40,00,000 represents capitalised super profit at a normal return of 10%. Rearranging the capitalisation formula gives

$$\text{Super profit} = \frac{\text{Goodwill} \times r}{100} = 40,00,000 \times \frac{10}{100} = \text{Rs } 4,00,000.$$

Goodwill is a capital value, whereas super profit is the annual excess earning represented by that value.

Step 2: Determine the annual normal profit The average profit of Rs 6,00,000 is already given as the average for the last five years, so it must not be divided by five again. Since average profit comprises normal profit and super profit,

$$\text{Normal profit} = 6,00,000 - 4,00,000 = \text{Rs } 2,00,000.$$

Step 3: Derive capital employed and verify The capital needed to earn normal profit of Rs 2,00,000 at 10% is

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

Verification: normal earnings on this capital are Rs 2,00,000; deducting these from average earnings leaves super profit of Rs 4,00,000. Capitalising that excess at 10% reproduces the given goodwill of Rs 40,00,000.

Step 4: Conclusion The capital employed by the firm of Suman and Dhawan is Rs 20,00,000.

Quick Tip to Solve: Work backwards: goodwill times the normal return gives super profit; deduct that from average profit before capitalising normal profit.

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

Solution:

Concept:

- Goodwill on purchase of a business is purchase consideration less the agreed value of net assets acquired.
- Debentures issued at a premium are credited at nominal value to Debentures Account; the excess issue price is credited to Securities Premium Account.

Step 1: Compute goodwill and the debenture consideration Net assets acquired are $8,00,000 - 2,00,000 =$ Rs $6,00,000$. The purchase consideration exceeds this by $9,00,000 - 6,00,000 =$ Rs $3,00,000$, recorded as goodwill. After the cheque payment, the amount payable through debentures is $9,00,000 - 4,60,000 =$ Rs $4,40,000$.

Step 2: Determine the number and nominal value of debentures Each Rs 100 debenture is issued at $100 + 10 =$ Rs 110. Thus

$$\text{Number of debentures} = \frac{4,40,000}{110} = 4,000.$$

Their nominal value is $4,000 \times 100 =$ Rs $4,00,000$, and securities premium is $4,000 \times 10 =$ Rs $40,000$. The 9% rate concerns interest and does not determine the issue price.

Step 3: Pass the journal entries in Sumi Ltd. Journal of Sumi Ltd.

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

The first entry has total debits and credits of Rs 11,00,000; the settlement entry has total debits and credits of Rs 9,00,000.

Step 4: Conclusion Goodwill is Rs 3,00,000. Sumi Ltd. issues 4,000 debentures of Rs 100 each, crediting Debentures Account by Rs 4,00,000 and Securities Premium Account by Rs 40,000.

Quick Tip to Solve: Divide the amount payable in debentures by Rs 110, the issue price, and credit only Rs 100 per debenture to the debenture account.

OR

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

Solution:

Concept:

- Goodwill arises when purchase consideration exceeds net assets acquired. Net assets equal assets taken over less liabilities assumed.
- Debentures issued at a discount settle the vendor at their issue value. Their face value is credited to Debentures Account and the discount is debited separately.

Step 1: Calculate goodwill and the face value of debentures **Working Notes** The agreed purchase consideration is Rs 14,00,000, irrespective of the book value of the assets and liabilities acquired.

$$\begin{aligned} \text{Net assets} &= 9,00,000 - 3,00,000 = \text{Rs } 6,00,000, \\ \text{Goodwill} &= 14,00,000 - 6,00,000 = \text{Rs } 8,00,000, \\ \text{Amount settled by debentures} &= 14,00,000 - 5,00,000 = \text{Rs } 9,00,000. \end{aligned}$$

A discount of 10% means the issue value is 90% of face value. Therefore,

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

Discount on issue is Rs 10,00,000 minus Rs 9,00,000, or Rs 1,00,000. The 8% rate determines periodic interest; it does not determine the issue proceeds.

Step 2: Record the acquisition and settlement **Journal of Gundola Ltd.**

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

The acquisition entry balances at Rs 17,00,000 and the settlement entry at Rs 15,00,000. AK Ltd.'s credit of Rs 14,00,000 is fully cleared by the second entry.

Step 3: Conclusion Goodwill is Rs 8,00,000. The consideration is settled by a bank draft of Rs 5,00,000 and 8% debentures of face value Rs 10,00,000 issued at a discount of Rs 1,00,000.

Quick Tip to Solve: Divide the amount payable in debentures by 90%, then take 10% of that face value as discount; do not calculate discount on the vendor's balance.

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

Solution:

Concept:

- Interest on a partner's loan is a charge against profit. Where no rate is agreed, it is allowed at 6% per annum before determining profit available for appropriation.
- Interest on capital is an appropriation of profit, while interest on drawings increases the amount available for appropriation. The remaining profit is shared in the agreed ratio of 3:2.

Step 1: Adjust profit for interest on Prisha's loan **Working Notes** Prisha's loan was outstanding from 1st August, 2022 to 31st March, 2023, a period of eight months. No contractual loan-interest rate is given, so the applicable rate is 6% per annum.

$$\text{Loan interest} = 20,000 \times \frac{6}{100} \times \frac{8}{12} = \text{Rs } 800,$$
$$\text{Profit transferred for appropriation} = 22,600 - 800 = \text{Rs } 21,800.$$

Loan interest belongs in the Profit and Loss Account, not on the debit side of the Profit and Loss Appropriation Account.

Step 2: Calculate the appropriations and prepare the account Interest on opening capitals is Rs $50,000 \times 10\% = 5,000$ for Misha and Rs $30,000 \times 10\% = 3,000$ for Prisha. Interest on drawings is given, so the withdrawal amounts do not require a fresh interest calculation.

$$\text{Available amount} = 21,800 + 660 + 540 = \text{Rs } 23,000,$$
$$\text{Residual profit} = 23,000 - 5,000 - 3,000 = \text{Rs } 15,000,$$
$$\text{Misha's share} = 15,000 \times \frac{3}{5} = \text{Rs } 9,000,$$
$$\text{Prisha's share} = 15,000 \times \frac{2}{5} = \text{Rs } 6,000.$$

Profit and Loss Appropriation Account

for the year ended 31st March, 2023

Dr. Particulars	Rs	Cr. Particulars	Rs
To Interest on Capital:		By Profit and Loss A/c	21,800
Misha	5,000	(Net profit after loan interest)	
Prisha	3,000	By Interest on Drawings:	
To Profit transferred to:		Misha	660
Misha's Capital A/c	9,000	Prisha	540
Prisha's Capital A/c	6,000		
Total	**23,000**	**Total**	**23,000**

The residual profit is transferred completely to the partners; no balance is carried forward in this appropriation account.

Step 3: Conclusion The Profit and Loss Appropriation Account totals Rs 23,000 on each side. Misha receives residual profit of Rs 9,000 and Prisha Rs 6,000, in addition to interest on capital of Rs 5,000 and Rs 3,000 respectively.

Quick Tip to Solve: Deduct the eight months' loan interest before appropriation; then add the given interest on drawings and subtract interest on opening capitals.

OR

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

Solution:

Concept:

- When closing capitals include drawings and distributed profit, opening capital is recovered as closing capital plus drawings minus the profit already credited.
- In the absence of a stated profit-sharing ratio, partners share profits equally. Omitted interest on capital requires crediting the interest and debiting the corresponding reduction in profit shares.

Step 1: Reconstruct the opening capitals **Working Notes** Raghav withdrew Rs 2,000 each month, so his annual drawings were Rs $2,000 \times 12 = 24,000$. Diya withdrew Rs 3,000 each quarter, giving annual drawings of Rs $3,000 \times 4 = 12,000$. The beginning-of-period dates do not require interest on drawings because none is stipulated here.

No profit-sharing ratio is specified. The net profit of Rs 1,00,000 was therefore credited equally, Rs 50,000 to each partner. Reverse that credit and add back drawings to obtain opening capital:

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

Step 2: Determine the net adjustment due to each partner Interest at 10% on opening capitals is Rs 37,400 for Raghav and Rs 26,200 for Diya. Its total, Rs 63,600, reduces the previously distributed profit equally by Rs 31,800 per partner.

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

As a check, the corrected distributable profit is Rs $1,00,000 - 63,600 = 36,400$, or Rs 18,200 each.

Raghav's correct total credit is Rs $37,400 + 18,200 = 55,600$, whereas Diya's is Rs $26,200 + 18,200 = 44,400$, compared with Rs 50,000 already credited to each.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Diya's Capital A/c Dr.		5,600	
	To Raghav's Capital A/c			5,600
	(Being adjustment for omitted interest on capital after correcting equal profit shares)			

This transfers the excess credit from Diya to Raghav without altering the firm's total capital or reopening the completed profit distribution.

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

Quick Tip to Solve: Recover opening capitals first. Then compare each partner's omitted interest with one-half of the total omitted interest to find the single adjustment entry.

21. Shri Ganga Ltd. was registered with an authorised capital of Rs. 7,00,000 divided into equity shares of Rs. 10 each. It offered to the public for subscription 50,000 equity shares. The amount was payable as follows: On application: Rs. 4 per share; On allotment: Rs. 4 per share; On first and final call: Balance. The issue was fully subscribed. All the amounts were duly received except the first and final call money on 4,000 equity shares. Show the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same. [4 marks]

Solution:

Concept:

- Authorised capital is the maximum share capital permitted by the company's registration; issued capital is the face value of shares offered for subscription.
- Subscribed capital is disclosed separately as fully paid and not fully paid. Calls unpaid reduce the called-up amount to arrive at paid-up share capital.

Step 1: Compute the called-up amount and calls in arrears The authorised number of shares is $7,00,000/10 = 70,000$. The company issued 50,000 shares, and the issue was fully subscribed. Therefore, issued and subscribed capital at face value are each $50,000 \times$ Rs $10 =$ Rs $5,00,000$. The final call per share is Rs $10 -$ Rs $4 -$ Rs $4 =$ Rs 2. All shares have been fully called up, but the call on 4,000 shares remains unpaid:

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

Thus, 46,000 shares are fully paid and 4,000 shares have only Rs 8 per share paid. No shares have been forfeited merely because the call is unpaid.

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

Balance Sheet (extract)

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	4,92,000

Step 3: Prepare 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-up:	
46,000 equity shares of Rs 10 each	4,60,000
Subscribed but not fully paid-up:	
4,000 equity shares of Rs 10 each, fully called up	40,000
Less: Calls in arrears (4,000 shares at Rs 2 each)	(8,000)
Net amount on shares not fully paid	32,000
Total paid-up Share Capital	**4,92,000**

Check: application Rs 2,00,000, allotment Rs 2,00,000 and final call received Rs 92,000 together equal Rs 4,92,000. Authorised capital is a disclosure limit and is not added to paid-up capital.

Step 4: Conclusion Share Capital under Shareholders' Funds is Rs 4,92,000, comprising Rs 4,60,000 on fully paid shares and Rs 32,000 on shares not fully paid. Calls in arrears are Rs 8,000.

Quick Tip to Solve: Separate the 46,000 fully paid shares from the 4,000 defaulting shares; deduct only the unpaid Rs 2 call on each defaulting share.

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

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

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

It was decided that:

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

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

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

Solution:

Concept:

- Accumulated profits and revaluation gains arising before a change of ratio belong to the existing partners in their old profit-sharing ratio.
- When goodwill must not appear in the books, gaining partners compensate sacrificing partners through their capital accounts. Sacrifice equals old share minus new share; gain equals new share minus old share.

Step 1: Calculate sacrifice, gain and goodwill adjustment Old shares of Frank, George and Hemant are $5/10, 3/10, 2/10$; their new shares are $2/10, 5/10, 3/10$.

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

Therefore George and Hemant compensate Frank by Rs 40,000 and Rs 20,000 respectively, being their gains multiplied by goodwill of Rs 2,00,000. Frank receives Rs 60,000. The adjustment does not create a Goodwill Account.

Step 2: Record accumulated profits and land appreciation General Reserve of Rs 2,00,000 is distributed in the old ratio 5:3:2: Frank Rs 1,00,000, George Rs 60,000 and Hemant Rs 40,000. Land appreciation is Rs $6,50,000$ − Rs $5,00,000$ = Rs $1,50,000$. This revaluation profit is also distributed in the old ratio: Rs 75,000, Rs 45,000 and Rs 30,000 respectively.

Journal of Frank, George and Hemant

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2023	General Reserve A/c Dr.		2,00,000	
	To Frank's Capital A/c			1,00,000
	To George's Capital A/c			60,000
	To Hemant's Capital A/c			40,000
	(Being general reserve distributed in the old ratio 5:3:2)			
1 Apr. 2023	Land A/c Dr.		1,50,000	
	To Revaluation A/c			1,50,000
	(Being land appreciated to Rs 6,50,000)			
1 Apr. 2023	Revaluation A/c Dr.		1,50,000	
	To Frank's Capital A/c			75,000
	To George's Capital A/c			45,000
	To Hemant's Capital A/c			30,000
	(Being revaluation profit transferred in the old ratio 5:3:2)			

Step 3: Record the goodwill compensation without raising goodwill **Journal of Frank, George and Hemant (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2023	George's Capital A/c Dr.		40,000	
	Hemant's Capital A/c Dr.		20,000	
	To Frank's Capital A/c			60,000
	(Being goodwill adjusted through partners' capital accounts in the gaining ratio 2:1)			

Employees' Provident Fund is a liability to employees, not a free reserve distributable to partners, so its Rs 1,00,000 balance is left untouched. The question directs land to be revalued but specifies that goodwill must not appear; therefore the land increase is recorded while goodwill is adjusted directly through capitals.

Step 4: Conclusion Transfer General Reserve of Rs 2,00,000 and land appreciation of Rs 1,50,000 in the old ratio 5:3:2. Debit George's and Hemant's Capital Accounts by Rs 40,000 and Rs 20,000, and credit Frank's Capital Account by Rs 60,000 for goodwill.

Quick Tip to Solve: Use the old ratio for reserve and land appreciation, but use each partner's gain or sacrifice for goodwill; provident fund remains an outside liability.

23. David, Eden and Flora were partners in a firm sharing profits and losses in the ratio of 2:2:1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of David, Eden and Flora as at 31st March, 2023

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital:		Fixed Assets	10,00,000
David 6,00,000		Investments	5,00,000
Eden 6,00,000		Stock	3,00,000
Flora 6,00,000	18,00,000	Bills Receivable	2,00,000
General Reserve	3,00,000	Cash at Bank	2,00,000
Bills Payable	1,00,000		
	22,00,000		22,00,000

On the above date, the firm was dissolved on the following terms:

(i) Fixed Assets were realised at 15% less than the book value.

(ii) Trade Receivables were realised at book value.

(iii) Investments were taken over by Flora at Rs 6,00,000.

(iv) David took over 50% of the stock at Rs 1,80,000. The remaining stock was taken over by Eden at Rs 95,000.

(v) Expenses of realisation amounted to Rs 25,000 and were paid by Flora.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- On dissolution, transfer non-cash assets at book value to the debit of Realisation Account and outside liabilities to its credit. Cash at Bank, partners' capitals and General Reserve are not transferred to this account.
- Credit Realisation Account with assets realised or taken over by partners; debit it with liabilities discharged and realisation expenses. A partner paying the firm's expense is credited through that partner's Capital Account.
- Transfer the final realisation profit or loss to partners' Capital Accounts in their profit-sharing ratio, here David : Eden : Flora $= 2:2:1$.

Step 1: Working Notes: determine realisation values Fixed Assets realise Rs $10,00,000 \times 85\% =$ Rs $8,50,000$. The Balance Sheet lists Bills Receivable of Rs 2,00,000; these are the trade receivables realised at their book value. Thus bank receipts from assets total Rs 10,50,000. Investments taken over by Flora bring Rs 6,00,000 into Realisation Account without a bank receipt. David's stock takeover is Rs 1,80,000 and Eden's is Rs 95,000, so total stock proceeds are Rs 2,75,000 against its book value of Rs 3,00,000. Bills Payable are settled at their book value of Rs 1,00,000 because no different settlement is specified. The Rs 25,000 expense paid by Flora is debited to Realisation Account and credited to her Capital Account.

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

Dr. Particulars	Rs	Particulars Cr.	Rs
To Fixed Assets	10,00,000	By Bills Payable	1,00,000
To Investments	5,00,000	By Bank (Fixed Assets)	8,50,000
To Stock	3,00,000	By Bank (Bills Receivable)	2,00,000
To Bills Receivable	2,00,000	By Flora's Capital (Investments)	6,00,000
To Bank (Bills Payable)	1,00,000	By David's Capital (Stock)	1,80,000
To Flora's Capital (Expenses)	25,000	By Eden's Capital (Stock)	95,000
		By Partners' Capitals (Loss):	
		David	40,000
		Eden	40,000
		Flora	20,000
Total	**21,25,000**	**Total**	**21,25,000**

Step 3: Check and distribute the realisation loss The asset loss on Fixed Assets is Rs 1,50,000, the gain on Investments is Rs 1,00,000 and the loss on Stock is Rs 25,000. Bills Receivable and Bills Payable create no gain or loss since both settle at book value. Including expenses gives

$$\text{Loss} = 1,50,000 - 1,00,000 + 25,000 + 25,000 = \text{Rs } 1,00,000.$$

David and Eden each bear $1,00,000 \times 2/5 =$ Rs $40,000$; Flora bears $1,00,000 \times 1/5 =$ Rs $20,000$. Their Capital Accounts are debited and Realisation Account is credited. This closes the account, so no balance is carried forward. General Reserve is distributed separately to partners and cannot reduce the loss recorded in Realisation Account.

Step 4: Conclusion The realisation loss is $\boxed{\text{Rs } 1,00,000}$, shared by David, Eden and Flora as Rs 40,000, Rs 40,000 and Rs 20,000 respectively. Both sides of Realisation Account total Rs 21,25,000.

Quick Tip to Solve: For this account, exclude Bank and General Reserve at the transfer stage; credit Flora's Capital, not Bank, for the Rs 25,000 expense she pays.

24. On 1st April, 2022, Centafit Ltd. issued 2,000, 7% Debentures of Rs. 500 each at a premium of 10%, redeemable at a premium of 10% after five years. The company had a balance of Rs. 1,75,000 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:

- Credit Debentures Account with nominal value. Money received above nominal value is credited to Securities Premium Account, whereas premium payable on redemption is a separate liability recognised when the debentures are issued.
- With no discount on issue, Loss on Issue of Debentures equals the premium payable on redemption. The available Securities Premium balance may be used to write off this loss, as required in the question.

Step 1: Working Notes: calculate the issue and redemption amounts The nominal value of the issue is

$$2,000 \times \text{Rs } 500 = \text{Rs } 10,00,000.$$

Issue premium is $10,00,000 \times 10\% = \text{Rs } 1,00,000$, giving bank receipts of Rs 11,00,000. Premium payable on redemption is also $10,00,000 \times 10\% = \text{Rs } 1,00,000$. This redemption premium is the loss on issue; the premium received is credited separately and does not cancel that liability. Securities Premium available after issue is Rs 1,75,000 + Rs 1,00,000 = Rs 2,75,000. It therefore covers the entire Rs 1,00,000 loss. The instruction requires the whole loss to be written off at the end of the first year, rather than being spread over the five-year term.

Step 2: (a) Record the issue of debentures and write off the loss **Journal of Centafit Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2022	Bank A/c Dr.		11,00,000	
	Loss on Issue of Debentures A/c Dr.		1,00,000	
	To 7% Debentures A/c			10,00,000
	To Securities Premium A/c			1,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(Being 2,000 debentures of Rs 500 each issued at 10% premium, redeemable at 10% premium after five years)			
31 Mar. 2023	Securities Premium A/c Dr.		1,00,000	
	To Loss on Issue of Debentures A/c			1,00,000
	(Being the entire loss on issue written off using Securities Premium at the end of the first year)			

The first entry has total debits and credits of Rs 12,00,000 each; the second has Rs 1,00,000 on each side. The 7% rate concerns debenture interest and does not affect these issue entries. No interest or redemption payment entry is required by the question.

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

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
1 Apr. 2022: To Premium on Redemption of Debentures A/c	1,00,000	31 Mar. 2023: By Securities Premium A/c	1,00,000
Total	**1,00,000**	**Total**	**1,00,000**

The loss account is fully closed on 31st March, 2023, so there is no balance to carry forward. Securities Premium retains a credit balance of Rs 2,75,000 minus Rs 1,00,000, namely Rs 1,75,000. The redemption-premium liability remains Rs 1,00,000 until it is discharged on redemption; writing off the loss does not extinguish this liability.

Step 4: Conclusion Centafit Ltd. receives Rs 11,00,000 on issue. The Rs 1,00,000 loss on issue is written off fully against Securities Premium on 31st March, 2023, leaving no balance in Loss on Issue of Debentures Account and Rs 1,75,000 in Securities Premium Account.

Quick Tip to Solve: Calculate each 10% premium on the Rs 10,00,000 face value: credit the issue premium to Securities Premium and recognise the redemption premium separately as loss and liability.

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

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

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

Solution:

Concept:

- On forfeiture, debit Share Capital with the called-up nominal value. Credit unpaid instalments and credit Share Forfeiture with the capital amount already received.
- Securities Premium is reversed only when premium has become due but has not been received. Uncalled capital is excluded from the forfeiture entry.
- On reissue, any discount is debited to Share Forfeiture. Transfer to Capital Reserve only the surplus relating to the shares actually reissued; retain the amount relating to unreissued shares.

Step 1: Calculate the amounts for Neon Ltd. **Working Notes:** The first and final call of Rs 2 was not made, so called-up capital is Rs 8 per share. The unpaid allotment of Rs 5 includes Rs 2 premium and

Rs 3 capital. Thus capital already received is $8 - 3 =$ Rs 5 per share.

$$\text{Capital cancelled} = 2,000 \times 8 = \text{Rs } 16,000,$$
$$\text{Unpaid premium} = 2,000 \times 2 = \text{Rs } 4,000,$$
$$\text{Allotment unpaid} = 2,000 \times 5 = \text{Rs } 10,000,$$
$$\text{Capital forfeited} = 2,000 \times 5 = \text{Rs } 10,000.$$

The reissue discount is measured against the Rs 8 paid-up value, not the Rs 10 face value: $1,500(8 - 7) =$ Rs $1,500$. The forfeited capital attributable to the 1,500 reissued shares is $1,500 \times 5 =$ Rs $7,500$. Therefore Rs 6,000 is available for Capital Reserve, while Rs 2,500 remains against the 500 unreissued shares.

Step 2: Record forfeiture and reissue in Neon Ltd.'s books **Journal of Neon Ltd.**

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

Step 3: Calculate the amounts for Mamta Ltd. **Working Notes:** Since the final call of Rs 1 was not made, the called-up capital is Rs 9 per share. The unpaid first call is Rs 3, so Rs 6 capital per share has been received.

$$\text{Capital cancelled} = 3,000 \times 9 = \text{Rs } 27,000,$$
$$\text{First call unpaid} = 3,000 \times 3 = \text{Rs } 9,000,$$
$$\text{Capital forfeited} = 3,000 \times 6 = \text{Rs } 18,000.$$

The 2,000 shares are reissued at their Rs 9 paid-up value, so there is no reissue discount. Their entire forfeited amount, $2,000 \times 6 =$ Rs $12,000$, goes to Capital Reserve. The remaining Rs 6,000 relates to the 1,000 unreissued shares.

Step 4: Record forfeiture and reissue in Mamta Ltd.'s books **Journal of Mamta Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)

	Share Capital A/c Dr.
	  To Share First Call A/c
	  To Share Forfeiture A/c
	(Being 3,000 shares forfeited for non-payment of first call)
			27,000	
				9,000
				18,000

	Bank A/c Dr. To Share Capital A/c (Being 2,000 shares reissued at Rs 9 each, Rs 9 paid up)		18,000	 18,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on reissued shares transferred to Capital Reserve)		12,000	 12,000

Step 5: Conclusion Neon Ltd. transfers Rs 6,000 to Capital Reserve and retains Rs 2,500 in Share Forfeiture. Mamta Ltd. transfers Rs 12,000 to Capital Reserve and retains Rs 6,000 in Share Forfeiture.

Quick Tip to Solve: For partly paid reissues, compare the reissue price with the stated paid-up value. Transfer only the forfeiture surplus attributable to reissued shares.

OR

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

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

Solution:

Concept:

- Record application and allotment on the shares actually subscribed. Calls-in-arrears records money called but unpaid; calls-in-advance records money received before the relevant call is due.
- Forfeiture cancels only called-up capital. Credit Share Forfeiture with the capital already received, and clear the unpaid amount from Calls-in-arrears.
- A subsequent call is made only on shares still outstanding. Adjust calls-in-advance against that call and collect the remaining amount through Bank.

Step 1: Calculate subscription, arrears and advance **Working Notes:** Applications cover 58,000 of the 60,000 shares offered, so all entries use 58,000 shares. The first and final call is $10 - 5 - 1 =$ Rs 4

per share.

$$\begin{aligned}\text{Application received} &= 58,000 \times 5 = \text{Rs } 2,90,000,\\ \text{Allotment due} &= 58,000 \times 1 = \text{Rs } 58,000,\\ \text{Rajat's arrears} &= 300 \times 1 = \text{Rs } 300,\\ \text{Usha's advance} &= 500 \times 4 = \text{Rs } 2,000,\\ \text{Bank on allotment} &= 58,000 - 300 + 2,000\\ &= \text{Rs } 59,700.\end{aligned}$$

Rajat's shares are forfeited before the call, when only Rs 6 capital per share has been called. Hence capital cancelled is Rs 1,800 and Share Forfeiture is credited with application money of Rs 1,500.

Step 2: Journalise application and allotment **Journal of Sai Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 58,000 shares at Rs 5 each)		2,90,000	 2,90,000
	Share Application A/c Dr. To Share Capital A/c (Being application money transferred to share capital)		2,90,000	 2,90,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment due on 58,000 shares at Rs 1 each)		58,000	 58,000
	Bank A/c Dr. Calls-in-arrears A/c Dr. To Share Allotment A/c To Calls-in-advance A/c (Being allotment received except on Rajat's 300 shares, and Usha's final call received in advance)		59,700 300	 58,000 2,000

Step 3: Record forfeiture and the subsequent call After forfeiture, $58,000 - 300 = 57,700$ shares remain. The call due is $57,700 \times 4 = \text{Rs } 2,30,800$. Usha's Rs 2,000 advance is adjusted, leaving $2,30,800 - 2,000 = \text{Rs } 2,28,800$ to be collected. No call is made on Rajat's forfeited shares.

Journal of Sai Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Calls-in-arrears A/c To Share Forfeiture A/c (Being Rajat's 300 shares forfeited after allotment for non-payment of Rs 1 per share)		1,800	 300 1,500
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call due on 57,700 shares at Rs 4 each)		2,30,800	 2,30,800
	Calls-in-advance A/c Dr. To Share First and Final Call A/c (Being Usha's advance adjusted against the call now due)		2,000	 2,000
	Bank A/c Dr. To Share First and Final Call A/c (Being balance of first and final call received in full)		2,28,800	 2,28,800

Step 4: Prepare the arrears and advance 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 balances: forfeiture clears Rajat's arrears, and the subsequent call absorbs Usha's advance. Thus no balance is carried down. As a check, total Bank receipts are $2,90,000 + 59,700 + 2,28,800 =$ Rs $5,78,500$, equal to Rs 5,77,000 capital on surviving shares plus Rs 1,500 forfeited capital.

Step 5: Conclusion Sai Ltd.'s final Share Capital is Rs 5,77,000 on 57,700 fully paid shares. Share Forfeiture has a credit balance of Rs 1,500; Calls-in-arrears and Calls-in-advance both close at nil.

Quick Tip to Solve: Forfeit Rajat's shares at Rs 6 called up before computing the Rs 4 call on the surviving shares; deduct Usha's Rs 2,000 advance from the later cash collection.

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

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

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

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

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

Solution:

Concept:

- Revaluation records changes in the book values of assets and liabilities. Its profit or loss belongs to the old partners in their old profit-sharing ratio.
- In the absence of any other arrangement, an incoming partner's share is acquired from the old partners in their existing ratio. Premium for goodwill is credited to the sacrificing partners.
- A workmen's compensation fund with no claim specified is distributed to the old partners. Provident fund remains an outside liability and is not distributed.
- When capitals are based on the incoming partner's capital, total capital equals that partner's capital divided by her share. Cash adjusts each partner's actual capital to the required amount.

Step 1: Calculate the ratios and required capitals **Working Notes**

Tasha receives $1/4$, leaving $3/4$ for Sarah and Varsha in their old ratio $3:2$.

$$\text{Sarah} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}, \qquad \text{Varsha} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}, \qquad \text{Tasha} = \frac{5}{20}.$$

Thus, the new ratio is $9:6:5$, and Sarah and Varsha sacrifice in the ratio $3:2$. The premium of Rs 20,000 is credited as Rs 12,000 to Sarah and Rs 8,000 to Varsha. The workmen's compensation fund of Rs 20,000 is also credited in the old ratio: Rs 12,000 and Rs 8,000.

$$\text{Total required capital} = 40,000 \div \frac{1}{4} = \text{Rs } 1,60,000.$$

Required capitals are Sarah Rs 72,000, Varsha Rs 48,000 and Tasha Rs 40,000.

Step 2: Prepare the Revaluation Account Machinery falls by Rs 10,000, whereas writing off an

unclaimed creditor reduces liabilities by Rs 20,000. The resulting profit of Rs 10,000 is credited to Sarah and Varsha as Rs 6,000 and Rs 4,000 respectively.

Revaluation Account

Dr. Particulars	Rs	Particulars	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

The account closes by transferring its profit; it has no balance to carry forward.

Step 3: Determine the cash adjustments Sarah's adjusted capital is $60,000+12,000+12,000+6,000 =$ Rs $90,000$. Varsha's adjusted capital is $50,000 + 8,000 + 8,000 + 4,000 =$ Rs $70,000$. Their excess capitals are paid in cash:

$$\text{Sarah's withdrawal} = 90,000 - 72,000 = \text{Rs } 18,000,$$
$$\text{Varsha's withdrawal} = 70,000 - 48,000 = \text{Rs } 22,000.$$

Tasha's premium is credited to the old partners, not to her own capital. Her capital therefore remains Rs 40,000. Neither the provident fund nor the unchanged provision for doubtful debts is transferred to partners' capitals.

Step 4: Prepare the Partners' Capital Accounts The following two-sided accounts show all credits, cash paid to the old partners, and closing capitals. All amounts are in Rs.

Partners' Capital Accounts

Dr. Particulars	Sarah	Varsha	Tasha	Particulars	Sarah	Varsha	Tasha
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 (capital)	–	–	40,000
				By Workmen's Compensation Fund	12,000	8,000	–
				By Premium for Goodwill	12,000	8,000	–
				By Revaluation	6,000	4,000	–
Total	90,000	70,000	40,000	Total Cr.	90,000	70,000	40,000

The closing capital total is Rs 1,60,000. Cash remaining is $25,000+40,000+20,000-18,000-22,000 =$ Rs $45,000$, confirming that the required cash payments can be made.

Step 5: Conclusion Revaluation profit is Rs 10,000. Sarah receives Rs 18,000 and Varsha receives Rs 22,000 in cash. The final capital balances are Sarah Rs 72,000, Varsha Rs 48,000 and Tasha Rs 40,000, in the new ratio $9 : 6 : 5$.

Quick Tip to Solve: First credit revaluation, the available fund and goodwill to the old partners; compare these adjusted capitals with capitals based on Tasha's Rs 40,000 only after those credits.

OR

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

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

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

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

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

Solution:

Concept:

- Revaluation gains and losses and accumulated reserves belong to all partners in their old profit-sharing ratio up to the date of retirement.
- The retiring partner's goodwill share is debited to the continuing partners in their gaining ratio. Gain equals new share minus old share.
- An unpaid amount due to the retiring partner is transferred from his capital account to his loan account when no immediate payment arrangement is stated.

Step 1: Calculate revaluation, gains and goodwill **Working Notes**

The old ratio is $9:3:4$. Fixed assets fall by $1,20,000 - 96,000 = \text{Rs } 24,000$. Bad debts cause a further loss of Rs 5,000, while the undervaluation of stock requires an increase of Rs 29,000.

$$\text{Net revaluation result} = 29,000 - 24,000 - 5,000 = 0.$$

Therefore, no revaluation profit or loss is transferred to capitals. Paying creditors at their book value also has no effect on revaluation.

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

The gaining ratio is $3:17$. Kapil's goodwill share is $80,000 \times 4/16 = \text{Rs } 20,000$; Inder bears $20,000 \times 3/20 = \text{Rs } 3,000$ and Jonny bears Rs 17,000. Their total gain is $20/80 = 1/4$, equal to Kapil's

old share.

Step 2: Journalise asset revaluation and payment of creditors The entries below are dated 31st March, 2023. Decreases in assets are debited to Revaluation Account, while the stock increase is credited to it.

Journal of the Firm (31st March, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr. To Debtors A/c (Being bad debts written off)		5,000	 5,000
	Revaluation A/c Dr. To Fixed Assets A/c (Being fixed assets reduced from Rs 1,20,000 to Rs 96,000)		24,000	 24,000
	Stock A/c Dr. To Revaluation A/c (Being undervaluation of stock corrected)		29,000	 29,000
	Creditors A/c Dr. To Cash A/c (Being creditors paid in full)		10,000	 10,000

Revaluation Account has equal debits and credits of Rs 29,000, so it closes without a further transfer entry.

Step 3: Distribute the general reserve and adjust goodwill General reserve belongs to the old partners. Distribute Rs 80,000 in $9:3:4$: Inder Rs 45,000, Jonny Rs 15,000 and Kapil Rs 20,000. Goodwill is adjusted directly through the partners' capital accounts, so a goodwill asset is not raised.

Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	General Reserve A/c Dr. To Inder's Capital A/c To Jonny's Capital A/c To Kapil's Capital A/c (Being reserve distributed in the old ratio of 9:3:4)		80,000	 45,000 15,000 20,000
	Inder's Capital A/c Dr. Jonny's Capital A/c Dr. To Kapil's Capital A/c (Being Kapil's share of goodwill adjusted in the gaining ratio of 3:17)		3,000 17,000	 20,000

Step 4: Transfer the amount payable to Kapil Kapil's amount due is his opening capital plus his share of reserve and goodwill. There is no revaluation profit or loss.

$$\text{Kapil's amount due} = 60,000 + 20,000 + 20,000 = \text{Rs } 1,00,000.$$

Since no immediate settlement is specified, transfer the amount to Kapil's Loan Account. Do not assume that the entire amount has been paid in cash.

Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Kapil's Capital A/c Dr. To Kapil's Loan A/c (Being amount due on retirement transferred to loan)		1,00,000	 1,00,000

As a check, continuing capitals become Inder Rs 1,32,000 and Jonny Rs 73,000. Adding Kapil's loan gives Rs 3,05,000, equal to revised assets: fixed assets Rs 96,000, stock Rs 89,000, debtors Rs 95,000 and cash Rs 25,000.

Step 5: Conclusion Net revaluation profit or loss is nil. General reserve is credited in $9:3:4$; Kapil's goodwill of Rs 20,000 is borne by Inder and Jonny as Rs 3,000 and Rs 17,000. The amount transferred to Kapil's Loan Account is Rs 1,00,000.

Quick Tip to Solve: Calculate each continuing partner's gain from new share minus old share: the gaining ratio here is 3:17, although the new profit-sharing ratio is 3:2. Check that their combined gain, 20/80, equals Kapil's outgoing share of 1/4.

Part B (20 marks)

OPTION I (Analysis of Financial Statements)

27(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 two or more periods side by side, showing changes in financial position and operating results.
- Absolute change is the current-period figure minus the previous-period figure; percentage change expresses that difference relative to the previous-period figure.

Step 1: Identify the tool that shows changes over time A comparative balance sheet shows increases or decreases in assets, liabilities and equity, while a comparative statement of profit and loss shows changes in income and expenses. Comparing periods makes the trend and direction of financial performance visible.

Step 2: Distinguish the other tools Common-size statements express items as percentages of a common base to examine their composition. Cash flow analysis explains cash inflows and outflows. Ratio analysis examines relationships between selected figures. These are useful tools, but the description given specifically identifies 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 changes between periods with comparative statements; link each item's share of a common total with common-size statements.

OR

27(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 and quickly a business uses its resources to generate revenue.
- Liquidity concerns short-term payment ability; solvency concerns long-term financial stability; profitability concerns earnings.

Step 1: Identify the clue in the question The words "speed at which activities ... are being performed" refer to the rate of turnover of resources. For example, inventory turnover measures how often inventory is sold and replaced, while trade receivables turnover measures how quickly credit sales are collected.

Step 2: Compare all four choices Option (B) describes activity efficiency and therefore matches the clue. Option (A) measures ability to meet current obligations, not operating speed. Option (C) measures long-term debt-paying capacity, and option (D) measures profit in relation to sales, investment or capital. Neither (C) nor (D) measures the speed of business activities.

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

Quick Tip to Solve: When the question uses "speed", "frequency" or "efficiency of utilisation", look for turnover or activity ratios.

28(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 and other activities that are not investing or financing.
- For a non-financial enterprise, buying or selling long-term assets and investments, and receiving dividends, are investing activities.

Step 1: Classify the receipt from customers Selling goods is part of the normal revenue-producing business. Cash of Rs 94,000 received from the sale of goods is therefore a cash inflow from operating activities, so option (B) meets the requirement.

Step 2: Check the remaining transactions The Rs 60,000 received on sale of investments in (A) is an investing inflow. The dividend received of Rs 31,000 in (C) is an investing inflow under the normal non-financial-enterprise classification used here. Payment of Rs 3,00,000 to buy fixed assets in (D) is an investing outflow. These transactions do not arise from selling the enterprise's goods.

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

Quick Tip to Solve: Classify cash by the activity causing it: collection from customers for goods sold belongs to operating activities.

OR

28(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:

- Dividends paid are distributions of profit to the providers of equity capital and are classified as financing cash outflows.
- This treatment of dividend paid applies to both financial and non-financial enterprises; it differs

from the treatment of dividend received.

Step 1: Identify the direction and purpose of the payment The finance company is paying a dividend to its shareholders. This payment is a return on their capital investment and represents a financing cash outflow. The phrase "finance company" does not change the classification of dividends paid.

Step 2: Eliminate the alternatives Option (A) is inappropriate: dividend paid is not an operating expense incurred to earn revenue. Option (B) is inappropriate because the company is not purchasing an investment or receiving income from one. Option (D) describes cash balances and eligible short-term liquid investments, rather than the activity responsible for this payment. Option (C) is the relevant classification.

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 "paid" from "received": dividend paid is a financing outflow even when the enterprise is a finance company.

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

(A) Purchase of goods on credit

(B) Issue of Debentures

(C) Issue of Equity Shares

(D) Cash received from Debtors

Correct Answer: (B) Issue of Debentures

Solution:

Concept:

- The debt-equity ratio is Long-term Debt/Shareholders' Funds; it compares borrowed long-term funds with owners' funds.
- An increase in the numerator with the denominator unchanged increases a positive ratio.

Step 1: Check the effect of issuing debentures Let long-term debt be $3x$ and shareholders' funds be $2x$, where $x > 0$. An issue of debentures of amount $d > 0$ increases long-term debt and leaves shareholders' funds unchanged. Thus the ratio becomes $\frac{3x+d}{2x} > \frac{3}{2}$.

Step 2: Test each other transaction Purchase of goods on credit in (A) increases trade payables, a current liability, and inventory; it does not increase the long-term debt used in this ratio. Issue of equity shares in (C) increases shareholders' funds and reduces the ratio. Cash received from debtors in (D) merely exchanges one current asset for another and changes neither long-term debt nor equity.

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

Quick Tip to Solve: For debt-equity questions, first separate long-term debt from trade payables; then check which side of the fraction changes.

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

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

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

(A) Both statement I and statement II are correct

(B) Both statement I and statement II are incorrect

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

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

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

Solution:

Concept:

- A cash flow is an inflow or outflow of cash and cash equivalents; a non-cash transaction is excluded from the cash flow statement.
- A transfer between cash in hand and a bank balance does not change the total cash and cash equivalents.

Step 1: Evaluate Statement I Issuing fully paid bonus shares out of Securities Premium Account capitalises an existing reserve. Securities Premium Account decreases and share capital increases by the same amount. Shareholders pay no cash for these bonus shares, so there is no cash inflow. Statement I is incorrect.

Step 2: Evaluate Statement II When cash is withdrawn from the bank, cash in hand increases but the bank balance decreases by the same amount. The company's total cash and cash equivalents remain unchanged. This internal transfer is excluded from cash flows, so Statement II is incorrect.

Step 3: Match the two findings to the options Both statements are incorrect, which is the combination in (B). Option (A) incorrectly accepts both statements; (C) incorrectly accepts the bonus issue as a cash inflow; (D) incorrectly treats withdrawal from bank as a new inflow.

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

Quick Tip to Solve: Before recording a cash inflow, check whether total cash plus bank actually increases; bonus issues and cash-bank transfers do not.

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) Capital Work-in-Progress

(b) Stores and Spares

(c) Public Deposits [3 marks]

Solution:

Concept:

- Schedule III groups assets into non-current and current assets, and liabilities into non-current and current liabilities.
- Capital work-in-progress is expenditure on capital assets that are not yet ready for their intended use. Stores and spares held for consumption are inventories.
- Public deposits are borrowings from the public; the usual CBSE classification is long-term borrowings when no short-term maturity is specified.

Step 1: Classify Capital Work-in-Progress Capital work-in-progress relates to assets under construction for continuing use in the business. It is therefore shown under Non-current Assets, within Fixed Assets (Property, Plant and Equipment and Intangible Assets), with Capital Work-in-Progress as its own line item. It is not stock held for ordinary sale.

Step 2: Classify Stores and Spares Stores and spares are consumable materials held for use in production or maintenance in the normal operating cycle. They are classified under Current Assets, sub-head Inventories. They are not trade receivables, because they are materials held by the business rather than amounts due from customers.

Step 3: Classify Public Deposits Public deposits represent money borrowed from members of the public. In the absence of a stated short-term repayment period, classify them under Non-current Liabilities, sub-head Long-term Borrowings. A deposit specifically repayable within twelve months would instead require current classification.

Step 4: Present the major heads and sub-heads Classification in the Balance Sheet (Schedule III, Part I)

Item	Major head	Sub-head / line item
Capital Work-in-Progress	Non-current Assets	Fixed Assets (Property, Plant and Equipment and Intangible Assets): Capital Work-in-Progress
Stores and Spares	Current Assets	Inventories
Public Deposits	Non-current Liabilities	Long-term Borrowings

Step 5: Conclusion Capital Work-in-Progress: Non-current Assets, Fixed Assets; Stores and Spares: Current Assets, Inventories; Public Deposits: Non-current Liabilities, Long-term Borrowings.

Quick Tip to Solve: Classify the nature first: an unfinished capital asset, operating consumables and borrowed deposits belong to three different heads.

32. From the following information, calculate 'Proprietary Ratio':

Particulars	(Rs.)
Creditors	3,50,000
Bills Payable	1,50,000
10% Debentures	5,00,000
Share Capital	12,00,000
Reserves and Surplus	3,00,000

[3 marks]

Solution:

Concept:

- The proprietary ratio measures the proportion of total assets financed by shareholders' funds: Proprietary Ratio $= \dfrac{\text{Shareholders' Funds}}{\text{Total Assets}}$.
- Shareholders' funds comprise share capital plus reserves and surplus. By the accounting equation, total assets equal shareholders' funds plus outside liabilities.

Step 1: Calculate shareholders' funds Share capital and reserves belong to the owners. Therefore,

$$\begin{aligned}\text{Shareholders' Funds} &= \text{Share Capital} + \text{Reserves and Surplus}\\ &= 12,00,000 + 3,00,000\\ &= \text{Rs } 15,00,000.\end{aligned}$$

Creditors, bills payable and debentures are obligations to outsiders, so none is included in the numerator.

Step 2: Calculate outside liabilities and total assets Creditors and bills payable are current liabilities, while the debentures are long-term borrowings. All three are included when finding total liabilities to outsiders:

$$\begin{aligned}\text{Outside Liabilities} &= 3,50,000 + 1,50,000 + 5,00,000\\ &= \text{Rs } 10,00,000,\\ \text{Total Assets} &= 15,00,000 + 10,00,000\\ &= \text{Rs } 25,00,000.\end{aligned}$$

The 10% attached to debentures is an interest rate, not a discount on their liability value. Use their full stated amount of Rs 5,00,000.

Step 3: Substitute into the proprietary ratio

$$\text{Proprietary Ratio} = \frac{15,00,000}{25,00,000} = 0.60 = 60\%.$$

Thus shareholders finance 60 paise of every rupee of total assets, and outside liabilities finance the remaining 40 paise. As a ratio of shareholders' funds to total assets, the result can also be written as $0.6 : 1$, or $3 : 5$.

Step 4: Conclusion The Proprietary Ratio is 0.60, i.e. 60% (or $0.6 : 1$).

Quick Tip to Solve: If assets are not listed, reconstruct total assets as owners' funds plus all outside liabilities; do not omit creditors or bills payable.

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 places the previous year's and current year's amounts together and reports the absolute and percentage change under the same balance-sheet heads.
- Absolute change = Current-year amount - Previous-year amount. Percentage change = $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$. Here, 31st March, 2022 is the base date; a negative change indicates a decrease.

Step 1: Calculate the changes using the previous year as the base Share capital increases by Rs 3,00,000, giving $3,00,000/12,00,000 \times 100 = 25\%$. Long-term borrowings increase by Rs 5,00,000, giving $5,00,000/5,00,000 \times 100 = 100\%$. Trade payables decrease by Rs 2,00,000, giving $-2,00,000/3,00,000 \times 100 = -66.67\%$.

Fixed assets increase by Rs 5,00,000, or $5,00,000/15,00,000 \times 100 = 33.33\%$. Inventories increase by Rs 50,000, or $50,000/1,00,000 \times 100 = 50\%$. Trade receivables increase by Rs 50,000, or $50,000/4,00,000 \times 100 = 12.50\%$. Percentages are rounded to two decimal places where necessary.

Step 2: Prepare the comparative balance sheet **Hira Ltd.**

Comparative Balance Sheet as at 31st March, 2022 and 2023

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

Check the totals separately: the net change in equity and liabilities is Rs $3,00,000 + 5,00,000 - 2,00,000 = 6,00,000$, and the change in assets is Rs $5,00,000 + 50,000 + 50,000 = 6,00,000$. Thus both sides remain equal. The total percentage change is $6,00,000/20,00,000 \times 100 = 30\%$; individual percentages must not be added.

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%. The comparative balance sheet above reports each head's change using 2022 as the base.

Quick Tip to Solve: Always divide by the 2022 amount for this comparison. Retain the minus sign for trade payables, and compute the total percentage from the totals instead of adding row percentages.

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% separately for each year. Each item is expressed as a percentage of that year's revenue from operations.
- Common size percentage $= \dfrac{\text{Item amount}}{\text{Revenue from operations}} \times 100$. Profit before tax is revenue less expenses; tax expense is calculated on profit before tax, and profit after tax is profit before tax less tax.

Step 1: Determine expenses, profit and tax for each year For the year ended 31st March, 2022, total expenses are Rs $6,00,000 + 4,00,000 = 10,00,000$. Hence profit before tax is Rs $20,00,000 - 10,00,000 = 10,00,000$. At the given tax rate of 30%, tax expense is Rs $10,00,000 \times 30\% = 3,00,000$; profit after tax is Rs $10,00,000 - 3,00,000 = 7,00,000$.

For the year ended 31st March, 2023, total expenses are Rs $8,00,000 + 4,00,000 = 12,00,000$. Profit before tax is Rs $25,00,000 - 12,00,000 = 13,00,000$. At the tax rate of 20%, tax expense is Rs $13,00,000 \times 20\% = 2,60,000$; profit after tax is Rs $13,00,000 - 2,60,000 = 10,40,000$.

Step 2: Express every amount as a percentage of the relevant year's revenue For 2022, divide each amount by Rs 20,00,000 and multiply by 100. Thus materials are 30%, employee benefits 20%, total expenses 50%, profit before tax 50%, tax expense 15% and profit after tax 35% of revenue.

For 2023, divide each amount by Rs 25,00,000 and multiply by 100. The corresponding percentages are 32%, 16%, 48%, 52%, 10.40% and 41.60%. The tax rates given in the question apply to profit before tax, whereas the common size tax percentages use revenue as the denominator.

Step 3: Present the common size statement **NK Ltd.**
Common Size Statement of Profit and Loss
for the years ended 31st March, 2022 and 2023

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

Only the income and expense items supplied are included in the calculations; no other income is given. As a check, expenses, tax and profit after tax total 100% in each year: $50 + 15 + 35 = 100$ for 2022 and $48 + 10.40 + 41.60 = 100$ for 2023.

Step 4: 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, as shown in the common size statement above.

Quick Tip to Solve: Calculate tax on profit before tax first, then divide the tax amount by revenue. Here the tax expense percentages are 15 and 10.40, not the stated tax rates of 30 and 20.

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:

- Cash flows from investing activities include cash payments to acquire fixed assets and goodwill, and cash receipts from selling fixed assets.
- For an asset reported at carrying amount: closing balance equals opening balance plus purchases, less the carrying amount disposed of and depreciation charged during the year.
- Financing activities change owners' capital and borrowings. In the standard treatment for this non-financial enterprise, interest paid and dividends paid are financing outflows; the decrease in bank overdraft is repayment of borrowing.

Step 1: Find the carrying amount of the machine sold **Working Notes**

The depreciation of Rs 15,000 already provided on the machine reduces its original cost to the carrying amount removed from Plant and Machinery:

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

The actual investing receipt is Rs 62,000. The loss is not an additional cash payment and must not be deducted again in the investing statement.

Step 2: Calculate purchases of plant and goodwill The opening and closing Plant and Machinery balances are treated as carrying amounts. Let purchases during the year be P. After allowing for the machine sold and the year's depreciation:

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

The Rs 15,000 depreciation attached to the sold machine has already been used to find its carrying amount; it is not deducted a second time. With no other goodwill movement given, the increase in goodwill represents its cash purchase:

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

Step 3: Prepare the investing activities statement **Cash Flows from Investing Activities**

For the year ended 31st March, 2023

Particulars	Amount (Rs)
Proceeds from sale of Plant and Machinery	62,000
Purchase of Plant and Machinery	(2,28,000)
Purchase of Goodwill	(1,00,000)
Net cash used in investing activities	(2,66,000)

Parentheses indicate cash outflows. Depreciation is non-cash and is used only to reconstruct purchases; it is not shown as a separate investing payment.

Step 4: Determine the financing receipts and repayments **Working Notes for part (b)**

No non-cash changes in share capital or loans are stated, so the changes in the given balances are treated as cash transactions:

$$\begin{aligned}\text{Issue of equity shares} &= 15,00,000 - 10,00,000\\ &= \text{Rs } 5,00,000,\\ \text{Additional bank loan} &= 7,00,000 - 6,00,000\\ &= \text{Rs } 1,00,000,\\ \text{Overdraft repaid} &= 1,20,000 - 90,000\\ &= \text{Rs } 30,000.\end{aligned}$$

The increase in share capital and the bank loan produces receipts. The decrease in overdraft represents repayment. Interest of Rs 60,000 and dividend of Rs 1,10,000 are the actual payments provided in the question.

Step 5: Prepare the financing activities statement **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 additional bank loan	1,00,000
Total financing receipts	6,00,000
Repayment of bank overdraft	(30,000)
Interest paid on bank loan	(60,000)
Dividend paid	(1,10,000)
Total financing payments	(2,00,000)
Net cash from financing activities	4,00,000

Check: total financing receipts of Rs 6,00,000 less total financing payments of Rs 2,00,000 give the net financing inflow.

Step 6: Conclusion Net cash used in investing activities is $\boxed{\text{Rs } 2,66,000}$, and net cash generated from financing activities is $\boxed{\text{Rs } 4,00,000}$.

Quick Tip to Solve: For plant purchases, add back current depreciation and the carrying amount sold to the increase in plant. In the cash flow statement, show actual sale proceeds, not the asset's carrying amount or loss.

OPTION II (Computerised Accounting)

27. 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:

- Spreadsheet navigation shortcuts move the active cell to a specified boundary; a filled cluster is a contiguous group of occupied cells.
- CTRL + Right arrow moves to the right-hand boundary of the current filled region; repeating it navigates successive clusters in the row.

Step 1: Identify the required direction and boundaries The question asks for navigation along a row, from the first to the last filled cells of clusters. Starting within a filled cluster, CTRL + Right arrow reaches its last filled cell. Successive uses move across the boundaries of further filled clusters. Thus the repeated horizontal navigation described is obtained using CTRL + Right arrow successively.

Step 2: Check the alternatives Home is associated with the beginning of a row, so Home + Right arrow is not the stated cluster-navigation command. END followed by Right arrow uses End-mode navigation and is not the specified repeated CTRL shortcut. CTRL + END goes to the last used cell of the worksheet, which may lie in another row and therefore does not traverse successive clusters in the current row.

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

Quick Tip to Solve: Look for both the direction and the scope: CTRL + Right arrow follows row boundaries, whereas CTRL + END targets the worksheet end.

28(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:

- A spreadsheet stores a date and a time as a serial value: the integer part represents the date and the fractional part represents the time.

- NOW() returns the current date together with the current time; TODAY() returns the current date only.

Step 1: Identify the two components required The required result must contain both today's date and its time. The formula `=NOW()` returns a date-time serial value using the current system date and time. A suitable date-and-time cell format displays both components. It updates when the worksheet recalculates.

Step 2: Eliminate the other functions `TODAY()` supplies the date but omits the current time component. `DAY()` extracts the day number of a month from a supplied date; it does not return the current date and time. `DAY TIME()` is not the standard spreadsheet function for this purpose. Therefore only `NOW()` meets both requirements.

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

Quick Tip to Solve: Use NOW() when the question includes time; choose TODAY() when only the current date is required.

OR

28(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 as input in a spreadsheet cell.
- A derived value is obtained by processing one or more input values using an arithmetic expression or a function.

Step 1: Classify the calculated result An arithmetic expression performs operations such as addition, subtraction, multiplication or division. A function applies a predefined calculation. In both cases, the resulting value is computed from supplied inputs and is therefore called a derived value. For example, if cells A1 and B1 contain 12 and 8, the formula `=A1+B1` produces the derived value 20.

Step 2: Distinguish inputs and arrangements A basic value is a directly entered item such as 12 or 8 in the example, rather than the calculated outcome. A vertical vector describes a column arrangement of values, while a horizontal vector describes a row arrangement. Neither term identifies the result of evaluating an expression or function.

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

Quick Tip to Solve: Ask whether the cell value was entered directly or computed: an expression or function produces a derived value.

29. 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:

- Accounting software is selected according to the size of the organisation, the complexity of its transactions and its information requirements.
- Tailored software is developed to meet the particular requirements of an organisation and can integrate its accounting with other information systems.

Step 1: Match the description to tailored software Large and medium organisations often require accounting functions that reflect their own procedures, controls and reporting needs. They may also need accounting records to exchange data with inventory, payroll, production or other information systems. Tailored software is designed for these organisation-specific needs and supports such integration.

Step 2: Evaluate the remaining choices Generic software provides standard features for a broad range of users and does not, by itself, identify the organisation-specific integrated system described here. Thus the choice containing both generic and tailored software is too broad. "Specific" is not the prescribed category for this description; the recognised category is tailored software.

Step 3: Conclusion Hence, the correct option is (C): Tailored.

Quick Tip to Solve: Use the clues "large and medium organisations" and "linked to other information systems" to recognise tailored software.

30(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 enclosed by the chart axes in which data series are plotted.
- A chart also contains explanatory elements such as a legend and axis titles, which identify data series or describe the axes.

Step 1: Locate the region named in the question In an ordinary two-dimensional graph, the horizontal and vertical axes bound the region containing the plotted bars, lines or points. This region is called the plot area. The question asks for the area itself, rather than a label or an individual plotted observation.

Step 2: Rule out the other chart elements A legend is the key that explains the colours or symbols used for different data series. A data point represents a single plotted value or observation. An axis title names the variable or unit measured on an axis. These elements may help interpret a graph, but none is the area bounded by its axes.

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

Quick Tip to Solve: Identify whether the question refers to a region, a key, a label or one observation; the region enclosed by axes is the plot area.

OR

30(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:

- Excel's Formulas tab groups commands used to insert functions, manage names and control calculation of formula results.
- A ribbon tab is distinct from a command group within that tab: Page Layout is a separate tab for the appearance and printing of a worksheet.

Step 1: Check the formula-related groups Function Library contains functions organised by category, so option (A) belongs on the Formulas tab. Defined Names helps create and manage names used in formulas, so option (B) also belongs there. Calculation commands control when formulas are recalculated, so option (C) is not the required exception.

Step 2: Identify the separate tab Page Layout provides page setup and worksheet layout controls, such as margins and orientation. It is a ribbon tab in its own right, not a group contained on the Formulas tab.

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

Quick Tip to Solve: For a ribbon question, first distinguish a tab name from the command groups placed inside a tab.

31. 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 programmed procedures to produce ledgers, statements and reports.
- Its advantages depend on correct input, properly designed software and suitable access controls; computerisation alone does not make every transaction correct.

Step 1: Explain transparency and control CAS gives authorised users ready access to relevant accounting information. A transaction can be traced from its voucher to the ledger and related report, making the records transparent and easier to check. User permissions restrict who may enter, alter or approve data, while an audit trail identifies changes and the users responsible. Timely reports allow management to compare actual results with plans and investigate unusual transactions. Thus, information visibility and traceability support effective supervision and control.

Step 2: Explain accuracy and speed A computer carries out repetitive calculations, postings and preparation of reports rapidly. Once a transaction is entered, the software can update the affected accounts and generate statements without repeatedly copying the same data manually. Programmed calculations and consistent processing reduce arithmetic and posting errors, improving accuracy. However, incorrect input or an incorrect program can still produce incorrect output, so validation and review remain necessary. Speed therefore means faster processing and timely information; accuracy means reliable processing of correctly supplied data under correct rules.

Step 3: Conclusion Transparency and control arise from accessible, traceable records and controlled user rights. Accuracy and speed arise from consistent automated processing and rapid preparation of accounting information.

Quick Tip to Solve: Link transparency to tracing a transaction, control to user rights, accuracy to correct processing, and speed to quick updates and reports.

32. 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 for a loan or annuity when the interest rate and the payments remain constant.
- The interest rate and number of periods must use the same time unit: for monthly payments, use the monthly interest rate and the total number of months.

Step 1: State the syntax and required parameters The syntax is `=PMT(rate,nper,pv,[fv],[type])`. Square brackets indicate optional arguments; they are not typed as part of an actual formula.

rate: interest rate for each payment period. **nper**: total number of payment periods. **pv**: present

value, usually the principal amount of the loan. For example, a loan repaid monthly over five years at an annual rate of 12% uses `rate = 12%/12` and `nper = 5*12`.

Step 2: State the optional parameters **fv**: future value or the cash balance required after the final payment; if omitted, Excel assumes zero, as for a fully repaid loan. **type**: the timing of payments; 0 means payment at the end of each period and is the default, while 1 means payment at the beginning of each period. These choices must agree with the repayment arrangement.

Step 3: Explain the use and sign convention PMT is used to determine the equal instalment required to repay a loan, including principal and interest, over a specified term at a constant rate. It is useful for repayment planning and comparison of borrowing arrangements. If the loan received is entered as a positive present value, PMT normally returns a negative payment because repayments are cash outflows. Fees and taxes are not automatically included in the computed principal-and-interest payment.

Step 4: Conclusion PMT uses `rate`, `nper`, `pv`, and optional `fv` and `type`, to calculate the fixed payment per period under a constant interest rate.

Quick Tip to Solve: Before entering PMT, match rate and nper: monthly instalments require the annual rate divided by 12 and the number of years multiplied by 12.

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

Solution:

Concept:

- Security in a Computerised Accounting System protects accounting information against unauthorised access, alteration and misuse.
- Password security controls access before a user works on the system, while data audit provides a record for checking the transactions and changes made in it.

Step 1: Explain password security Password security requires a user to provide valid login credentials before accessing the accounting system. A password is a secret code associated with a user account; it helps prevent an unauthorised person from opening or operating that account. Different users can be given different access rights according to their responsibilities. For example, a data-entry operator may enter vouchers while a supervisor may be permitted to approve changes or access confidential reports. Passwords should be kept confidential, be difficult to guess and be changed when compromise is suspected. Individual accounts should be used rather than shared credentials so that actions can be associated with the responsible user.

Step 2: Explain data audit Data audit enables authorised persons to examine accounting data and the changes made to it. An audit trail records relevant activities, such as creation, alteration or deletion of entries, together with details such as the user identity and date and time. Where changes are logged, the earlier and revised details can be compared to establish what was changed. An auditor or supervisor can trace an entry to its supporting voucher, check whether a modification was authorised and investigate unusual activity. For example, a change in the amount of a recorded purchase can be

traced and compared with the supplier's invoice. This provides accountability and helps detect errors or unauthorised changes; the existence of a log alone does not prove every entry is correct.

Step 3: Conclusion Password security restricts access to authorised users, and data audit makes transactions and alterations traceable for review. Together they support confidentiality, integrity and accountability in a Computerised Accounting System.

Quick Tip to Solve: Explain password security as controlling who gets access, and data audit as checking who changed what and when after access was granted.

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 or presentation of data in a worksheet so that it is clear, consistent and easy to read.
- Formatting controls how a stored value is displayed; it does not ordinarily change that value or the formula used to calculate it.

Step 1: Explain the meaning with an example Data formatting is the arrangement and presentation of text, numbers and other cell contents in a chosen style. For example, a stored value of 2500 can be displayed with a currency symbol and two decimal places, or a date can be displayed in a chosen date style. A heading can be made bold and centred. These changes improve the readability of the worksheet without changing the underlying accounting data.

Step 2: Describe the tools used for cell formatting Select the required cell or range and use the formatting commands on the Home tab or open the Format Cells dialog box. The main formatting tools are:

Number: Choose General, Number, Currency, Accounting, Date, Time, Percentage or other number formats, and set decimal places and separators.

Alignment: Set horizontal or vertical alignment, indentation and text orientation; use Wrap Text to show long content on multiple lines within a cell.

Font: Change the typeface, font size and font colour; apply bold, italic or underline to distinguish headings and important values.

Border: Add or change lines around selected cells to separate headings, details and totals.

Fill: Apply a background colour or pattern to highlight selected cells.

Protection: Set the Locked or Hidden properties in Format Cells; these properties take effect when worksheet protection is applied.

Step 3: Apply consistent formatting efficiently Format Painter copies the formatting of one cell or range to another. Cell Styles apply a predefined combination of formats, while Conditional Formatting highlights cells according to a rule, such as amounts exceeding a limit. Row height and column width can also be adjusted so that the formatted contents remain visible.

Step 4: Conclusion Data formatting presents worksheet data in a clear and consistent form. Number, Alignment, Font, Border, Fill and Protection are the main Format Cells tools; Format Painter, Cell Styles and Conditional Formatting help apply or repeat suitable formats.

Quick Tip to Solve: Remember the Format Cells categories: Number, Alignment, Font, Border, Fill and Protection; give a practical use of each rather than only naming the tools.

34.

	A	B	C	D
1	S. No.	Consumables	Price in FY 21-22	Price in FY 23-24
2	1	Muskmelon	45	122
3	2	Watermelon	9	21
4	3	Squash	22	35
5	4	Gourd	47	88
6	5	Curd	49	66
7	6	Brisket	33	43
8	7	Poultry	88	96
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 searches for a value in the first column of its table range and returns a value from the specified column of the same row. The column index counts from 1 within that range.
- A final argument of 0 requests an exact match. A missing exact match produces `#N/A`; an out-of-range column index produces `#REF!`; a column index below 1 produces `#VALUE!`.
- Evaluate nested functions from the inside out. SQRT returns the square root of a non-negative number; dividing by zero produces `#DIV/0!`.

Step 1: (i) Check the lookup value and search range B1 contains the heading `Consumables`. The first column of the selected range B4:D6 consists of B4:B6, containing Squash, Gourd and Curd. The heading is absent from those cells. As the last argument is 0, an exact match is required and the formula returns `#N/A`. A valid column index of 2 cannot compensate for an absent lookup value.

Step 2: (ii) Evaluate the nested formula literally C2 contains 45. In the range C2:D8, the first column is column C, so the exact lookup finds 45 in C2. Column index 2 returns the corresponding value in

D2, namely 122. Thus the expression inside SQRT is positive:

$$122 - 100 = 22, \qquad \text{SQRT}(22) = \sqrt{22} \approx 4.6904.$$

Consequently the printed formula has **no error**. A `#NUM!` error would require a negative square-root argument; that condition is not present with the given worksheet values.

Step 3: (iii) Locate Gourd within the selected rows B5 contains Gourd, but the lookup range begins at B6. Its first-column cells B6:B8 contain Curd, Brisket and Poultry. Gourd is outside this range, so no exact match exists and the result is `#N/A`. Column index 1 is valid: it would return a first-column value if a match were found.

Step 4: (iv) Compare the return index with the table width B3 contains Watermelon and it occurs within the first column of B2:D8. However, the table has only three columns: B is index 1, C is index 2 and D is index 3. The requested index is 5, which exceeds the table width. Therefore the result is `#REF!`, even though the lookup value itself is present.

Step 5: (v) Check the lower limit of the return index B5 contains Gourd, which is present in the first column of B3:D8. The requested column index is 0. VLOOKUP numbers the table's columns from 1, not 0, so this index is invalid and the formula returns `#VALUE!`. The final 0 is valid because it requests an exact match; it is the preceding 0, the column-index argument, that causes the error.

Step 6: (vi) Evaluate the lookup before the division B2 contains Muskmelon. The exact lookup finds it in the first row of B2:D7, and column index 2 returns C2, which is 45. The remaining calculation is $45/0$. Division by zero is undefined, so the formula returns `#DIV/0!`; the lookup itself is successful.

Step 7: Conclusion The results are: (i) `#N/A`; (ii) no error, $\sqrt{22} \approx 4.6904$; (iii) `#N/A`; (iv) `#REF!`; (v) `#VALUE!`; and (vi) `#DIV/0!`.

Quick Tip to Solve: Mark the first column of each lookup range, count its columns from 1, and then evaluate any outer SQRT or division. In part (ii), the lookup returns 122, not 45.