CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-4-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) This question paper is divided into **two** Parts : **Part – A** and **Part – B**.

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

(iv) **Part – B** has **two** options i.e. (I) Analysis of Financial Statements and (II) Computerised Accounting. Candidates must attempt only **one** of the given options as per the subject opted in Part – B.

(v) Question numbers **1 to 16** and **27 to 30** carry **1** mark each.

(vi) Question numbers **17 to 20, 31** and **32** are short answer type questions. Each carries **3** marks.

(vii) Question numbers **21, 22** and **33** are long answer type-I questions. Each carries **4** marks.

(viii) Question numbers **23 to 26** and **34** are long answer type-II questions. Each carries **6** marks.

(ix) There is no overall choice. However, an internal choice has been provided in **7** questions of **one** mark, **2** questions of **three** marks, **1** question of **four** marks and **2** questions of **six** marks.

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Kanha, Resham and Nisha were partners in a firm. Nisha had given a loan of Rs. 1,00,000 to the firm @ 10% p.a. The accountant of the firm is emphasizing that interest on loan will be paid @ 6% p.a. At what rate the interest on loan will be paid to Nisha? [1 mark]

(A) 6% p.a.

(B) 10% p.a.

(C) 8% p.a.

(D) No interest on loan will be paid.

Correct Answer: (B) 10% p.a.

Solution:

Concept:

- Interest on a partner's loan is a charge against profit, payable at the agreed rate.
- The statutory rate of 6% per annum applies only when no rate has been agreed.

Step 1: Identify the agreement Nisha advanced Rs 1,00,000 at an expressly agreed rate of 10% per annum. Therefore the agreement governs the interest payable; the accountant cannot replace this rate with the default rate.

Step 2: Check the alternatives At the agreed rate, annual interest is $1,00,000 \times 10/100 = \text{Rs } 10,000$. Option (A) would apply only in the absence of an agreement. Neither the intermediate rate of 8% nor denial of interest follows from the facts.

Step 3: Conclusion Nisha will receive interest at 10% p.a. Hence, the correct option is (B).

Quick Tip to Solve: Check for an agreed loan-interest rate before applying the default rate of 6% per annum.

2. Gupta and Sharma are partners in a firm sharing profit in the ratio of 4:1. They admitted Preeti as a new partner for 1/4th share in the profits, which she acquired wholly from Gupta. New profit sharing ratio of Gupta, Sharma and Preeti will be: [1 mark]

(A) 2:1:1

(B) 11:4:5

(C) 3:3:2

(D) 7:5:4

Correct Answer: (B) 11:4:5

Solution:

Concept:

- A partner's new share equals old share less the share sacrificed.
- When the incoming partner acquires her entire share from one partner, the other partner's share stays unchanged.

Step 1: Calculate each new share Gupta's old share is $4/5$, and Sharma's is $1/5$. Preeti takes $1/4$ wholly from Gupta. Thus Gupta retains $4/5 - 1/4 = 11/20$, Sharma retains $1/5 = 4/20$, and Preeti receives $1/4 = 5/20$.

Step 2: Check the ratio The new fractions add to $(11 + 4 + 5)/20 = 1$. On removing their common denominator, they give $11 : 4 : 5$. The other ratios would change Sharma's unchanged one-fifth share or give Preeti a share other than one-fourth.

Step 3: Conclusion The new ratio of Gupta, Sharma and Preeti is $11 : 4 : 5$. Hence, the correct option is (B).

Quick Tip to Solve: Subtract the incoming share only from the partner who actually sacrifices it.

3. Aditya, Vishesh and Nimesh were partners in a firm sharing profits and losses equally. Aditya died on 1st July, 2023. Remaining partners decided to continue the business of the firm and decided to share future profits in the ratio of 4:3. The gaining ratio of Vishesh and Nimesh will be: [1 mark]

(A) 4:3

(B) 3:2

(C) 5:2

(D) 1:1

Correct Answer: (C) 5:2

Solution:

Concept:

- Gain in share equals new share minus old share.
- The gaining ratio compares only the increases of the continuing partners.

Step 1: Find the individual gains Each partner originally held $1/3$. After Aditya's death, Vishesh receives $4/7$ and Nimesh $3/7$. Their gains are $4/7 - 1/3 = 5/21$ and $3/7 - 1/3 = 2/21$, respectively.

Step 2: Check the result against the choices The total gain is $5/21 + 2/21 = 1/3$, exactly Aditya's former share. The ratio of the two gains is $5 : 2$. The ratio $4 : 3$ is the new profit sharing ratio, not the gaining ratio; neither $3 : 2$ nor equal gains follows from these fractions.

Step 3: Conclusion The gaining ratio of Vishesh and Nimesh is $5 : 2$. Hence, the correct option is (C).

Quick Tip to Solve: Use new share minus old share for each survivor; do not copy the new profit ratio.

4(a). Vishant Ltd. invited applications for issuing 6,000 equity shares of Rs. 10 each at 10% premium. The issue was fully subscribed. The amount per share was payable as follows:

On application - Rs. 3, on allotment - Rs. 3 (including premium), on first call - Rs. 3 and on final call - Rs. 2. Ashish the holder of 200 shares paid the entire money along with allotment. The total amount received on allotment was: [1 mark]

(A) Rs. 18,000

(B) Rs. 19,000

(C) Rs. 25,000

(D) Rs. 21,000

Correct Answer: (B) Rs. 19,000

Solution:

Concept:

- Allotment cash includes the allotment amount due and any future calls voluntarily paid in advance.
- Calls in advance are distinguished from amounts due on allotment, but both enter bank receipts.

Step 1: Find the amount due on allotment The issue is fully subscribed, so allotment due is $6,000 \times \text{Rs } 3 = \text{Rs } 18,000$. The Rs 3 already includes the premium; the premium must not be added again.

Step 2: Add the advance from Ashish Ashish has 200 shares and pays the first and final calls along with allotment. These future calls total $3 + 2 = \text{Rs } 5$ per share, so the advance is $200 \times 5 = \text{Rs } 1,000$. Total cash is $18,000 + 1,000 = \text{Rs } 19,000$. Rs 18,000 omits the advance, while Rs 25,000 and Rs 21,000 overstate the receipt.

Step 3: Conclusion The total amount received on allotment is Rs 19,000. Hence, the correct option is (B).

Quick Tip to Solve: Start with allotment due on all shares, then add only the future calls paid early.

OR

4(b). M Ltd. forfeited 5,000 equity shares of Rs. 10 each issued at a premium of 10% for non-payment of final call of Rs. 2 per share. The minimum amount at which these shares can be reissued as fully paid up will be: [1 mark]

(A) Rs. 5,000

(B) Rs. 10,000

(C) Rs. 12,000

(D) Rs. 50,000

Correct Answer: (B) Rs. 10,000

Solution:

Concept:

- The discount on reissue cannot exceed the capital amount forfeited on those shares.
- Securities premium received is excluded from the Share Forfeiture balance.

Step 1: Determine the capital already received The face value is Rs 10 per share, and only the final call of Rs 2 is unpaid. Capital received is therefore $10 - 2 =$ Rs 8 per share. The premium was received earlier and is not capital available to support a reissue discount.

Step 2: Calculate the minimum receipt Maximum permitted discount is Rs 8 per share. For reissue as fully paid, the minimum price is $10 - 8 =$ Rs 2 per share, or $5,000 \times 2 =$ Rs $10,000$. Rs 5,000 would involve excessive discount. Rs 12,000 and Rs 50,000 are possible higher receipts, but neither is the minimum.

Step 3: Conclusion The minimum reissue amount is Rs 10,000. Hence, the correct option is (B).

Quick Tip to Solve: Exclude premium when finding forfeited capital available to cover a reissue discount.

5. Assertion (A): Under the fixed capital method, partners' capital accounts always show a credit balance.

Reason (R): Under the fixed capital method, all items like share of profit or loss, interest on capital, drawings, interest on drawings are recorded in a separate account called partners' current account.

Choose the correct alternative 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 correct, but Reason (R) is incorrect.

(D) Assertion (A) is incorrect, but Reason (R) is correct.

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

Solution:

Concept:

- Under the fixed capital method, the capital account records permanent capital contributions and permanent withdrawals.
- Routine appropriations and drawings are recorded through a separate current account.

Step 1: Judge Assertion (A) Assertion (A) is correct in the standard fixed-capital system: partners' capital accounts represent the capital invested and show credit balances. Routine losses or drawings do not reduce these accounts.

Step 2: Judge Reason (R) Reason (R) is correct. Profit or loss, interest on capital, drawings and interest on drawings are entered in partners' current accounts. A current account can consequently show either a credit or a debit balance.

Step 3: Check the explanatory connection Because routine adjustments are taken to current accounts, they do not turn the fixed capital balances into debit balances. The reason directly explains the assertion. Options (B), (C) and (D) therefore do not correctly describe their truth and connection.

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

Quick Tip to Solve: Separate permanent capital changes from routine current-account adjustments before judging the assertion.

6(a). **Vanya and Aanya were partners in a firm sharing profit and losses in the ratio of 3:2. Their capital were Rs. 5,00,000 and Rs. 1,00,000 respectively. Vanya was entitled to interest on capital @ 8% p.a. and Aanya was entitled to salary @ Rs. 5,000 per month. The net profit before any appropriation was Rs. 1,75,000. Vanya's share in divisible profit will be:** [1 mark]

(A) Rs. 45,000

(B) Rs. 30,000

(C) Rs. 37,500

(D) Rs. 40,000

Correct Answer: (A) Rs. 45,000

Solution:

Concept:

- Interest on capital and partners' salaries are appropriations deducted before dividing the residual profit.
- The residual profit is shared in the agreed profit sharing ratio.

Step 1: Calculate appropriations Vanya's interest on capital is $5,00,000 \times 8/100 = \text{Rs } 40,000$. Aanya's annual salary is $5,000 \times 12 = \text{Rs } 60,000$. No interest on Aanya's capital is stated, so none is deducted.

Step 2: Divide the remaining profit Divisible profit is $1,75,000 - 40,000 - 60,000 = \text{Rs } 75,000$. Vanya's share is $75,000 \times 3/5 = \text{Rs } 45,000$. Rs 30,000 is Aanya's residual share; Rs 40,000 is Vanya's interest alone. Rs 37,500 wrongly divides the residual equally.

Step 3: Conclusion Vanya's share in divisible profit is Rs 45,000. Hence, the correct option is (A).

Quick Tip to Solve: Deduct only the specified appropriations, then apply the profit ratio to the remainder.

OR

6(b). **Omkar and Shiva were partners in a firm. Omkar was entitled to a salary of Rs. 20,000 p.a. while Shiva was entitled to a salary of Rs. 50,000 p.a. Net profit for the year ended 31st March, 2023 after charging salary of Omkar and Shiva was Rs. 5,60,000. The total amount credited to Omkar's capital account will be:** [1 mark]

(A) Rs. 2,45,000

(B) Rs. 2,65,000

(C) Rs. 3,15,000

(D) Rs. 3,00,000

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

Solution:

Concept:

- In the absence of a stated ratio, partners share profits equally.
- Total credit to a partner includes salary entitlement plus that partner's share of divisible profit.

Step 1: Interpret the profit figure The Rs 5,60,000 profit is explicitly after charging both partners'

salaries. Thus the salary amounts must not be deducted from this figure again. Before the salary appropriations, profit would be $5,60,000 + 20,000 + 50,000 =$ Rs $6,30,000$.

Step 2: Find Omkar's total credit The residual Rs 5,60,000 is divided equally, giving Omkar $5,60,000/2 =$ Rs $2,80,000$. Including his salary of Rs 20,000, his total credit is $2,80,000 + 20,000 =$ Rs $3,00,000$. The other choices either deduct salaries twice or divide the pre-appropriation figure without correctly allocating salary.

Step 3: Conclusion Omkar's capital account is credited with Rs 3,00,000 in total. Hence, the correct option is (D).

Quick Tip to Solve: Read whether profit is before or after salary before calculating the residual share.

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7. Assertion (A): Interest on bearer debentures is paid to a person who produces the interest coupon attached to such debentures.

Reason (R): Bearer debentures are transferred by way of delivery and the company does not keep any record of these debenture holders.

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 correct, but Reason (R) is incorrect.

(D) Assertion (A) is incorrect, but Reason (R) is correct.

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

Solution:

Concept:

- Bearer debentures pass from one holder to another by delivery.
- Interest coupons provide evidence of entitlement because the company keeps no register of bearer holders.

Step 1: Judge Assertion (A) Assertion (A) is correct. The holder presents the relevant coupon attached to the bearer debenture to collect the interest for that period. Payment is therefore made to the person producing that coupon.

Step 2: Judge Reason (R) Reason (R) is correct. Transfer takes place by delivery, and the company does not maintain a record naming each successive bearer debenture holder. It therefore cannot identify the current holder from a registered list.

Step 3: Check whether R explains A The absence of a holder register explains the coupon-based payment mechanism. Presentation establishes the bearer's claim to the interest, so R explains A. Option (B) denies this direct connection, and options (C) and (D) incorrectly reject one of the true statements.

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

(A).

Quick Tip to Solve: Link bearer transfer by delivery with coupon presentation as the basis for interest payment.

8(a). Arnav Ltd. purchased assets worth Rs. 24,00,000. It issued 9% debentures of Rs. 100 each at a discount of 4% for payment of the purchase consideration. The number of debentures issued to vendor were: [1 mark]

(A) 24,000

(B) 25,000

(C) 30,000

(D) 28,000

Correct Answer: (B) 25,000

Solution:

Concept:

- Issue price equals face value less discount; purchase consideration is discharged at this issue price.
- The number issued is purchase consideration divided by issue price per debenture.

Step 1: Calculate the issue price Each debenture has face value Rs 100 and a discount of 4%. Thus the amount credited towards the vendor for each debenture is

$$100 - 100 \times \frac{4}{100} = \text{Rs } 96.$$

The coupon rate of 9% determines interest and has no effect on this issue price.

Step 2: Divide the consideration by the issue price The number of debentures needed is

$$\frac{24,00,000}{96} = 25,000.$$

Issuing 24,000 would use face value rather than the discounted issue price. The other suggested numbers, 30,000 and 28,000, also fail to produce Rs 24,00,000 at Rs 96 each.

Step 3: Conclusion 25,000 debentures are issued. Hence, the correct option is (B).

Quick Tip to Solve: For a vendor paid through discounted debentures, divide the purchase price by Rs 96 here, not by the Rs 100 face value.

OR

8(b). On 1st May, 2023, Amrit Ltd. issued 10,000, 10% debentures of Rs. 100 each at a premium of 10% redeemable at a premium of 10%. Loss on issue of debentures will be: [1 mark]

(A) Rs. 2,00,000

(B) Rs. 1,30,000

(C) Rs. 1,00,000

(D) Rs. 80,000

Correct Answer: (C) Rs. 1,00,000

Solution:

Concept:

- Loss on issue includes discount on issue, if any, and premium payable on redemption.
- Premium received on issue is credited separately to Securities Premium; it does not eliminate the debit for redemption premium.

Step 1: Find the face value and redemption premium The total nominal amount is

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

Redemption at a premium of 10% creates an additional liability of

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

Step 2: Determine the loss recorded on issue There is no discount because the debentures are issued above par. The issue premium of Rs 1,00,000 is credited to Securities Premium. Loss on Issue of Debentures is debited with the redemption premium, Rs 1,00,000. Rs 2,00,000 incorrectly adds both premiums; Rs 1,30,000 and Rs 80,000 have no basis in the given terms.

Step 3: Conclusion Loss on issue is Rs 1,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Keep issue premium and redemption premium separate: the first is a capital receipt, whereas the second creates loss on issue.

9(a). Riya, Rita and Renu were partners in a firm. On 31st March, 2023 Renu retired. The amount payable to Renu Rs. 2,17,000 was transferred to her loan account. Renu agreed to receive interest on this amount as per the provisions of Partnership Act, 1932. The rate at which interest would be paid to Renu is: [1 mark]

(A) 9% p.a.

(B) 6% p.a.

(C) 12% p.a.

(D) 10% p.a.

Correct Answer: (B) 6% p.a.

Solution:

Concept:

- An amount due to a retiring partner may be transferred to a loan account when payment is deferred.
- The statutory interest rate applicable to the unpaid amount under the stated Partnership Act treatment is 6% per annum.

Step 1: Identify the nature of the amount Renu has retired and her Rs 2,17,000 entitlement has been transferred to a loan account. It is therefore an amount payable by the firm to a retiring partner, rather than continuing capital on which an agreed capital-interest rate is being applied.

Step 2: Apply the stated statutory rate Renu agrees to receive interest according to the Partnership Act, 1932. The applicable rate is 6% p.a. For a full year this would give $2,17,000 \times 6/100 = \text{Rs } 13,020$. The rates 9%, 12% and 10% are not the statutory rate asked for; no separate agreement provides them.

Step 3: Conclusion Renu is entitled to interest at 6% p.a. Hence, the correct option is (B).

Quick Tip to Solve: For a retiring partner paid later through a loan, look for an agreed rate first; here the stated statutory basis gives 6 percent.

OR

9(b). Ravi, Vani and Toni were equal partners in a firm. After the retirement of Vani, the capital balances of Ravi and Toni were Rs. 1,56,000 and Rs. 1,08,000 respectively. The new capital of the firm was determined at Rs. 2,80,000. It was decided that the capital will be in proportion of the profit sharing ratio of the remaining partners. Toni will bring _____ for deficiency of his new capital. [1 mark]

(A) Rs. 40,000

(B) Rs. 12,000

(C) Rs. 20,000

(D) Rs. 32,000

Correct Answer: (D) Rs. 32,000

Solution:

Concept:

- When no different new ratio is specified, the remaining equal partners continue in their relative old ratio, $1 : 1$.
- Required capital equals total new capital times the partner's share; deficiency equals required capital less existing capital.

Step 1: Determine Toni's required capital Ravi, Vani and Toni originally share equally. After Vani retires, Ravi and Toni share equally in the absence of another arrangement. Toni must therefore hold one-half of the new total capital:

$$2,80,000 \times \frac{1}{2} = \text{Rs } 1,40,000.$$

Step 2: Compare the required and existing capitals Toni already has Rs 1,08,000. His additional contribution is

$$1,40,000 - 1,08,000 = \text{Rs } 32,000.$$

Ravi has excess capital of Rs 16,000, so the net increase of Rs 16,000 in the firm's total capital must not be mistaken for Toni's individual contribution. Rs 40,000, Rs 12,000 and Rs 20,000 do not equal his capital deficiency.

Step 3: Conclusion Toni will bring Rs 32,000. Hence, the correct option is (D).

Quick Tip to Solve: Calculate Toni's target capital first, then subtract only Toni's existing balance; do not use the net change in both partners' capitals.

10. Aditi and Saurabh were partners in a firm sharing profits and losses in the ratio of 2:1. On 1st April, 2022 their capitals were Rs. 5,00,000 and Rs. 4,00,000 respectively. Before any appropriation, the firm earned a Net profit of Rs. 81,000 for the year ended 31st March, 2023. According to the partnership deed, interest on capital was to be provided @ 10% p.a.

Interest on capital will be provided to Aditi and Saurabh in which of the following ratio? [1 mark]

(A) 5:4

(B) 2:1

(C) 1:1

(D) 8:1

Correct Answer: (A) 5:4

Solution:

Concept:

- Interest on capital is an appropriation of profit unless the deed treats it as a charge.
- When profit is insufficient, available profit is allocated in the ratio of the interest entitlements, rather than the profit-sharing ratio.

Step 1: Calculate the full interest entitlements At 10% p.a., Aditi's entitlement is $5,00,000 \times 10/100 =$ Rs $50,000$, while Saurabh's is $4,00,000 \times 10/100 =$ Rs $40,000$. Total interest of Rs 90,000 exceeds the available profit of Rs 81,000.

Step 2: Use the ratio of the entitlements The available profit must be distributed towards interest in the ratio

$$50,000 : 40,000 = 5 : 4.$$

The ratio $2 : 1$ governs distribution of residual profit, not proportionate reduction of these interest claims. Equal division ignores unequal capital, and $8 : 1$ is unrelated to the entitlements.

Step 3: Conclusion Interest is provided to Aditi and Saurabh in the ratio $5 : 4$. Hence, the correct option is (A).

Quick Tip to Solve: When both capitals earn the same rate for the same period, their interest-entitlement ratio is simply their capital ratio.

11. Aditi and Saurabh were partners in a firm sharing profits and losses in the ratio of 2:1. On 1st April, 2022 their capitals were Rs. 5,00,000 and Rs. 4,00,000 respectively. Before any appropriation, the firm earned a Net profit of Rs. 81,000 for the year ended 31st March, 2023. According to the partnership deed, interest on capital was to be provided @ 10% p.a.

Interest on Aditi's capital will be: [1 mark]

(A) Rs. 50,000

(B) Rs. 45,000

(C) Rs. 40,500

(D) Rs. 54,000

Correct Answer: (B) Rs. 45,000

Solution:

Concept:

- Interest on capital is restricted to available profit when it is an appropriation and profit is insufficient.
- The available profit is divided in the ratio of the partners' full interest entitlements.

Step 1: Establish the proportionate claims Aditi's full interest is $5,00,000 \times 10/100 = \text{Rs } 50,000$. Saurabh's is $4,00,000 \times 10/100 = \text{Rs } 40,000$. Total claims of Rs 90,000 exceed profit of Rs 81,000, so they are reduced in the ratio $5 : 4$.

Step 2: Allocate profit to Aditi Aditi receives

$$81,000 \times \frac{5}{9} = \text{Rs } 45,000.$$

Rs 50,000 ignores the shortfall; Rs 40,500 divides profit equally; Rs 54,000 uses the profit-sharing ratio $2 : 1$. None of these methods follows the ratio of the interest claims. Saurabh receives the remaining Rs 36,000.

Step 3: Conclusion Interest on Aditi's capital is Rs 45,000. Hence, the correct option is (B).

Quick Tip to Solve: Here available profit is 90 percent of full interest, so Aditi receives 90 percent of her Rs 50,000 entitlement.

12. Vishnu and Mishu are partners in a firm. Mishu draws a fixed amount at the end of every quarter. Interest on drawings is charged @ 15% p.a. At the end of the year interest on Mishu's drawings amounted to Rs. 9,000. Interest on drawings was charged on drawings of Mishu for: [1 mark]

(A) 6 months

(B) 7 $\frac{1}{2}$ months

(C) 4 $\frac{1}{2}$ months

(D) 4 months

Correct Answer: (C) 4 $\frac{1}{2}$ months

Solution:

Concept:

- Equal periodic drawings can be charged interest on total annual drawings for their average outstanding period.
- Average period equals the sum of the outstanding periods divided by the number of equal drawings.

Step 1: List the periods for quarter-end drawings The four equal withdrawals occur at the end of the first, second, third and fourth quarters. At the year end, they have been outstanding for 9, 6, 3 and 0 months respectively. The final withdrawal earns no interest for that financial year.

Step 2: Find the average period The effective period for charging interest on the total drawings is

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

Six months is the standard average for middle-of-quarter drawings, and $7\frac{1}{2}$ months applies to beginning-of-quarter drawings. Four months does not equal the average. The given rate and interest amount are unnecessary for finding this timing factor.

Step 3: Conclusion Interest is charged for $4\frac{1}{2}$ months. Hence, the correct option is (C).

Quick Tip to Solve: For quarter-end drawings, write 9, 6, 3, 0 and average them; this prevents confusing quarter-end with quarter-beginning timing.

13. On the dissolution of a partnership firm there were debtors of Rs. 34,000. Debtors of Rs. 1,000 became bad and 60% was realized from the remaining debtors. Which account will be debited and by how much amount on the realisation from debtors? [1 mark]

(A) Realisation A/c by Rs. 33,000

(B) Profit & Loss A/c by Rs. 1,000

(C) Cash A/c by Rs. 19,800

(D) Debtors A/c by Rs. 14,200

Correct Answer: (C) Cash A/c by Rs. 19,800

Solution:

Concept:

- On dissolution, cash received from an asset is debited to Cash or Bank Account and credited to Realisation Account.
- Calculate the receipt using only the collectible debtors after excluding debtors that become bad.

Step 1: Calculate the amount collected Total debtors are Rs 34,000, of which Rs 1,000 becomes bad. The remaining balance is $34,000 - 1,000 =$ Rs $33,000$. Realisation at 60% yields

$$33,000 \times \frac{60}{100} = \text{Rs } 19,800.$$

Step 2: Identify the account receiving the debit Cash increases by Rs 19,800, so Cash Account is debited and Realisation Account is credited with this receipt. The question concerns collection, rather than the earlier transfer of debtors to Realisation Account. Rs 14,200 is the total shortfall against book value, not the cash collected; Profit and Loss Account is not used for this dissolution receipt.

Step 3: Conclusion Cash Account is debited by Rs 19,800. Hence, the correct option is (C).

Quick Tip to Solve: First remove the bad debtor, then apply 60 percent; for the receipt, debit Cash and credit Realisation.

14(a). Which one of the following items is not dealt through Profit and Loss Appropriation Account? [1 mark]

(A) Interest on Capital

(B) Interest on Drawings

(C) Rent paid to partners

(D) Partner's salary

Correct Answer: (C) Rent paid to partners

Solution:

Concept:

- Profit and Loss Account records business expenses and determines net profit.
- Profit and Loss Appropriation Account distributes net profit among partners under the partnership

agreement.

Step 1: Classify rent payable to a partner Rent paid for premises used by the firm is a business expense, even where the landlord is a partner. It is charged to Profit and Loss Account in arriving at net profit. Its nature does not change simply because the recipient also owns a share of the firm.

Step 2: Distinguish the remaining items Interest on capital and partner's salary are appropriations of profit. Interest on drawings is credited through Profit and Loss Appropriation Account because it adjusts the amount distributable among partners. Thus all three are dealt with in the appropriation account, whereas rent is dealt with before net profit is appropriated.

Step 3: Conclusion Rent paid to partners is not dealt through Profit and Loss Appropriation Account. Hence, the correct option is (C).

Quick Tip to Solve: Ask whether the payment is for using a business resource: rent is an expense before appropriation, even when the landlord is a partner.

OR

14(b). At the time of admission of a partner, the Balance Sheet of the firm showed a workmen compensation reserve of Rs. 80,000. The claim for workmen compensation was estimated at Rs. 1,00,000. The shortfall of Rs. 20,000 will be: [1 mark]

(A) debited to Revaluation Account

(B) credited to Revaluation Account

(C) debited to Partners' Capital Accounts

(D) credited to Partners' Capital Accounts

Correct Answer: (A) debited to Revaluation Account

Solution:

Concept:

- A specific reserve is first applied against the corresponding liability; any excess claim is a loss on revaluation.
- Revaluation Account is debited for increases in liabilities or expenses arising on reconstitution.

Step 1: Compare reserve with claim The existing reserve is Rs 80,000, whereas the estimated workmen compensation claim is Rs 1,00,000. Thus the uncovered liability is $1,00,000 - 80,000 = \text{Rs } 20,000$. The reserve covers only part of the obligation.

Step 2: Identify the account affected The uncovered amount is a revaluation loss, so it is debited to Revaluation Account. Crediting Revaluation Account would wrongly treat the liability increase as a gain. Partners bear the resulting net revaluation loss through its eventual transfer, but the shortfall itself is not directly credited or debited to their capital accounts.

Step 3: Conclusion The shortfall of Rs 20,000 is debited to Revaluation Account. Hence, the correct option is (A).

Quick Tip to Solve: Compare the claim with its specific reserve first; a claim exceeding the reserve creates a revaluation debit.

15. As per the provisions of Companies Act, 2013 Securities Premium cannot be utilized for: [1 mark]

(A) buy back of shares

(B) issue of partly paid bonus shares

(C) writing off discount on issue of debentures

(D) writing off preliminary expenses

Correct Answer: (B) issue of partly paid bonus shares

Solution:

Concept:

- Securities premium may be used for issuing fully paid bonus shares and for specified capital purposes.
- Permitted uses include buy-back, writing off preliminary expenses and writing off discount on issue of debentures.

Step 1: Check the restriction on bonus shares The permitted bonus issue must consist of fully paid bonus shares. A use of securities premium for the issue of partly paid bonus shares does not meet this condition. The word "partly" is the decisive distinction in option (B).

Step 2: Eliminate the other choices Buy-back of shares is a permitted use, as are writing off discount on issue of debentures and writing off preliminary expenses. Consequently, options (A), (C) and (D) describe permissible applications and cannot answer a question asking which application is prohibited.

Step 3: Conclusion Securities Premium cannot be utilised for issue of partly paid bonus shares. Hence, the correct option is (B).

Quick Tip to Solve: In a bonus-share question, check whether the shares are fully paid; partly paid bonus shares are the trap.

16. If vendors are issued fully paid shares of Rs. 1,25,000 in purchase consideration of net assets of Rs. 1,50,000, the balance of Rs. 25,000 will be credited to: [1 mark]

(A) Statement of Profit and Loss

(B) Goodwill Account

(C) Capital Reserve Account

(D) Profit and Loss Adjustment Account

Correct Answer: (C) Capital Reserve Account

Solution:

Concept:

- Net assets equal assets taken over less liabilities assumed.
- When net assets acquired exceed purchase consideration, the difference is a capital profit credited to Capital Reserve.

Step 1: Compare net assets and consideration The vendor receives fully paid shares worth Rs 1,25,000 as purchase consideration. The net assets acquired are Rs 1,50,000. Their excess is

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

Step 2: Classify the excess The surplus arises from the acquisition transaction and is capital in nature; it is not an operating profit for the Statement of Profit and Loss. Goodwill arises in the reverse situation, when consideration exceeds net assets. Profit and Loss Adjustment Account is not used to record this capital surplus.

Step 3: Conclusion Rs 25,000 is credited to Capital Reserve Account. Hence, the correct option is (C).

Quick Tip to Solve: Net assets above purchase consideration mean capital reserve; reverse the inequality to identify goodwill.

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17. Reeha, Meenu and Sara were partners in a partnership firm sharing profits and losses in the ratio of 2:2:1. With effect from 1st April, 2023, they agreed to share profits and losses equally. On that date, there was a General Reserve of Rs. 50,000 in the books of the firm. It was agreed that:

(i) Goodwill of the firm be valued at Rs. 3,00,000.

(ii) Profit on revaluation of assets and re-assessment of liabilities amounted to Rs. 30,000.

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

Solution:

Concept:

- Accumulated reserves and revaluation profit belong to partners in the old ratio, here $2:2:1$.
- For goodwill adjustment, gaining partners compensate sacrificing partners; sacrifice equals old share minus new share.

Step 1: Calculate sacrifice and gain Reeha and Meenu each sacrifice $2/5 - 1/3 = 1/15$. Sara gains $1/3 - 1/5 = 2/15$. At goodwill of Rs 3,00,000, each sacrificing partner receives Rs 20,000 and Sara is debited Rs 40,000. General Reserve is distributed as Rs 20,000, Rs 20,000 and Rs 10,000; revaluation profit as Rs 12,000, Rs 12,000 and Rs 6,000.

Step 2: Record the journal entries Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	General Reserve A/c Dr.		50,000	
	To Reeha's Capital A/c			20,000
	To Meenu's Capital A/c			20,000
	To Sara's Capital A/c			10,000
	(Being reserve distributed in old ratio)			
1-4-2023	Revaluation A/c Dr.		30,000	
	To Reeha's Capital A/c			12,000
	To Meenu's Capital A/c			12,000
	To Sara's Capital A/c			6,000
	(Being revaluation profit distributed in old ratio)			
1-4-2023	Sara's Capital A/c Dr.		40,000	
	To Reeha's Capital A/c			20,000
	To Meenu's Capital A/c			20,000
	(Being goodwill adjusted through capital accounts)			

Step 3: Conclusion Reserve and revaluation profit are transferred in the old ratio; Sara compensates Reeha and Meenu with Rs 20,000 each for goodwill.

Quick Tip to Solve: Keep old-ratio distributions separate from goodwill: only the change in shares determines goodwill compensation.

18(a). Mahesh Ltd. purchased Plant and Machinery from Ish Ltd. for Rs. 4,50,000. Rs. 50,000 was paid by cheque to Ish Ltd. and the balance by issuing 6% debentures of Rs. 100 each at a discount of 20%.

Pass the necessary Journal Entries for the above transactions in the books of Mahesh Ltd. [3 marks]

Solution:

Concept:

- Debentures issued at discount settle a vendor at their issue price, not their face value.
- Discount on Issue of Debentures is debited; the Debentures Account is credited with nominal value.

Step 1: Find the number and face value of debentures The unpaid purchase consideration is $4,50,000 - 50,000 = \text{Rs } 4,00,000$. Issue price per debenture is $100 - 20\% \times 100 = \text{Rs } 80$. Hence $4,00,000/80 = 5,000$ debentures are issued. Their nominal value is Rs 5,00,000 and discount is $5,000 \times 20 = \text{Rs } 1,00,000$. The 6% rate determines interest; it does not affect the issue price.

Step 2: Record purchase and settlement Journal of Mahesh Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Plant and Machinery A/c Dr. To Ish Ltd. (Being plant and machinery purchased)		4,50,000	4,50,000
	Ish Ltd. Dr. To Bank A/c (Being part payment made by cheque)		50,000	50,000
	Ish Ltd. Dr. Discount on Issue of Debentures A/c Dr. To 6% Debentures A/c (Being 5,000 debentures issued at 20% discount in settlement)		4,00,000 1,00,000	5,00,000

Step 3: Conclusion Mahesh Ltd. issues 5,000 debentures of Rs 100 each, recording Rs 1,00,000 as discount, to settle the balance of Rs 4,00,000.

Quick Tip to Solve: Divide the vendor balance by Rs 80, the issue price, before calculating the nominal debenture credit.

OR

18(b). Manika Ltd. forfeited 500 shares of Rs. 100 each for non-payment of first call of Rs. 20 per share and second and final call of Rs. 25 per share. 250 of these shares were reissued at Rs. 50 per share fully paid up. Pass the Journal Entries for forfeiture and reissue of shares. [3 marks]

Solution:

Concept:

- On forfeiture, Share Capital is debited with called-up capital and unpaid calls are credited; money already received is credited to Share Forfeiture.
- Reissue discount is debited to Share Forfeiture. Only the surplus relating to shares actually reissued goes to Capital Reserve.

Step 1: Calculate forfeiture and reissue amounts The final call has been made, so called-up capital is $500 \times 100 = \text{Rs } 50,000$. Unpaid first call is Rs 10,000 and unpaid final call is Rs 12,500. Amount received, and therefore forfeited, is $50,000 - 10,000 - 12,500 = \text{Rs } 27,500$, or Rs 55 per share. Reissue cash is $250 \times 50 = \text{Rs } 12,500$; reissue discount is also Rs 12,500. The forfeiture attributable to the 250 reissued shares is Rs 13,750, leaving Rs 1,250 as capital profit.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		50,000	
	To Share First Call A/c			10,000
	To Share Second and Final Call A/c			12,500
	To Share Forfeiture A/c			27,500
	(Being 500 shares forfeited for unpaid calls)			
	Bank A/c Dr.		12,500	
	Share Forfeiture A/c Dr.		12,500	
	To Share Capital A/c			25,000
	(Being 250 shares reissued fully paid at Rs 50 each)			
	Share Forfeiture A/c Dr.		1,250	
	To Capital Reserve A/c			1,250
	(Being surplus on reissued shares transferred)			

Step 3: Conclusion Forfeiture is Rs 27,500; reissue discount is Rs 12,500; Rs 1,250 is transferred to Capital Reserve. The remaining Rs 13,750 in Share Forfeiture relates to shares not yet reissued.

Quick Tip to Solve: Allocate forfeiture to the 250 reissued shares first; do not transfer the balance belonging to unreissued shares.

19(a). **Aayush and Krish are partners sharing profits and losses equally. They decided to admit Vansh for an equal share in the profits. For this purpose, the goodwill of the firm was to be valued at four years purchase of super profits.**

The balance sheet of the firm on 31.3.2023 before admission of Vansh was as follows:

Balance Sheet of Aayush and Krish as on 31.3.2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals: Aayush 90,000 / Krish 50,000	1,40,000	Machinery	75,000
General Reserve	20,000	Furniture	15,000
Loan	25,000	Stock	30,000
Creditors	5,000	Debtors	20,000
		Cash	50,000
	1,90,000		1,90,000

The normal rate of return is 12% per annum. Average profit of the firm for the last four years was Rs. 30,000. Calculate Vansh's share of Goodwill. [3 marks]

Solution:

Concept:

- Capital employed is the net assets financed by the partners: total assets less outside liabilities. General reserve belongs to the partners and is included in capital employed.
- Normal profit = Capital employed $\times$ normal rate of return; super profit = Average profit minus normal profit.
- Goodwill = Super profit $\times$ years of purchase. An incoming partner brings goodwill in proportion to the profit share acquired.

Step 1: Calculate capital employed The total assets are Rs 1,90,000. The loan of Rs 25,000 and creditors of Rs 5,000 are outside liabilities and must be excluded in finding the partners' funds employed in the business.

$$\begin{aligned}\text{Capital employed} &= 1,90,000 - (25,000 + 5,000)\\ &= \text{Rs } 1,60,000.\end{aligned}$$

This is also verified as capitals of Rs 1,40,000 plus general reserve of Rs 20,000. The reserve is not an outside liability.

Step 2: Calculate normal profit, super profit and goodwill At the normal return of 12% per annum,

$$\begin{aligned}\text{Normal profit} &= 1,60,000 \times \frac{12}{100} = \text{Rs } 19,200,\\ \text{Super profit} &= 30,000 - 19,200 = \text{Rs } 10,800,\\ \text{Firm's goodwill} &= 10,800 \times 4 = \text{Rs } 43,200.\end{aligned}$$

Only the excess of average profit over normal profit is capitalised at four years' purchase; the average profit itself is not multiplied by four.

Step 3: Determine Vansh's share After admission, Aayush, Krish and Vansh have equal profit shares.

Hence each partner's new share is $\frac{1}{3}$, including Vansh's share.

$$\text{Vansh's share of goodwill} = 43,200 \times \frac{1}{3} = \text{Rs } 14,400.$$

Step 4: Conclusion Vansh's share of goodwill is $\boxed{\text{Rs } 14,400}$.

Quick Tip to Solve: Include the general reserve in capital employed, deduct only outside liabilities, then multiply goodwill by Vansh's new share of one-third.

OR

19(b). Varun, Tarun, Arun and Barun were partners in a firm sharing profits in the ratio of 5:3:2:2. Arun retired on 31st March, 2023. Varun, Tarun and Barun decided to share future profits equally. On Arun's retirement, Goodwill of the firm was valued at Rs. 9,00,000. Showing your workings clearly, pass the necessary Journal entry for treatment of Goodwill on Arun's retirement without opening goodwill account. [3 marks]

Solution:

Concept:

- Gain in profit share = New share minus old share. A negative gain is a sacrifice and must be credited rather than debited.
- Without opening a goodwill account, debit gaining partners and credit the retiring and sacrificing partners with the goodwill attributable to their changes in shares.

Step 1: Find gains and sacrifices of continuing partners The old ratio is $5:3:2:2$, so the old shares are $\frac{5}{12}, \frac{3}{12}, \frac{2}{12}, \frac{2}{12}$. Arun retires and the three continuing partners share equally; each new share is $\frac{1}{3} = \frac{4}{12}$.

$$\text{Varun: } \frac{4}{12} - \frac{5}{12} = -\frac{1}{12} \quad \text{(sacrifice)},$$
$$\text{Tarun: } \frac{4}{12} - \frac{3}{12} = \frac{1}{12} \quad \text{(gain)},$$
$$\text{Barun: } \frac{4}{12} - \frac{2}{12} = \frac{2}{12} \quad \text{(gain)}.$$

Varun also sacrifices a share, so he receives goodwill compensation along with Arun. The net gain, $3/12 - 1/12 = 2/12$, equals Arun's outgoing share.

Step 2: Compute goodwill compensation Using total goodwill of Rs 9,00,000, Tarun is debited with $9,00,000 \times \frac{1}{12} = \text{Rs } 75,000$, and Barun with $9,00,000 \times \frac{2}{12} = \text{Rs } 1,50,000$. Varun is credited with Rs 75,000 for his sacrifice, and Arun is credited with $9,00,000 \times \frac{2}{12} = \text{Rs } 1,50,000$. Total debits and credits both equal Rs 2,25,000.

Step 3: Pass the adjustment entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.3.2023	Tarun's Capital A/c Dr.		75,000	
	Barun's Capital A/c Dr.		1,50,000	
	To Varun's Capital A/c			75,000
	To Arun's Capital A/c			1,50,000
	(Being goodwill adjusted for Arun's retirement and Varun's sacrifice through partners' capital accounts)			

Step 4: Conclusion Debit Tarun and Barun by Rs 75,000 and Rs 1,50,000; credit Varun and Arun by Rs 75,000 and Rs 1,50,000 respectively.

Quick Tip to Solve: Calculate each continuing partner's change separately: Varun sacrifices despite continuing in the firm.

20. Atul and Gita were partners in a firm sharing profits and losses in the ratio of 3:2. Their fixed capitals were Rs. 4,00,000 and Rs. 2,00,000 respectively. After the accounts for the year were prepared, it was noticed that interest on capital @ 6% p.a., as provided in the partnership deed, was not credited to the capital accounts of partners before distribution of profits.

Pass the necessary adjusting Journal entry. Show your workings clearly. [3 marks]

Solution:

Concept:

- Interest on capital is a profit appropriation. When it has been omitted, first calculate the interest due, then reverse the excess profit already distributed in the profit-sharing ratio.
- Under the fixed capital method, adjustments for interest and profit shares are recorded in partners' current accounts; their fixed capital balances remain unchanged.

Step 1: Calculate the omitted interest Atul's fixed capital is Rs 4,00,000 and Gita's is Rs 2,00,000. At the stipulated rate of 6% per annum:

$$\text{Atul's interest} = 4,00,000 \times \frac{6}{100} = \text{Rs } 24,000,$$
$$\text{Gita's interest} = 2,00,000 \times \frac{6}{100} = \text{Rs } 12,000.$$

Total omitted interest is Rs 36,000. This should have been appropriated before distributing the balance of profit.

Step 2: Compare interest due with excess profit received Because interest was omitted, distributable profit was overstated by Rs 36,000 and was already distributed in the ratio $3:2$. Atul received excess profit of $36,000 \times 3/5 = \text{Rs } 21,600$; Gita received $36,000 \times 2/5 = \text{Rs } 14,400$.

Particulars	Atul (Rs)	Gita (Rs)
Interest to be credited	24,000	12,000
Excess profit to be debited	21,600	14,400
Net adjustment	2,400 (Cr.)	2,400 (Dr.)

Thus Atul has been under-credited by Rs 2,400, while Gita has been over-credited by the same amount.

A single transfer corrects both balances.

Step 3: Record the adjustment through current accounts Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Gita's Current A/c Dr. To Atul's Current A/c (Being omitted interest on fixed capitals adjusted after reversing excess profit distributed in the ratio 3:2)		2,400	 2,400

The entry uses current accounts because the partners follow the fixed capital method. It does not record the gross interest a second time or alter the total profit already allocated between partners.

Step 4: Conclusion Debit Gita's Current A/c and credit Atul's Current A/c with $\boxed{\text{Rs } 2,400}$.

Quick Tip to Solve: Offset each partner's interest due against their share of the total omitted interest; use current accounts when capitals are fixed.

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21. Ronit Ltd. was registered with an authorised capital of Rs. 75,00,000 divided into 75,000 equity shares of Rs. 100 each. The company invited applications for issuing 45,000 shares.

The amount was payable as follows: Rs. 30 per share on application, Rs. 30 per share on allotment, Rs. 25 per share on first call and balance on final call.

Applications were received for 42,000 shares and allotment was made to all the applicants. Charvi, to whom 3,300 shares were allotted, failed to pay both the calls. Her shares were forfeited. Present the share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare notes to accounts. [4 marks]

Solution:

Concept:

- Authorised capital is the maximum registered capital; issued capital is the part offered for subscription. Subscribed capital includes only shares actually allotted.
- After forfeiture the called-up capital of forfeited shares is removed, but the money already received is shown as forfeited shares (amount originally paid-up) within share capital until reissue.

Step 1: Calculate capital after forfeiture The final call per share is $100 - 30 - 30 - 25 = \text{Rs } 15$. Charvi paid application and allotment money, namely $30 + 30 = \text{Rs } 60$ per share, but neither call. Unpaid calls are $3,300 \times (25 + 15) = \text{Rs } 1,32,000$. On forfeiture the entire called-up capital of her 3,300 shares is cancelled, and $3,300 \times 60 = \text{Rs } 1,98,000$ remains in Share Forfeiture Account.

Remaining subscribed and fully paid shares are $42,000 - 3,300 = 38,700$, giving capital of $38,700 \times 100 = \text{Rs } 38,70,000$. The 3,000 shares without applications remain outside subscribed capital.

Step 2: Prepare the prescribed extract and note Balance Sheet of Ronit Ltd. (Extract)

Particulars	Note	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share capital	1	40,68,000

Notes to Accounts: Note 1 – Share Capital

Particulars	Amount (Rs)
Authorised capital: 75,000 equity shares of Rs 100 each	 75,00,000
Issued capital: 45,000 equity shares of Rs 100 each	 45,00,000
Subscribed and fully paid-up capital: 38,700 equity shares of Rs 100 each Add: Forfeited shares (amount originally paid-up)	 38,70,000 1,98,000
Total share capital	40,68,000

The unpaid calls on Charvi's shares are cancelled by forfeiture and are not deducted again from the remaining fully paid-up capital. No subscribed but not fully paid-up shares remain.

Step 3: Conclusion Share capital under shareholders' funds is Rs 40,68,000: Rs 38,70,000 on fully paid equity shares plus Rs 1,98,000 originally received on forfeited shares.

Quick Tip to Solve: Remove forfeited shares from subscribed shares first, then add back only the money received on those forfeited shares in the share capital note.

22. Ram, Ravi and Rohan were partners sharing profits in the ratio of 2:3:1. On 31st March, 2023, their Balance Sheet was as follows:

Balance Sheet of Ram, Ravi and Rohan as on 31.3.2023

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	3,62,000	Cash	14,000
General Reserve	18,000	Bank	2,96,000
Capitals:		Stock	80,000
Ram: Rs 1,00,000		Debtors: Rs 3,00,000	
Ravi: Rs 2,00,000		Less: Provision for	
Rohan: Rs 3,00,000	6,00,000	doubtful debts: Rs 10,000	2,90,000
		Investments	50,000
		Land	2,50,000
Total	9,80,000	Total	9,80,000

Rohan died on 30th September, 2023. On the death of a partner the partnership deed provided for the following:

(i) Goodwill was to be valued at two years purchase of average profit of last three years. The profits for the last three years were: 2020-21 Rs. 45,000, 2021-22 Rs. 90,000 and 2022-23 Rs. 1,35,000.

(ii) Deceased partner's share of profit till the date of his death will be calculated on the basis of average profit of last three years.

Prepare Rohan's Capital Account to be rendered to his executors. [4 marks]

Solution:

Concept:

- A deceased partner's capital account is credited with the opening capital, share of accumulated reserves, goodwill compensation and profit earned up to the date of death. Its balance is transferred to the executor's account.
- Rohan's profit share is $1/(2+3+1) = 1/6$. Average annual profit forms the basis both for goodwill valuation and the time-proportionate profit till death.

Step 1: Compute reserve and goodwill entitlements Rohan's share of the existing General Reserve is Rs $18,000 \times 1/6 =$ Rs $3,000$. The average annual profit for the three completed years is

$$\frac{45,000 + 90,000 + 1,35,000}{3} = \text{Rs } 90,000.$$

The firm's goodwill, valued at two years' purchase, is $90,000 \times 2 =$ Rs $1,80,000$. Rohan's share of goodwill is therefore $1,80,000 \times 1/6 =$ Rs $30,000$. As no new ratio is specified, Ram and Ravi continue in their relative old ratio of $2:3$, which is also their gaining ratio. They compensate Rohan by Rs 12,000 and Rs 18,000 respectively through their capital accounts; goodwill need not be raised as an asset.

Step 2: Calculate profit from 1 April to the date of death From 1 April 2023 to 30 September 2023 is six months. The estimated profit of the firm for this period is $90,000 \times 6/12 =$ Rs $45,000$. Rohan's share is

$$90,000 \times \frac{6}{12} \times \frac{1}{6} = \text{Rs } 7,500.$$

This amount is credited to Rohan's capital and debited to Profit and Loss Suspense Account because the current year's final profit has not yet been determined. No interest, drawings or revaluation adjustment is specified.

Step 3: Prepare Rohan's Capital Account Rohan's Capital Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Rohan's Executor's A/c	3,40,500	By Balance b/d	3,00,000	
			By General Reserve A/c	3,000	
			By Ram's Capital A/c	12,000	
			By Ravi's Capital A/c	18,000	
			By Profit and Loss Suspense A/c	7,500	
	Total	3,40,500	Total	3,40,500	

The balance due is transferred to the executor's account, so Rohan's capital account closes. The transfer does not imply immediate cash payment; the question specifies no payment arrangement.

Step 4: Conclusion Rs 3,40,500 is due to Rohan's executors, comprising capital Rs 3,00,000, reserve Rs 3,000, goodwill Rs 30,000 and profit till death Rs 7,500.

Quick Tip to Solve: Use the same average annual profit twice: multiply by two for goodwill, but by six-twelfths for the profit accrued before Rohan's death.

23(a). Lazal Ltd. invited applications for issuing 2,00,000 equity shares of Rs. 10 each, at 20% premium. Amount per share was payable as follows: Rs. 5 on application; Rs. 4 (including premium) on allotment; and balance on first and final call. Public applied for 3,20,000 shares, out of which applications for 20,000 shares were rejected and shares were allotted on pro-rata basis to the remaining applications. Kavita, an applicant of 15,000 shares failed to pay allotment and call money. Her shares were forfeited.

Pass necessary Journal entries for the above transactions in the books of the company. [6 marks]

Solution:

Concept:

- Pro-rata allotment distributes allotted shares in proportion to accepted applications. Excess application money is adjusted against the allotment amount due.
- Share capital excludes securities premium. On forfeiture, debit the called-up capital and credit unpaid instalments and the capital amount already received to Share Forfeiture. Premium already received is retained.

Step 1: Calculate pro-rata adjustment and the default The accepted applicants applied for $3,20,000 - 20,000 = 3,00,000$ shares and received 2,00,000 shares: the application-to-allotment ratio is $3:2$. Application receipts are Rs 16,00,000; refund is Rs 1,00,000; application capital is Rs 10,00,000; and the excess carried to allotment is Rs 5,00,000. The allotment demand is Rs 8,00,000, including premium Rs 4,00,000. The call is $12 - 5 - 4 =$ Rs 3 per share.

Kavita receives $15,000 \times 2/3 = 10,000$ shares. Her application payment is Rs 75,000; Rs 50,000 relates to application on allotted shares and Rs 25,000 adjusts allotment. Her allotment demand is Rs 40,000, leaving Rs 15,000 unpaid. Her premium of Rs 20,000 is covered by the excess application money, so no premium is reversed at forfeiture. Her call arrears are $10,000 \times 3 =$ Rs $30,000$. Capital received is $75,000 - 20,000 =$ Rs $55,000$.

Step 2: Record the journal entries Journal of Lazal Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		16,00,000	
	To Share Application A/c			16,00,000
	(Being application money received on 3,20,000 shares at Rs 5 each)			
	Share Application A/c Dr.		16,00,000	
	To Share Capital A/c			10,00,000
	To Share Allotment A/c			5,00,000
	To Bank A/c			1,00,000
	(Being application money transferred, excess adjusted and rejected applications refunded)			
	Share Allotment A/c Dr.		8,00,000	
	To Share Capital A/c			4,00,000
	To Securities Premium A/c			4,00,000
	(Being allotment money due on 2,00,000 shares, including Rs 2 premium per share)			
	Bank A/c Dr.		2,85,000	
	To Share Allotment A/c			2,85,000
	(Being allotment balance received except Kavita's arrears of Rs 15,000)			
	Share First and Final Call A/c Dr.		6,00,000	
	To Share Capital A/c			6,00,000
	(Being first and final call of Rs 3 per share became due)			
	Bank A/c Dr.		5,70,000	
	To Share First and Final Call A/c			5,70,000
	(Being call money received except Rs 30,000 due from Kavita)			
	Share Capital A/c Dr.		1,00,000	
	To Share Allotment A/c			15,000
	To Share First and Final Call A/c			30,000
	To Share Forfeiture A/c			55,000
	(Being Kavita's 10,000 fully called shares forfeited for unpaid allotment and call)			

Step 3: Conclusion Kavita's 10,000 shares are forfeited: Share Capital is debited by Rs 1,00,000 and Share Forfeiture is credited by Rs 55,000. Allotment and call arrears are Rs 15,000 and Rs 30,000 respectively.

Quick Tip to Solve: Separate premium from capital before computing the forfeiture credit; adjust excess application money before finding unpaid allotment.

OR

23(b). Chand Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The amount per share was payable as follows: Rs. 4 (including premium) on application, Rs. 5 on allotment and balance on first and final call. Applications were received for 1,80,000 shares of which applications for 30,000 shares were rejected and remaining applicants were allotted shares on pro-rata basis. Mansi holding 5,000 shares failed to pay first and final call money and her shares were forfeited.

Pass necessary Journal entries for the above transactions in the books of the company. [6 marks]

Solution:

Concept:

- Pro-rata allotment distributes allotted shares in proportion to accepted applications. Excess application money is adjusted against the allotment amount due.
- Share capital excludes securities premium. On forfeiture, debit the called-up capital and credit unpaid instalments and the capital amount already received to Share Forfeiture. Premium already received is retained.

Step 1: Calculate pro-rata adjustment and the default The accepted applicants applied for $1,80,000 - 30,000 = 1,50,000$ shares and received 1,00,000 shares, giving an application-to-allotment ratio of $3:2$. Application receipts are $1,80,000 \times 4 =$ Rs $7,20,000$. Rejected applicants receive $30,000 \times 4 =$ Rs $1,20,000$. Of the accepted application money of Rs 6,00,000, Rs 2,00,000 is share capital and Rs 2,00,000 is premium. The remaining Rs 2,00,000 adjusts allotment.

Allotment due is $1,00,000 \times 5 =$ Rs $5,00,000$, so cash received on allotment is Rs 3,00,000. The final call is $12 - 4 - 5 =$ Rs 3 per share, entirely capital. Mansi holds 5,000 allotted shares; her unpaid call is $5,000 \times 3 =$ Rs $15,000$. She has paid capital of Rs 7 per share: application capital Rs 2 and allotment capital Rs 5. Therefore forfeiture credit is $5,000 \times 7 =$ Rs $35,000$. Her premium was received on application and remains in Securities Premium.

Step 2: Record the journal entries Journal of Chand Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,20,000	
	To Share Application A/c			7,20,000
	(Being application money received on 1,80,000 shares at Rs 4 each)			
	Share Application A/c Dr.		7,20,000	
	To Share Capital A/c			2,00,000
	To Securities Premium A/c			2,00,000
	To Share Allotment A/c			2,00,000
	To Bank A/c			1,20,000
	(Being application money transferred, excess adjusted and rejected applications refunded)			
	Share Allotment A/c Dr.		5,00,000	
	To Share Capital A/c			5,00,000
	(Being allotment money of Rs 5 per share became due)			
	Bank A/c Dr.		3,00,000	
	To Share Allotment A/c			3,00,000
	(Being allotment money received after adjustment of excess application money)			
	Share First and Final Call A/c Dr.		3,00,000	
	To Share Capital A/c			3,00,000
	(Being first and final call of Rs 3 per share became due)			
	Bank A/c Dr.		2,85,000	
	To Share First and Final Call A/c			2,85,000
	(Being call money received except Rs 15,000 due from Mansi)			
	Share Capital A/c Dr.		50,000	
	To Share First and Final Call A/c			15,000
	To Share Forfeiture A/c			35,000
	(Being Mansi's 5,000 fully called shares forfeited for non-payment of call)			

Step 3: Conclusion Mansi's 5,000 shares are forfeited: Share Capital is debited by Rs 50,000, the unpaid call is credited by Rs 15,000 and Share Forfeiture is credited by Rs 35,000.

Quick Tip to Solve: Separate premium from capital before computing the forfeiture credit; adjust excess application money before finding unpaid allotment.

24(a). Anikesh and Bhavesh are partners in a firm sharing profits in the ratio of 7:3. Their Balance Sheet as on 31st March, 2023 was as follows:

Balance Sheet of Anikesh and Bhavesh as on 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	60,000	Cash	36,000
Outstanding wages	9,000	Debtors 54,000 Less: Provision for doubtful debts 6,000	48,000
General Reserve	15,000	Stock	60,000
Capitals: Anikesh 1,20,000 / Bhavesh 1,80,000	3,00,000	Furniture	1,20,000
		Machinery	1,20,000
	3,84,000		3,84,000

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

(i) Chahat will bring Rs. 90,000 as her capital and Rs. 30,000 as her share of Goodwill premium.

(ii) Outstanding wages will be paid.

(iii) Stock will be reduced by 10%.

(iv) A creditor of Rs. 6,300, not recorded in the books, was to be taken into account.

Pass necessary Journal Entries for the above transactions in the books of the firm. [6 marks]

Solution:

Concept:

- Accumulated reserves belong to the old partners and are transferred in their old profit-sharing ratio, $7:3$. Revaluation losses also belong to the old partners.
- Goodwill premium compensates the sacrificing partners. In the absence of another arrangement, Anikesh and Bhavesh sacrifice in their old ratio. Payment of an existing liability does not create a fresh expense.

Step 1: Determine the adjustments Chahat brings Rs 90,000 as capital and Rs 30,000 as goodwill premium, so cash received is Rs 1,20,000. The premium is credited to Anikesh and Bhavesh as Rs 21,000 and Rs 9,000. General reserve of Rs 15,000 is distributed as Rs 10,500 and Rs 4,500 respectively. Stock decreases by $60,000 \times 10\% = \text{Rs } 6,000$. The unrecorded creditor creates an additional loss of Rs 6,300. Thus, the revaluation loss is Rs 12,300, borne by Anikesh and Bhavesh as $12,300 \times 7/10 = \text{Rs } 8,610$ and $12,300 \times 3/10 = \text{Rs } 3,690$.

Step 2: Record admission, reserve and goodwill Journal of Anikesh, Bhavesh and Chahat (1st April, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
2023	General Reserve A/c Dr.		15,000	
Apr. 1	To Anikesh's Capital A/c			10,500
	To Bhavesh's Capital A/c			4,500
	(Being reserve distributed in the old ratio)			
Apr. 1	Cash A/c Dr.		1,20,000	
	To Chahat's Capital A/c			90,000
	To Premium for Goodwill A/c			30,000
	(Being capital and goodwill premium received)			
Apr. 1	Premium for Goodwill A/c Dr.		30,000	
	To Anikesh's Capital A/c			21,000
	To Bhavesh's Capital A/c			9,000
	(Being premium credited in sacrificing ratio)			

Step 3: Record settlement and revaluation Journal of the firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
2023	Outstanding Wages A/c Dr.		9,000	
Apr. 1	To Cash A/c			9,000
	(Being outstanding wages paid)			
Apr. 1	Revaluation A/c Dr.		6,000	
	To Stock A/c			6,000
	(Being stock reduced by ten per cent)			
Apr. 1	Revaluation A/c Dr.		6,300	
	To Creditors A/c			6,300
	(Being unrecorded creditor recognised)			
Apr. 1	Anikesh's Capital A/c Dr.		8,610	
	Bhavesh's Capital A/c Dr.		3,690	
	To Revaluation A/c			12,300
	(Being revaluation loss transferred in old ratio)			

No goodwill asset is raised because the incoming partner pays the premium in cash. The outstanding wages were already provided for, so their payment affects only cash and the liability.

Step 4: Conclusion The journal entries above record all admission adjustments. Revaluation loss is Rs 12,300; the resulting capitals are Anikesh Rs 1,42,890, Bhavesh Rs 1,89,810 and Chahat Rs 90,000.

Quick Tip to Solve: Separate payment of an already recorded liability from a new revaluation loss; distribute goodwill in the sacrificing ratio.

OR

24(b). Prina, Qadir and Kian were partners in a firm sharing profits in the ratio of 7:2:1. On 31st March, 2023 their Balance Sheet was as follows:

Balance Sheet of Prina, Qadir and Kian as on 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals: Prina 9,60,000 / Qadir 8,40,000 / Kian 9,00,000	27,00,000	Land	12,00,000
General Reserve	3,00,000	Building	9,00,000
Workmen's compensation Reserve	5,40,000	Furniture	3,60,000
Creditors	3,60,000	Stock	6,60,000
		Debtors 6,00,000 Less: Provision for doubtful debts 30,000	5,70,000
		Cash at Bank	2,10,000
	39,00,000		39,00,000

On the above date Qadir retired on the following terms:

(i) Goodwill of the firm was valued at Rs. 12,00,000.

(ii) Land was to be appreciated by 30% and building was to be depreciated by Rs. 3,54,000.

(iii) A provision of 6% is to be maintained on debtors.

(iv) Liability for workmen's compensation was determined at Rs. 1,40,000.

(v) Amount payable to Qadir was transferred to his loan account.

(vi) Total capital of the new firm was fixed at Rs. 16,00,000 which will be adjusted according to their new profit ratio by opening current accounts.

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

Solution:

Concept:

- Revaluation profit or loss and accumulated reserves are allocated in the old ratio, $7:2:1$. Only the excess workmen's compensation reserve over the actual liability is distributed.
- Goodwill due to the retiring partner is debited to the gaining partners. Required capitals are fixed in the new ratio, and differences are transferred to current accounts.

Step 1: Calculate revaluation and reserve adjustments Land appreciation is $12,00,000 \times 30\% =$ Rs $3,60,000$. Building depreciation is Rs 3,54,000. The required provision for doubtful debts is $6,00,000 \times 6\% =$ Rs $36,000$, so only the increase of Rs 6,000 is charged. Total losses are Rs 3,60,000, equal to the appreciation; revaluation profit is nil. The workmen's compensation reserve of Rs 5,40,000 first covers the liability of Rs 1,40,000. Its surplus of Rs 4,00,000, together with general reserve of Rs 3,00,000, gives Rs 7,00,000 distributed in the old ratio: Prina Rs 4,90,000, Qadir Rs 1,40,000 and Kian Rs 70,000.

Step 2: Prepare Revaluation Account Revaluation Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Building A/c	3,54,000	By Land A/c	3,60,000	
	To Provision for Doubtful Debts A/c	6,000			
	Total	3,60,000	Total	3,60,000	

The account closes with equal totals; no amount is transferred to partners' capitals.

Step 3: Calculate goodwill and required capitals As no new ratio is specified, the continuing partners share profits in their relative old ratio, $7:1$. Their gains are $7/8-7/10=7/40$ and $1/8-1/10=1/40$, giving a gaining ratio of $7:1$. Qadir's goodwill entitlement is $12,00,000\times 2/10=$ Rs $2,40,000$. Prina and Kian are debited Rs 2,10,000 and Rs 30,000 respectively, while Qadir is credited Rs 2,40,000. Adjusted capitals are therefore Prina $9,60,000+4,90,000-2,10,000=$ Rs $12,40,000$, Qadir $8,40,000+1,40,000+2,40,000=$ Rs $12,20,000$, and Kian $9,00,000+70,000-30,000=$ Rs $9,40,000$. Required capitals out of Rs 16,00,000 are Rs 14,00,000 and Rs 2,00,000. Hence Prina's capital is increased by debiting her current account Rs 1,60,000; Kian's surplus Rs 7,40,000 is credited to his current account. Qadir's whole balance is transferred to his loan account.

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

Dr.	Particulars	Prina Rs	Qadir Rs	Kian Rs	Particulars	Prina Rs	Qadir Rs	Kian Rs	Cr.
	To Qadir's Capital	2,10,000	–	30,000	By Balance b/d	9,60,000	8,40,000	9,00,000	
	To Qadir's Loan	–	12,20,000	–	By General Reserve	2,10,000	60,000	30,000	
	To Kian's Current	–	–	7,40,000	By Workmen's Compensation Reserve	2,80,000	80,000	40,000	
	To Balance c/d	14,00,000	–	2,00,000	By Prina's Capital	–	2,10,000	–	
					By Kian's Capital	–	30,000	–	
					By Prina's Current	1,60,000	–	–	
	Total	16,10,000	12,20,000	9,70,000	Total	16,10,000	12,20,000	9,70,000	

Step 5: Conclusion Revaluation profit is nil. Qadir's loan is Rs 12,20,000. Closing capitals are Prina Rs 14,00,000 and Kian Rs 2,00,000; current accounts show Prina debit Rs 1,60,000 and Kian credit Rs 7,40,000.

Quick Tip to Solve: Deduct the compensation liability before distributing its reserve, and charge only the increase in the debtors provision.

25. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Tina and Rina after the various assets (other than cash and bank) and external liabilities have been transferred to realisation account:

(i) There was an outstanding bill for repairs for which Rs. 20,000 were paid.

(ii) The firm had stock of Rs. 80,000. Tina took over 50% of the stock at a discount of 20% while the remaining stock was sold off for Rs. 52,000.

(iii) The firm had 100 shares of Rs. 10 each which were taken over by the partners at market value of Rs. 20 per share in their profit sharing ratio of 3:2.

(iv) Realisation expenses of Rs. 4,000 were paid by Rina.

(v) Tina had given a loan of Rs. 40,000 to the firm which was duly paid.

(vi) Rina agreed to pay off her husband's loan of Rs. 10,000 at a discount of 10%. [6 marks]

Solution:

Concept:

- After assets and external liabilities have been transferred, cash receipts and partner takeovers of assets credit Realisation Account; settlement of external liabilities debits it.
- A partner taking over an asset is debited through capital. A partner paying firm expenses or liabilities is credited through capital. A partner's own loan is settled separately.

Step 1: Pay the outstanding repairs bill The external liability has already been transferred to Realisation Account. Its payment is therefore debited to Realisation Account; the repairs expense is not debited again.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Bank A/c (Being outstanding repairs bill paid)		20,000	 20,000

Step 2: Dispose of the stock Tina takes stock with book value $80,000 \times 50\% = \text{Rs } 40,000$. The agreed takeover value is $40,000 \times 80\% = \text{Rs } 32,000$. The remaining stock realises Rs 52,000 in cash. Both proceeds are credited to Realisation Account.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tina's Capital A/c Dr. Bank A/c Dr. To Realisation A/c (Being stock taken over and balance sold)		32,000 52,000	 84,000

Step 3: Distribute the shares at market value The total agreed value is $100 \times 20 = \text{Rs } 2,000$, irrespective of the shares'nominal value. Tina takes $2,000 \times 3/5 = \text{Rs } 1,200$ and Rina takes $2,000 \times 2/5 = \text{Rs } 800$. Their capital accounts are debited for the assets received.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tina's Capital A/c Dr.		1,200	
	Rina's Capital A/c Dr.		800	
	To Realisation A/c			2,000
	(Being shares taken over in the ratio 3:2)			

Step 4: Record expenses paid by Rina Realisation expenses are a cost of dissolution borne by the firm. Since Rina pays them personally, she receives a credit in her capital account; the firm's bank account is unaffected.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		4,000	
	To Rina's Capital A/c			4,000
	(Being realisation expenses paid by Rina)			

Step 5: Repay Tina's loan A partner's loan is settled separately and is not transferred to Realisation Account. Debit Tina's Loan Account to extinguish its credit balance and credit Bank Account for the payment.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tina's Loan A/c Dr.		40,000	
	To Bank A/c			40,000
	(Being partner's loan repaid)			

Step 6: Record the husband's loan settled by Rina The husband's loan is an external liability already transferred to Realisation Account. Rina settles it for $10,000 \times 90\% = \text{Rs } 9,000$, so her capital is credited by this agreed payment. The discount of Rs 1,000 is automatically reflected as a gain in Realisation Account; no separate discount entry is needed.

Journal of Tina and Rina

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		9,000	
	To Rina's Capital A/c			9,000
	(Being husband's loan settled by Rina)			

Step 7: Conclusion The six transactions are recorded above; Tina takes stock at Rs 32,000 and the shares are taken over at Rs 2,000 in the ratio 3:2.

Quick Tip to Solve: Once transfers are complete, use Realisation for external settlements, but settle a partner's loan directly.

26. Pass necessary journal entries relating to issue of debentures and to write off discount/loss on issue of debentures in the books of Ajanta Ltd. in the following cases:

(i) 200, 9% debentures of Rs. 1,000 each are issued at 10% discount and redeemable at par. Balance in Securities Premium account is Rs. 15,000.

(ii) 300, 11% debentures of Rs. 1,000 each are issued at 5% discount and redeemable at a premium of 10%. Balance in Securities Premium account is Rs. 35,000. [6 marks]

Solution:

Concept:

- Debentures are credited at nominal value. Bank is debited with actual proceeds; issue discount is a debit balance.
- Loss on issue includes both issue discount and premium payable on redemption. Available Securities Premium is used to write it off, with the remainder charged to Statement of Profit and Loss.

Step 1: Case (i): issue and write off The nominal value is $200 \times 1,000 = \text{Rs } 2,00,000$. Cash received is nominal value less issue discount, namely Rs 1,80,000. The 9% is the annual interest rate and does not determine the issue proceeds. Issue discount is Rs 20,000 and redemption premium is Rs 0. Thus total discount/loss to be written off is Rs 20,000. Securities Premium of Rs 15,000 is used first; the balance Rs 5,000 is charged to Statement of Profit and Loss.

Journal of Ajanta Ltd. – Case (i)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,80,000	
	Discount on Issue of Debentures A/c Dr.		20,000	
	To 9% Debentures A/c			2,00,000
	(Being debentures issued on stated terms)			
	Securities Premium A/c Dr.		15,000	
	Statement of Profit and Loss Dr.		5,000	
	To Discount on Issue of Debentures A/c			20,000
	(Being discount/loss on issue written off)			

Step 2: Case (ii): issue and write off The nominal value is $300 \times 1,000 = \text{Rs } 3,00,000$. Cash received is nominal value less issue discount, namely Rs 2,85,000. The 11% is the annual interest rate and does not determine the issue proceeds. Issue discount is Rs 15,000 and redemption premium is Rs 30,000. Thus total discount/loss to be written off is Rs 45,000. Securities Premium of Rs 35,000 is used first; the balance Rs 10,000 is charged to Statement of Profit and Loss.

Journal of Ajanta Ltd. – Case (ii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,85,000	
	Loss on Issue of Debentures A/c Dr.		45,000	
	To 11% Debentures A/c			3,00,000
	To Premium on Redemption of Debentures A/c			30,000
	(Being debentures issued on stated terms)			
	Securities Premium A/c Dr.		35,000	
	Statement of Profit and Loss Dr.		10,000	
	To Loss on Issue of Debentures A/c			45,000
	(Being discount/loss on issue written off)			

Step 3: Conclusion Case (i): discount Rs 20,000 is written off using Securities Premium Rs 15,000 and Statement of Profit and Loss Rs 5,000. Case (ii): loss Rs 45,000 is written off using Securities Premium Rs 35,000 and Statement of Profit and Loss Rs 10,000.

Quick Tip to Solve: Add issue discount and redemption premium before applying the available Securities Premium balance.

Part B (20 marks)

OPTION - I (Analysis of Financial Statements)

27(a). The tool of 'Analysis of Financial Statements' which helps to assess the profitability, solvency and efficiency of an enterprise is known as: [1 mark]

(A) Cash flow statement

(B) Comparative statement

(C) Common size statement

(D) Ratio analysis

Correct Answer: (D) Ratio analysis

Solution:

Concept:

- Ratio analysis expresses relationships between financial statement items to assess profitability, liquidity, solvency and operating efficiency.
- Different ratio groups answer different questions: profitability ratios measure returns, solvency ratios assess long-term obligations and activity ratios measure resource use.

Step 1: Identify the comprehensive analytical tool The question names profitability, solvency and efficiency together. Ratio analysis includes ratios for all three purposes and therefore matches the description.

Step 2: Check the other choices A cash flow statement explains cash inflows and outflows. Comparative statements show changes between periods, while common size statements express items as

percentages of a common base. These tools are useful, but ratio analysis is the tool specifically used to assess the relationships named in the question.

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

Quick Tip to Solve: When profitability, solvency and efficiency are named together, look for the tool containing several groups of financial ratios.

OR

27(b). _____ is also known as the Acid Test Ratio. [1 mark]

(A) Current ratio

(B) Quick ratio

(C) Gross profit ratio

(D) Return on investment ratio

Correct Answer: (B) Quick ratio

Solution:

Concept:

- The quick ratio measures the ability to meet current liabilities from assets readily convertible into cash.
- Quick ratio $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$; quick assets exclude inventory and prepaid expenses.

Step 1: Identify the alternative name The acid test applies a stringent liquidity test by excluding less liquid current assets. This is precisely the quick ratio, which compares liquid assets with current liabilities.

Step 2: Eliminate the remaining options The current ratio includes all current assets, including inventory. The gross profit ratio measures trading profitability, while return on investment measures the return earned on capital employed. Neither is the acid test of liquidity.

Step 3: Conclusion Quick ratio is also known as the Acid Test Ratio. Hence, the correct option is (B).

Quick Tip to Solve: Associate acid test with quick assets: remove inventory and prepaid expenses from current assets.

28. Quick ratio of Megamart Ltd. is 1.5:1. Which of the following transactions will result in decrease in this ratio? [1 mark]

(A) Sale of goods costing Rs. 10,000 for Rs. 12,000.

(B) Cash collected from trade receivables Rs. 41,000.

(C) Purchase of goods for cash Rs. 38,000.

(D) Creditors were paid Rs. 11,000.

Correct Answer: (C) Purchase of goods for cash Rs. 38,000.

Solution:

Concept:

- Quick ratio = Quick assets/Current liabilities. Inventory is excluded from quick assets.
- Trace the effect of each transaction separately on quick assets and current liabilities.

Step 1: Find the transaction that reduces quick assets Purchasing goods for cash of Rs 38,000 reduces cash, a quick asset, by Rs 38,000 and increases inventory, which is excluded from quick assets. Current liabilities stay unchanged. Therefore, the numerator falls and the quick ratio decreases.

Step 2: Check all the other transactions Sale of goods for Rs 12,000 increases cash or receivables; inventory costing Rs 10,000 was never a quick asset, so the ratio increases. Collection of Rs 41,000 merely exchanges receivables for cash and leaves the ratio unchanged. Paying creditors reduces quick assets and current liabilities equally. Since initially $Q = 1.5L > L$, $(Q - 11,000)/(L - 11,000) > Q/L$, so that ratio increases.

Step 3: Conclusion Purchase of goods for cash of Rs 38,000 decreases the quick ratio. Hence, the correct option is (C).

Quick Tip to Solve: Cash spent on inventory lowers quick assets without lowering current liabilities; it therefore lowers the quick ratio.

29(a). **Statement I: Financing activities relate to long term funds or capital of an enterprise.**

Statement II: Separate disclosure of cash flows arising from financing activities is important because they represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

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

(A) Both Statement I and Statement II are correct.

(B) Both Statement I and Statement II are incorrect.

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

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

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

Solution:

Concept:

- Financing activities change the size and composition of owners' capital and borrowings of an enterprise.
- Investing activities concern acquiring and disposing of long-term assets and other investments.

Step 1: Judge Statement I Statement I is correct. Financing activities relate to the enterprise's long-term funds or capital, for example cash received from issuing shares or borrowing funds and cash paid to repay borrowings.

Step 2: Judge Statement II Statement II is incorrect. The stated explanation about expenditure on resources intended to generate future income and cash flows describes the importance of separate disclosure of investing activities. Financing cash flows instead help users predict claims on future cash flows by providers of capital. Thus, both-correct, both-incorrect and Statement-I-incorrect choices are eliminated.

Step 3: Conclusion Statement I is correct and Statement II is incorrect. Hence, the correct option is (D).

Quick Tip to Solve: Link future income-producing resources to investing; link providers of capital and borrowings to financing.

OR

29(b). What will be the effect of transaction 'Payment of employee benefit expenses' on the cash flow statement? [1 mark]

(A) Outflow from operating activities.

(B) Outflow from investing activities.

(C) Outflow from financing activities.

(D) No effect on cash flow.

Correct Answer: (A) Outflow from operating activities.

Solution:

Concept:

- Operating activities are the principal revenue-producing activities and other activities that are neither investing nor financing.
- Cash paid to employees for their services in ordinary business operations is an operating cash payment.

Step 1: Classify the payment Employee benefit expenses arise in running the business and earning its operating revenue. Their payment is therefore classified under operating activities in the cash flow statement.

Step 2: Determine the direction and reject alternatives Payment reduces cash and cash equivalents, so it is an outflow. It neither purchases a long-term asset or investment nor changes capital or borrowings; therefore it is not investing or financing. Because cash is actually paid, the no-effect option is also incorrect.

Step 3: Conclusion Payment of employee benefit expenses is an outflow from operating activities. Hence, the correct option is (A).

Quick Tip to Solve: For ordinary employee payments, classify the activity as operating and the cash movement as an outflow.

30.

	Purchased (Rs.)	Sold (Rs.)
Investments	**2,00,000**	**1,80,000**
Goodwill	**3,00,000**	**—**

From the above information, 'Cash flows from investing activities' will be: [1 mark]

(A) Inflow Rs. 3,20,000

(B) Outflow Rs. 3,20,000

(C) Outflow Rs. 20,000

(D) Inflow Rs. 20,000

Correct Answer: (B) Outflow Rs. 3,20,000

Solution:

Concept:

- Purchases and sales of investments and intangible non-current assets are investing activities.
- Net investing cash flow equals investing cash receipts less investing cash payments.

Step 1: Identify receipts and payments Sale of investments gives a cash inflow of Rs 1,80,000. Purchase of investments gives an outflow of Rs 2,00,000 and purchase of goodwill gives an outflow of Rs 3,00,000. There is no receipt from sale of goodwill.

Step 2: Calculate the net amount

$$\begin{aligned}\text{Net investing cash flow} &= 1,80,000 - 2,00,000 - 3,00,000 \\ &= -\text{Rs } 3,20,000.\end{aligned}$$

The negative sign denotes an outflow. Rs 20,000 accounts only for the net investment movement and wrongly omits the goodwill purchase; a positive amount would reverse the direction of the net cash movement.

Step 3: Conclusion Cash flows from investing activities show an outflow of Rs 3,20,000. Hence, the correct option is (B).

Quick Tip to Solve: Include goodwill purchases with investment purchases before subtracting the total payments from sale proceeds.

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

(i) Accrued Income

(ii) Capital Advances

(iii) Capital work-in-progress [3 marks]

Solution:

Concept:

- Schedule III groups assets into current assets and non-current assets, with further prescribed sub-heads.
- An accrued revenue receivable differs from an advance for a capital asset; an unfinished capital asset differs from an advance paid to acquire one.

Step 1: Classify accrued income Accrued income has been earned but has not yet been received. It is normally receivable within the operating cycle or the next twelve months. It is therefore shown under the major head Current Assets and the sub-head Other Current Assets. It is not cash already in hand and should not be included in cash and cash equivalents.

Step 2: Classify capital advances Capital advances are amounts paid towards acquisition of capital assets. Under the prescribed CBSE Schedule III classification, they are shown under Non-current Assets, under Long-term Loans and Advances. They are not treated as inventory or a current trade receivable merely because payment has already been made.

Step 3: Classify capital work-in-progress Capital work-in-progress represents expenditure on capital assets that are still under construction and not yet ready for use. It appears under Non-current Assets, within Fixed Assets, as Capital work-in-progress. The classifications are summarised in the following Balance Sheet extract.

Balance Sheet extract (Schedule III)

Item	Major head	Sub-head
Accrued income	Current Assets	Other Current Assets
Capital advances	Non-current Assets	Long-term Loans and Advances
Capital work-in-progress	Non-current Assets	Fixed Assets: Capital work-in-progress

Step 4: Conclusion Accrued income: Current Assets–Other Current Assets; capital advances: Non-current Assets–Long-term Loans and Advances; capital work-in-progress: Non-current Assets–Fixed Assets (Capital work-in-progress).

Quick Tip to Solve: Distinguish capital advances from construction expenditure: the former is an advance, the latter is capital work-in-progress.

32. A business has a current ratio of 3:1 and quick ratio of 1.2:1. If working capital is Rs. 1,80,000, calculate total current assets and inventory. [3 marks]

Solution:

Concept:

- Current ratio = Current assets/Current liabilities; working capital is current assets minus current liabilities.
- Quick ratio = Quick assets/Current liabilities. In the absence of prepaid expenses or other adjustments, inventory equals current assets minus quick assets.

Step 1: Find current liabilities from working capital Let current liabilities be x. Since the current ratio is $3:1$, current assets are $3x$. Hence,

$$\begin{aligned} \text{Working capital} &= 3x - x = 2x \\ 2x &= \text{Rs } 1,80,000 \\ x &= \text{Rs } 90,000. \end{aligned}$$

The difference between the two sides of the current ratio is therefore used to find the actual liability amount, rather than treating working capital as total assets.

Step 2: Calculate total current assets and quick assets Using current liabilities of Rs 90,000,

$$\begin{aligned} \text{Current assets} &= 3 \times 90,000 = \text{Rs } 2,70,000, \\ \text{Quick assets} &= 1.2 \times 90,000 = \text{Rs } 1,08,000. \end{aligned}$$

Both ratios use the same denominator, so the two asset amounts are directly comparable.

Step 3: Calculate inventory and verify No prepaid expenses or other non-quick current assets are given. Thus,

$$\begin{aligned} \text{Inventory} &= \text{Current assets} - \text{Quick assets} \\ &= 2,70,000 - 1,08,000 = \text{Rs } 1,62,000. \end{aligned}$$

Check: working capital is Rs $2,70,000 - 90,000 = 1,80,000$, and quick ratio is $(2,70,000 - 1,62,000)/90,000 = 1.2:1$, agreeing with both given conditions.

Step 4: Conclusion Total current assets are Rs 2,70,000 and inventory is Rs 1,62,000.

Quick Tip to Solve: Use working capital divided by (3 - 1) to find current liabilities, then multiply by (3 - 1.2) to obtain inventory.

33(a). Prepare a Common Size Balance Sheet of X Ltd. from the following information:

Balance Sheet of X Ltd. as on 31st March, 2023

Particulars	Note No.	31.3.2023 (Rs.)	31.3.2022 (Rs.)
I. Equity and Liabilities:			
1. Shareholders' funds			
(a) Equity Share Capital		30,00,000	15,00,000
(b) Reserves and Surplus		10,00,000	5,00,000
2. Non-current liabilities		20,00,000	20,00,000
3. Current liabilities		20,00,000	10,00,000
Total		80,00,000	50,00,000
II. Assets:			
1. Non-current assets		40,00,000	30,00,000
2. Current assets			
(a) Inventories		40,00,000	20,00,000
Total		80,00,000	50,00,000

[4 marks]

Solution:

Concept:

- A common size balance sheet expresses each equity, liability and asset item as a percentage of the total balance sheet of the same year.
- For each item, Common size percentage $= \dfrac{\text{Amount of item}}{\text{Total assets or total equity and liabilities}} \times 100$. The base is Rs 80,00,000 for 2023 and Rs 50,00,000 for 2022.

Step 1: Calculate the percentages for each year Use the separate total for each year. For 2023, equity share capital is $30,00,000/80,00,000 \times 100 = 37.50\%$; reserves are 12.50%; each liability category is 25%; and each asset category is 50%. For 2022, equity share capital is $15,00,000/50,00,000 \times 100 = 30\%$, reserves are 10%, non-current liabilities are 40%, current liabilities are 20%, non-current assets are 60%, and inventories are 40%.

Step 2: Prepare the Common Size Balance Sheet Common Size Balance Sheet of X Ltd. as at 31st March, 2023 (with comparative figures)

Particulars	2023 (Rs)	2022 (Rs)	2023 (%)	2022 (%)
I. Equity and Liabilities				
Shareholders' funds:				
Equity share capital	30,00,000	15,00,000	37.50	30.00
Reserves and surplus	10,00,000	5,00,000	12.50	10.00
Total shareholders' funds	40,00,000	20,00,000	50.00	40.00
Non-current liabilities	20,00,000	20,00,000	25.00	40.00
Current liabilities	20,00,000	10,00,000	25.00	20.00
Total	80,00,000	50,00,000	100.00	100.00
II. Assets				
Non-current assets	40,00,000	30,00,000	50.00	60.00
Current assets: Inventories	40,00,000	20,00,000	50.00	40.00
Total	80,00,000	50,00,000	100.00	100.00

Both sides total 100% in each year. The shareholders' funds subtotal is shown for clarity and is not added again to its components.

Step 3: Conclusion The common size balance sheet shows shareholders' funds of 50% in 2023 and 40% in 2022; non-current assets form 50% and 60% respectively.

Quick Tip to Solve: Use each year's own balance sheet total as 100%; do not divide both years by the 2023 total.

OR

33(b). From the following information prepare a Comparative Statement of Profit and Loss of Y Ltd:

Particulars	31.3.2023	31.3.2022
Revenue from operations (Rs.)	40,00,000	20,00,000
Purchase of stock in trade (Rs.)	24,00,000	12,00,000
Change in inventories (% of purchase of stock in trade)	25%	20%
Other expenses (Rs.)	2,00,000	1,60,000
Tax rate	40%	40%

[4 marks]

Solution:

Concept:

- A comparative statement shows the amount for each year, the absolute change (current year minus previous year), and the percentage change based on the previous year.
- Percentage change $= \dfrac{\text{2023 amount} - \text{2022 amount}}{\text{2022 amount}} \times 100$. Total expenses include purchases, change in inventories and other expenses. Tax is 40% of profit before tax.

Step 1: Calculate changes in inventories and profits The given change in inventories is an expense item, calculated as the stated percentage of purchases:

$$\text{2023 inventory change} = 24,00,000 \times 25\% = \text{Rs } 6,00,000,$$
$$\text{2022 inventory change} = 12,00,000 \times 20\% = \text{Rs } 2,40,000.$$

Total expenses for 2023 are $24,00,000 + 6,00,000 + 2,00,000 = \text{Rs } 32,00,000$; for 2022 they are $12,00,000 + 2,40,000 + 1,60,000 = \text{Rs } 16,00,000$. Profit before tax is therefore Rs 8,00,000 and Rs 4,00,000 respectively. Applying 40% tax gives Rs 3,20,000 and Rs 1,60,000, leaving profit after tax of Rs 4,80,000 and Rs 2,40,000.

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

Particulars	2022 (Rs)	2023 (Rs)	Increase (Rs)	Increase (%)
Revenue from operations	20,00,000	40,00,000	20,00,000	100.00
Total revenue	20,00,000	40,00,000	20,00,000	100.00
Expenses:				
Purchases of stock in trade	12,00,000	24,00,000	12,00,000	100.00
Change in inventories	2,40,000	6,00,000	3,60,000	150.00
Other expenses	1,60,000	2,00,000	40,000	25.00
Total expenses	16,00,000	32,00,000	16,00,000	100.00
Profit before tax	4,00,000	8,00,000	4,00,000	100.00
Less: Tax at 40%	1,60,000	3,20,000	1,60,000	100.00
Profit after tax	2,40,000	4,80,000	2,40,000	100.00

For example, the inventory-change increase is $(6,00,000 - 2,40,000)/2,40,000 \times 100 = 150\%$, while the other-expense increase is $40,000/1,60,000 \times 100 = 25\%$.

Step 3: Conclusion Profit after tax increased from Rs 2,40,000 in 2022 to Rs 4,80,000 in 2023, an increase of Rs 2,40,000 or 100%.

Quick Tip to Solve: First convert the inventory percentages to rupee expenses; calculate every percentage increase using the 2022 amount.

34. Following is the Balance Sheet of Bharat Gas Ltd. as at 31.3.2023:

Balance Sheet of Bharat Gas Ltd. as at 31.3.2023

Particulars	Note No.	31.3.2023 Rs	31.3.2022 Rs
I Equity and Liabilities:			
1. Shareholders' funds			
(a) Share capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non-current Liabilities			
Long term borrowings		5,00,000	1,40,000
3. Current liabilities			
(a) Trade payables		1,00,000	60,000
(b) Short term provisions	2	80,000	60,000
Total		25,80,000	16,60,000
II Assets:			
1. Non-current Assets			
(a) Fixed Assets (Property, plant and equipment and intangible assets)			
(i) Tangible assets (Property, plant and equipment)	3	16,00,000	9,00,000
(ii) Intangible assets	4	1,40,000	2,00,000
2. Current Assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade receivables		5,00,000	3,00,000
(c) Cash and cash equivalents		90,000	60,000
Total		25,80,000	16,60,000

Notes to Accounts:

Note No.	Particulars	31.3.2023 Rs	31.3.2022 Rs
1.	Reserves and Surplus: Balance in Statement of Profit and Loss	5,00,000	4,00,000
2.	Short term provisions: Provision for Taxation	80,000	60,000
3.	Tangible Assets: (Property, plant and equipment) Machinery	18,50,000	10,00,000
	Less: Accumulated Depreciation	(2,50,000)	(1,00,000)
		16,00,000	9,00,000
4.	Intangible Assets: Goodwill	1,40,000	2,00,000

Adjustments: During the year a machine costing Rs. 3,00,000 on which accumulated depreciation was Rs. 45,000 was sold for Rs. 1,35,000.

Calculate 'Cash flows from Operating Activities'. [6 marks]

Solution:

Concept:

- Under the indirect method, start with profit before tax, add non-cash charges and non-operating losses, then adjust operating working capital.
- Depreciation for the year equals closing accumulated depreciation plus depreciation on the asset sold less opening accumulated depreciation.
- Income tax paid is deducted separately from cash generated from operations; the current provision is added back to profit after tax.

Step 1: Determine profit before tax The balance in the Statement of Profit and Loss has increased from Rs 4,00,000 to Rs 5,00,000. There is no dividend or other appropriation given. Hence profit after tax is Rs 1,00,000. Adding the current year provision for taxation of Rs 80,000 gives net profit before tax of Rs 1,80,000. The opening tax provision of Rs 60,000 is treated as tax paid during the year.

Step 2: Calculate non-cash and non-operating adjustments Depreciation must include the accumulated depreciation removed on sale:

$$\begin{aligned}\text{Depreciation} &= 2,50,000 + 45,000 - 1,00,000 \\ &= \text{Rs } 1,95,000.\end{aligned}$$

The sold machine had a carrying amount of Rs 3,00,000 less Rs 45,000, or Rs 2,55,000. Sale proceeds were Rs 1,35,000; therefore the loss on sale is Rs 1,20,000. This loss is added back because the proceeds belong to investing activities. Goodwill has decreased by Rs 60,000, representing goodwill written off, another non-cash charge. The increase in machinery and changes in share capital and borrowings do not form operating working capital.

Step 3: Prepare the operating activities section Cash Flow Statement of Bharat Gas Ltd. (Extract) For the year ended 31 March 2023

Particulars	Amount (Rs)
Cash flows from operating activities	
Net profit before tax	1,80,000
Add: Depreciation	1,95,000
Add: Goodwill written off	60,000
Add: Loss on sale of machinery	1,20,000
Operating profit before working capital changes	5,55,000
Less: Increase in inventories	(50,000)
Less: Increase in trade receivables	(2,00,000)
Add: Increase in trade payables	40,000
Cash generated from operations	3,45,000
Less: Income tax paid	(60,000)
Net cash from operating activities	2,85,000

The tax payment also follows from opening provision Rs 60,000 plus current provision Rs 80,000 less closing provision Rs 80,000, giving Rs 60,000. Cash and cash equivalents are excluded from working capital adjustments because they are the balance being reconciled by the complete cash flow statement.

Step 4: Conclusion Net cash inflow from operating activities is $\boxed{\text{Rs } 2,85,000}$.

Quick Tip to Solve: Restore depreciation on the machine sold when calculating the annual depreciation charge.

OPTION - II (Computerised Accounting)

27. Which of the following type of software suffers from the limitation of low secrecy level and software being prone to data frauds? [1 mark]

(A) tailored

(B) specific

(C) generic

(D) (A) and (B) both

Correct Answer: (C) generic

Solution:

Concept:

- Generic accounting software serves a broad range of users with standard features.
- Secrecy depends on controlled access and safeguards against unauthorised changes.

Step 1: Identify the limitation Generic software is widely available and its common operating features are familiar to many users. In the textbook classification, a relatively low level of secrecy and vulnerability to data fraud are limitations of this category.

Step 2: Check the alternatives Tailored software is adapted to an organisation and specific software is developed for particular requirements. They are not the category identified by these stated limitations.

Consequently, the combined choice (A) and (B) also fails.

Step 3: Conclusion Generic software suffers from the stated limitations. Hence, the correct option is (C).

Quick Tip to Solve: Link widely available standard software with the textbook limitation of low secrecy.

28(a). 'A piece of information shown in a graph which is assigned to the data series' is known as: [1 mark]

(A) data point

(B) data table

(C) plot point

(D) legend

Correct Answer: (D) legend

Solution:

Concept:

- A legend identifies the data series represented by colours, patterns or symbols in a chart.
- A data point represents an individual value within a series.

Step 1: Identify the chart element The information assigned to a data series and displayed to identify that series is its legend entry. It allows the reader to distinguish one series from another when the graph contains several sets of values.

Step 2: Reject the other choices A data point or plot point denotes an individual observation on the graph, rather than the information identifying a whole series. A data table lists numerical values in rows and columns; it is not the key identifying the series.

Step 3: Conclusion The described information is the legend. Hence, the correct option is (D).

Quick Tip to Solve: Ask whether the element identifies a whole series or represents just one observation.

OR

28(b). 'LABELS' in Excel means: [1 mark]

(A) A text or special character

(B) Used for rows, columns or descriptive information

(C) Can be treated mathematically

(D) (A) and (B) both

Correct Answer: (D) (A) and (B) both

Solution:

Concept:

- Labels are text entries or special characters used to describe spreadsheet contents.
- Labels can identify rows, columns and other descriptive information.

Step 1: Assess statements (A) and (B) A label may consist of text or special characters, so statement (A) is correct. Such labels are used as row headings, column headings and descriptive information, which also makes statement (B) correct.

Step 2: Distinguish labels from numeric values Labels ordinarily describe data; they are not numbers on which arithmetic is directly performed. Thus statement (C), which says they can be treated mathematically, does not define labels. Because both (A) and (B) hold, the combined option is required.

Step 3: Conclusion Labels are descriptive text or special characters used for headings and information. Hence, the correct option is (D).

Quick Tip to Solve: Separate descriptive cell entries from numerical values before choosing the combined option.

29. How are 'absolute cell references' and 'mixed reference' identified in Excel? [1 mark]

(A) using $ sign

(B) using £ sign

(C) using # sign

(D) using ~ sign

Correct Answer: (A) using $ sign

Solution:

Concept:

- The dollar sign fixes the row or column component immediately following it in a cell reference.
- An absolute reference fixes both components, while a mixed reference fixes only one.

Step 1: Identify the common symbol An absolute reference such as A1 fixes both the column and the row. A mixed reference such as $A1 or A$1 fixes only the column or only the row. Both kinds therefore use the dollar sign.

Step 2: Check the remaining symbols The pound, hash and tilde signs are not the symbols used to fix row or column references in Excel formulae. They cannot distinguish an absolute or mixed reference from a relative reference such as A1.

Step 3: Conclusion Absolute and mixed references are identified using the $ sign. Hence, the correct option is (A).

Quick Tip to Solve: Locate the dollar sign: before the letter it fixes the column; before the number it fixes the row.

30(a). Excel considers which of the following group of mathematical operations of equal importance?

[1 mark]

(A) Multiplication and Addition

(B) Division and Multiplication

(C) Exponent and Multiplication

(D) Subtraction and Division

Correct Answer: (B) Division and Multiplication

Solution:

Concept:

- Excel applies arithmetic operators according to their precedence.
- Multiplication and division have equal precedence; operations at that level are evaluated from left to right.

Step 1: Apply the precedence rule Among the listed pairs, division and multiplication occupy the same level of operator precedence. Equal precedence does not mean multiplication always comes first: Excel evaluates such operations in their left-to-right order, unless parentheses change the order.

Step 2: Eliminate the unequal pairs Multiplication has higher precedence than addition, exponentiation has higher precedence than multiplication, and division has higher precedence than subtraction. Thus the pairs in (A), (C) and (D) do not have equal importance in evaluating a formula.

Step 3: Conclusion Division and multiplication have equal importance. Hence, the correct option is (B).

Quick Tip to Solve: For a multiplication-division chain, work left to right after evaluating parentheses and powers.

OR

30(b). How many rows are available in Excel 2007? [1 mark]

(A) 5663

(B) 65536

(C) 72257

(D) 4332

Correct Answer: None of the printed options is correct; Excel 2007 has 10,48,576 rows per worksheet.

Solution:

Concept:

- Excel worksheet capacity depends on the version and file format. Excel 2007 introduced the larger worksheet grid.
- A normal Excel 2007 worksheet contains $2^{20} = 10, 48, 576$ rows. The older Excel 97–2003 worksheet limit is 65,536 rows.

Step 1: Identify the version named The question specifically names Excel 2007. For its normal workbook format, the last row is numbered 10,48,576; this is the number of rows available in each worksheet.

Step 2: Check all printed options Option (A), 5,663, option (C), 72,257, and option (D), 4,332, are not the row limit. Option (B), 65,536, is the older Excel 97–2003 limit and applies to an older-format workbook opened in compatibility mode; the question specifies no such restriction.

Step 3: Conclusion Excel 2007 has 10,48,576 rows per worksheet. None of the printed options (A)–(D) is correct.

Quick Tip to Solve: Check the Excel version first: 65,536 belongs to the older worksheet format, while Excel 2007 uses 10,48,576 rows.

31. How to use 'Mark Common Formula Error' in Excel? Explain. [3 marks]

Solution:

Concept:

- Excel uses error-checking rules to identify common formula problems, such as invalid calculations, inconsistent formulas and references that omit adjacent cells.
- Background error checking places a small green triangle in the upper-left corner of a cell containing a possible error. A warning indicates that the formula needs review; it is not proof that the intended calculation is wrong.

Step 1: Enable marking of common formula errors In Excel 2007, click the Office Button, choose Excel Options and select Formulas. Under Error Checking, select Enable background error checking. Under Error checking rules, select the types of common errors to be checked, choose the indicator colour if required, and click OK.

Step 2: Locate and examine a marked formula Excel now checks formulas as the worksheet is used.

Select a cell showing the green triangle and click the warning button beside it. Read the message to identify the problem. For example, dividing a value by zero gives the error #DIV/0!; a formula inconsistent with neighbouring formulas may instead give a warning.

Step 3: Correct or review the warning Edit the formula or correct its referenced data, using the explanation or correction offered in the warning menu where suitable. If a flagged formula is intentional, choose Ignore Error only after checking it. To inspect errors systematically, choose Formulas, Formula Auditing, Error Checking and work through the reported cells.

Step 4: Conclusion Enable background error checking and the required rules, inspect each marked cell through its warning menu, and correct the formula or its input data.

Quick Tip to Solve: In Excel 2007, begin with Office Button > Excel Options > Formulas; click the green-triangle cell to inspect the warning.

32. Explain 'Sequential Codes' and 'Block Codes' with examples. [3 marks]

Solution:

Concept:

- A code is a short number or symbol used to identify and classify an accounting item consistently in a computerised accounting system.
- Sequential coding assigns consecutive numbers; block coding reserves separate ranges of numbers for different classes of items.

Step 1: Explain sequential codes with an example Under sequential coding, items are allotted numbers one after another, normally in the order in which they are entered or created. For example, the first four sales invoices may be numbered 1001, 1002, 1003 and 1004. Each invoice has a distinct reference. A break in the sequence helps draw attention to a missing or cancelled invoice, although the gap must be investigated before drawing a conclusion.

Step 2: Explain block codes with an example Under block coding, the full range of code numbers is divided into blocks, and each block is reserved for a particular group. For example, codes 100–199 may be reserved for assets, 200–299 for liabilities, 300–399 for income and 400–499 for expenses. Within the asset block, Cash may be 101, Bank 102 and Furniture 103. A new asset account can receive another unused code within that block.

Step 3: Distinguish the basis of identification A sequential code mainly provides a unique serial reference and helps preserve order. A block code also identifies the broad class from the range to which it belongs. Reserving unused numbers in each block allows additional accounts to be included without changing existing codes.

Step 4: Conclusion Sequential codes are consecutive identifiers, such as invoice numbers 1001, 1002 and 1003. Block codes classify items by reserved ranges, such as assets 100–199 and liabilities 200–299.

Quick Tip to Solve: Use consecutive invoice numbers to illustrate sequential coding and separate account-class ranges to illustrate block coding.

33(a). State why do you need to change a chart? How can it be changed? Why is it said that changing a column chart to a pie chart is easy? Give reasons. [4 marks]

Solution:

Concept:

- A chart presents worksheet data visually. Its type should suit the purpose: a column chart compares magnitudes, whereas a pie chart shows parts of one whole.
- An Excel chart remains linked to its source data. Changing the chart type reuses that data and category labels rather than requiring the data to be entered again.

Step 1: State why a chart may need changing A chart may need to be changed when its original type does not communicate the information clearly, when the purpose of analysis changes, or when the data is better understood through another presentation. For example, columns compare sales of different products, while a pie can show each product's share of total sales. Titles, labels, colours and legends may also be revised to make the message clear and readable.

Step 2: Explain how to change the chart type In Excel 2007, click the existing chart to display Chart Tools. On the Design tab, click Change Chart Type in the Type group. Select the required chart family and subtype, such as Pie and a two-dimensional pie subtype, and click OK. Excel redraws the selected chart using its linked worksheet data. Review the chart title, legend and data labels after the change; where necessary, use Select Data to choose the appropriate series.

Step 3: Explain why column-to-pie conversion is easy Both types can use the same category labels and numerical values. When a column chart contains one suitable series, Excel can turn each column's value into a pie slice automatically. The slice represents that category's proportion of the series total. The user chooses the new chart type instead of retyping values or manually calculating and drawing sector angles.

Step 4: Check that the conversion is meaningful A pie chart should show one data series representing parts of a whole, with non-negative values and a positive total. If the column chart contains several series, select the one series to be represented before interpreting the pie. Check that the categories, values and labels still match the intended comparison; use percentage labels if shares are the main message.

Step 5: Conclusion A chart is changed to improve clarity or suit a different analytical purpose. Select it and use Chart Tools > Design > Change Chart Type. Column-to-pie conversion is easy because Excel reuses the linked categories and one suitable numerical series automatically.

Quick Tip to Solve: Before converting columns to a pie, select one meaningful series and check that its categories are parts of the same whole.

OR

33(b). State the advantages of computerized accounting system. [4 marks]

Solution:

Concept:

- A computerised accounting system records transactions in an integrated database and processes them according to the accounting procedures programmed in the software.
- Its advantages arise from fast processing, automatic posting, consistent calculations and ready access to financial information. Accuracy still depends on correct inputs and proper controls.

Step 1: Explain speed and accuracy Speed: The system processes a large volume of transactions quickly. Once a transaction is entered, posting to the related ledger accounts and updating balances can be performed automatically, saving the time needed for repeated manual work.

Accuracy: Arithmetic calculations, ledger posting and preparation of totals are performed by the software. This reduces calculation and posting errors, provided the transaction data and the accounting rules entered are correct.

Step 2: Explain reliability and timely information Reliability and consistency: The system applies the same accounting procedures to similar transactions. It can therefore produce consistent records and reports, while reducing fatigue-related mistakes associated with repetitive manual processing.

Up-to-date information: Recording a transaction updates the related records promptly. Managers can obtain current ledger balances, trial balances and financial reports whenever needed, supporting timely decisions rather than waiting for manual compilation.

Step 3: Explain storage and reporting benefits Efficient storage and retrieval: Many accounting records can be stored electronically in a relatively small space. A particular account, voucher or transaction can be located quickly by searching its reference or other details.

Scalability and useful reports: The system can handle increasing transaction volumes as the business expands. Financial statements and management reports can be generated from the same database in suitable formats, avoiding repeated preparation from the beginning.

Step 4: Conclusion The main advantages are speed, accuracy, reliability, timely information, efficient storage and retrieval, and convenient reporting with capacity for business growth.

Quick Tip to Solve: Link each advantage to an accounting task: automatic posting shows speed, programmed calculations show accuracy, and current ledger balances show timely information.

34.

	A	B	C	D	E
1	S. No.	Product	Q1 Sales	Q2 Sales	Total half yearly sales
2	1	H	15000	30000	45000
3	2	I	38000	40000	78000
4	3	J	23000	28000	51000
5	4	K	32000	49000	81000
6	5	L	26000	36000	62000
7	6	M	20000	32000	52000
8	7	O	24000	40000	64000

Using the worksheet find out the error and its reason for the given 'VLOOKUP' syntax.

(i) = VLOOKUP (B1, B2 : E8, 2, 0)

(ii) = SQRT (VLOOKUP (B5, B8 : E8, 2, 0) - 100000)

(iii) = VLOOKUP (A2, A2 : A8, 2, 0)

(iv) = VLOOKUP (B2, B3, E4, 5, 0)

(v) = VLOOKUP (B2, A2 : E8, 0, 0)

(vi) = VLOOKUP (B2, B2, E8, 2, 0)/0 [6 marks]

Solution:

Concept:

- The syntax is VLOOKUP(lookup value, table array, column index, range lookup). It accepts three or four arguments; the column index is counted within the selected table, starting at 1.
- With the last argument 0, an exact match must be found in the first column of the selected table. A missing match gives `#N/A`; an out-of-range column gives `#REF!`; an index below 1 gives `#VALUE!`.
- Check whether the formula is valid before evaluating its arithmetic. A negative argument of SQRT gives `#NUM!`, and division by zero gives `#DIV/0!`.

Step 1: Check part (i): lookup value is absent B1 contains the heading Product. The first column of B2:E8 contains H, I, J, K, L, M and O, so it does not contain Product. With exact matching, the result is `#N/A`. The column index 2 is valid here; it is the missing lookup value that causes the error.

Step 2: Check part (ii): follow the inner lookup first B5 contains K, whereas B8:E8 has only one row and its first cell B8 contains O. Thus the exact lookup for K fails and returns `#N/A`. This error propagates through the subtraction and SQRT; the printed formula therefore returns `#N/A`. If the table were changed to B2:E8, the lookup would return 32,000 and the square-root argument would be $32,000 - 1,00,000 = -68,000$, causing `#NUM!`. That is a separate error after correcting the printed lookup range.

Step 3: Check part (iii): compare the index with the table width A2:A8 contains only one column. Although A2 contains 1 and an exact match exists in that column, column index 2 asks for a column outside the selected table. The result is `#REF!`. A one-column table can return only its first column.

Step 4: Check part (iv): count the arguments The printed expression supplies five arguments: B2, B3, E4, 5 and 0. VLOOKUP allows at most four, so Excel rejects it with a too-many-arguments message; it does not evaluate to a worksheet error value. A colon is needed to form a rectangular table reference

such as B3:E4. Even after that correction, an index of 5 would exceed the three-column width of B3:E4 and would itself be invalid.

Step 5: Check part (v): inspect the column index The column index is 0. VLOOKUP column numbering starts at 1, not 0, so this invalid index gives `#VALUE!`. Also, B2 contains H, while the first column of A2:E8 contains serial numbers, so merely changing the index to a positive value would not make this particular exact lookup succeed.

Step 6: Check part (vi): distinguish syntax from division The printed VLOOKUP again has five arguments: B2, B2, E8, 2 and 0. Excel first rejects the formula for too many arguments. It cannot yet produce a calculated worksheet error. If the intended table reference is corrected to B2:E8, VLOOKUP returns 15,000 for H from the second column of that table. The subsequent calculation $15,000/0$ then gives `#DIV/0!`. Thus division by zero is an additional defect, but the literal formula must first have its argument syntax corrected.

Step 7: Conclusion For the formulas as printed: (i) `#N/A`; (ii) `#N/A`; (iii) `#REF!`; (iv) too many arguments; (v) `#VALUE!`; (vi) too many arguments, with division by zero also present.

Quick Tip to Solve: Check argument count first, then the lookup column and exact match, then the column index, and finally arithmetic outside VLOOKUP. This prevents a later error from hiding the first defect.