CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-4-2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

(iv) **Part – B** has **two** options 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. 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:

- Purchase consideration is the amount paid to acquire a business; net assets equal assets acquired less liabilities taken over.
- When net assets exceed purchase consideration, the difference is a capital profit credited to Capital Reserve.

Step 1: Compare the two amounts The fully paid shares issued to vendors represent purchase consideration of Rs 1,25,000. The acquired net assets are Rs 1,50,000. Thus, the business receives net assets worth more than the consideration paid.

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

Step 2: Identify the nature of the excess This excess arises on acquiring a business and is capital in nature, rather than an operating profit. It therefore does not go to Statement of Profit and Loss or Profit and Loss Adjustment Account. Goodwill would arise in the reverse situation, when purchase consideration exceeds net assets.

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

Quick Tip to Solve: Compare net assets with purchase consideration first: the excess of net assets creates Capital Reserve; the reverse creates Goodwill.

2(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 from her capital account to a loan account.
- Under the Partnership Act provision applicable here, the unpaid amount carries interest at 6% per annum when the statutory interest basis is used.

Step 1: Identify the basis for interest Renu has retired and the amount of Rs 2,17,000 due to her has been transferred to her loan account. The question expressly states that she agrees to receive interest according to the Partnership Act, 1932, so the statutory rate applies.

Step 2: Apply the statutory rate The applicable interest rate is 6% p.a. The size of the loan determines the amount of interest, not the rate. For example, interest for a complete year would be $2,17,000 \times 6/100 = \text{Rs } 13,020$. Rates of 9%, 12% and 10% are not the statutory rate asked for.

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

Quick Tip to Solve: For a retiring partner paid on the statutory interest basis, use 6% p.a.; do not infer a rate from the loan balance.

OR

2(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:

- Remaining partners continue in their existing relative profit-sharing ratio when no different new ratio is specified.
- Required capital of a partner equals total agreed capital multiplied by that partner's share in the new ratio.

Step 1: Determine the required capital Ravi, Vani and Toni shared equally. After Vani retires, Ravi and Toni continue in the ratio $1:1$. Thus Toni must hold one-half of the new total capital:

$$\text{Toni's required capital} = 2,80,000 \times \frac{1}{2} = \text{Rs } 1,40,000.$$

Step 2: Calculate the cash deficiency Toni already has Rs 1,08,000 in his capital account. Deduct this balance from his required capital:

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

The other options do not raise his capital to Rs 1,40,000. The combined change in the firm's capital is not the same as Toni's individual contribution.

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

Quick Tip to Solve: Allocate the new total capital in the continuing ratio first, then subtract only the capital balance of the partner asked about.

3. 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 are transferred by mere delivery; the company does not maintain a register identifying their successive holders.
- Interest is paid against presentation of the interest coupon attached to a bearer debenture.

Step 1: Evaluate the assertion Assertion (A) is correct. A person holding the interest coupon attached to a bearer debenture presents that coupon to obtain the interest payment. Payment is linked to presentation of the coupon rather than to the name of a registered holder.

Step 2: Evaluate the reason Reason (R) is also correct. Bearer debentures change hands by delivery, and the company does not keep records identifying their current holders. This distinguishes them from registered debentures.

Step 3: Connect the reason to the assertion Because ownership can change through delivery without an entry in the company's records, the company relies on the presented coupon to pay interest. Thus the reason directly explains the assertion. Option (B) wrongly denies this connection, while (C) and (D) wrongly reject one of the true statements.

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

Quick Tip to Solve: Link the absence of a holder register with payment to the coupon presenter; that link establishes the explanation, not just the truth of both statements.

4. 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:

- For equal drawings at regular intervals, interest on the total drawings is calculated for the average period outstanding.
- For drawings at the end of each quarter, the four periods to the year end are 9, 6, 3 and 0 months.

Step 1: List the outstanding periods The first quarter-end drawing remains outstanding for nine months, the second for six months, the third for three months and the final quarter-end drawing for zero months. Equal amounts allow a simple arithmetic average of these periods.

Step 2: Calculate the average period

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

The rate of 15% and interest of Rs 9,000 affect the drawing amount, but do not alter this timing. Six months is the average for middle-of-quarter drawings and $7\frac{1}{2}$ months is for beginning-of-quarter drawings; four months is not the average here.

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

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

5(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 receipts comprise the allotment amount paid by all shareholders plus any future calls received in advance at allotment.
- A premium included in the stated allotment amount must not be added a second time.

Step 1: Calculate regular allotment money All 6,000 shares were subscribed. The allotment instalment is Rs 3 per share, including the premium. Therefore, the regular amount received on allotment is

$$6,000 \times 3 = \text{Rs } 18,000.$$

Step 2: Add Ashish's advance payment Ashish pays the first call of Rs 3 and final call of Rs 2 in advance on his 200 shares. The extra receipt is

$$200 \times (3 + 2) = \text{Rs } 1,000.$$

Thus total bank receipts at allotment are $18,000 + 1,000 = \text{Rs } 19,000$. Rs 18,000 excludes the advance; Rs 25,000 and Rs 21,000 are inconsistent with the stated instalments. The application money has already been received and is not counted again.

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

Quick Tip to Solve: Multiply the allotment instalment by all shares, then add only the unpaid future instalments paid early by Ashish.

OR

5(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:

- Discount on reissue cannot exceed the amount forfeited on the shares reissued.
- Share forfeiture includes capital money received; securities premium already received is excluded from the forfeited capital amount.

Step 1: Find capital already received Each share has a face value of Rs 10, and only the final call of Rs 2 remains unpaid. Capital received per share is therefore $10 - 2 = \text{Rs } 8$. The premium of 10% does not form part of the capital available to cover reissue discount.

Step 2: Apply the maximum discount limit The greatest permitted reissue discount is Rs 8 per share. Therefore the minimum reissue price as fully paid is

$$10 - 8 = \text{Rs } 2 \text{ per share}, \qquad 5,000 \times 2 = \text{Rs } 10,000.$$

Rs 5,000 would imply a discount exceeding forfeited capital. Rs 12,000 and Rs 50,000 are permissible higher receipts, but neither is the minimum.

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

Quick Tip to Solve: Exclude received premium from forfeiture. Minimum reissue cash equals face value less capital money already forfeited.

6. 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 is a capital reserve whose use is restricted to the purposes permitted by the Companies Act, 2013.
- The permitted bonus-share use is the issue of fully paid bonus shares, not partly paid bonus shares.

Step 1: Identify the condition on bonus shares The wording of option (B) is decisive: it specifies partly paid bonus shares. The allowed use of Securities Premium for bonus shares requires fully paid bonus shares, so the stated partly paid issue does not satisfy that condition.

Step 2: Check the remaining alternatives Buy-back of shares, writing off discount on issue of debentures and writing off preliminary expenses are permitted uses within the statutory framework. Thus options (A), (C) and (D) describe allowable uses, while (B) identifies the use which is not allowed. The question asks for the prohibited use, so the negative wording must be observed.

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

Quick Tip to Solve: Underline the word partly in this option: the Securities Premium provision permits fully paid bonus shares.

7(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 determines net profit after charging business expenses; Profit and Loss Appropriation Account distributes the resulting profit among partners.
- Partner salary and interest on capital are appropriations, while interest on drawings is credited in the appropriation account.

Step 1: Classify rent paid to a partner Rent paid for premises used by the business is an expense

incurred to earn profit. It remains a charge against profit even when the landlord happens to be a partner. It is therefore dealt with in Profit and Loss Account before determining the profit available for appropriation.

Step 2: Compare the other items Interest on Capital and Partner's salary are debited to Profit and Loss Appropriation Account according to the partnership agreement. Interest on Drawings is credited to that account. These three items affect the allocation of profit among partners, whereas rent is a business expense. Thus only option (C) falls outside the appropriation account.

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 partner is being paid as an owner or as a supplier of premises: rent is an expense before appropriation.

OR

7(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:

- An existing workmen compensation reserve is first used to meet the estimated compensation liability.
- Any claim exceeding that reserve is a revaluation loss; increases in liabilities are debited to Revaluation Account.

Step 1: Calculate the uncovered liability The reserve is Rs 80,000, whereas the estimated claim is Rs 1,00,000. Thus the uncovered amount is $1,00,000 - 80,000 = \text{Rs } 20,000$. The existing reserve cannot meet this excess.

Step 2: Identify the account affected The excess claim is a loss arising when the firm is reconstituted, so it is debited to Revaluation Account. Crediting that account would incorrectly recognise a gain. Partners ultimately bear the revaluation loss in their old ratio, but their capital accounts are not the direct account used to record this shortfall.

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 the reserve first: only the excess claim goes to the debit of Revaluation Account.

8. 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:

- A continuing partner's gain is the new profit share less the old profit share.
- The gaining ratio compares the additional shares acquired by the remaining partners, rather than their total future shares.

Step 1: Calculate each partner's gain Each partner originally had $1/3$. Vishesh now has $4/7$, and Nimesh has $3/7$. Therefore,

$$G_V = \frac{4}{7} - \frac{1}{3} = \frac{5}{21}, \qquad G_N = \frac{3}{7} - \frac{1}{3} = \frac{2}{21}.$$

Step 2: Compare gains and check the options The ratio is $(5/21) : (2/21) = 5 : 2$. The gains total $7/21 = 1/3$, exactly Aditya's former share. The ratio 4:3 is the new sharing ratio, not the gaining ratio. Neither 3:2 nor 1:1 gives the calculated additions to their shares.

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

Quick Tip to Solve: Subtract the old one-third share from each new share before forming the gaining ratio.

9. 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:

- When a new partner acquires a share wholly from one old partner, only that old partner sacrifices.
- The new shares of all partners must add to one; express them with a common denominator to obtain the new ratio.

Step 1: Deduct Preeti's share from Gupta Gupta originally has $4/5$. Since he alone gives Preeti her $1/4$ share, his new share is

$$\frac{4}{5} - \frac{1}{4} = \frac{16-5}{20} = \frac{11}{20}.$$

Step 2: Retain Sharma's share and compare Sharma continues to hold $1/5 = 4/20$, while Preeti holds $1/4 = 5/20$. Their shares sum to $(11+4+5)/20 = 1$. Thus the new ratio is 11:4:5. The other three ratios do not simultaneously preserve Sharma's one-fifth and give Preeti one-fourth, so they do not satisfy the stated acquisition.

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

Quick Tip to Solve: When a share is acquired wholly from Gupta, leave Sharma's share unchanged and subtract only from Gupta.

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*Read the following hypothetical situation and answer questions **10** and **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.

10. 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 an appropriation of profit unless the deed makes it a charge. When available profit is insufficient, it is distributed in the ratio of the interest amounts due.
- For a full year, interest due is capital multiplied by the annual rate. The profit-sharing ratio does not determine the allocation of insufficient profit towards interest.

Step 1: Calculate the interest due Aditi's interest is Rs $5,00,000 \times 10\% =$ Rs $50,000$, while Saurabh's is Rs $4,00,000 \times 10\% =$ Rs $40,000$. Total interest due is Rs 90,000, which exceeds the available profit of Rs 81,000. Thus the full contractual amounts cannot be allowed.

Step 2: Apportion the available profit The interest ratio is $50,000 : 40,000 = 5 : 4$. Aditi therefore receives Rs $81,000 \times \frac{5}{9} =$ Rs $45,000$. Option (A), Rs 50,000, ignores the profit shortage; option (C), Rs 40,500, divides profit equally; option (D), Rs 54,000, uses the profit-sharing ratio of $2 : 1$. None applies to the interest appropriation.

Step 3: Conclusion Interest on Aditi's capital is $\boxed{\text{Rs } 45,000}$. Hence, the correct option is (B).

Quick Tip to Solve: Compare total interest due with profit first; if profit is insufficient, divide it in the interest-due ratio.

11. 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 otherwise stipulated. When profit is insufficient, the amount available is allocated in the ratio of interest due to the partners.
- When both capitals earn interest at the same rate for the same period, the ratio of interest due equals the ratio of their capitals.

Step 1: Determine the interest ratio At 10% per annum, the interest due to Aditi is Rs $5,00,000 \times 10\% =$ Rs $50,000$, and that due to Saurabh is Rs $4,00,000 \times 10\% =$ Rs $40,000$. Their interest amounts are therefore in the ratio $50,000 : 40,000 = 5 : 4$.

Step 2: Apply the profit limitation and test the alternatives Total interest due is Rs 90,000, exceeding the profit of Rs 81,000. Allocating this profit in the interest ratio gives Aditi Rs 45,000 and Saurabh Rs 36,000, still in the ratio $5 : 4$. Option (B), $2 : 1$, is the profit-sharing ratio and does not govern this allocation. Option (C), $1 : 1$, ignores the unequal capitals. Option (D), $8 : 1$, is inconsistent with the interest due to the partners.

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

Quick Tip to Solve: With identical interest rates and periods, use the capital ratio to distribute profit that falls short of total interest due.

12. 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 the permanent capital contribution and permanent changes to it.
- Routine adjustments for profits, losses, interest and drawings are made in a separate current account, which may show a debit or credit balance.

Step 1: Evaluate the assertion Assertion (A) is correct under the fixed capital method taught here: the partners' fixed capital accounts retain credit balances representing capital invested in the firm.

Step 2: Evaluate the reason Reason (R) is also correct. Share of profit or loss, interest on capital, drawings and interest on drawings are recorded in the partners' current accounts, rather than being mixed with their fixed capital.

Step 3: Test the explanatory relationship This separation explains the assertion: routine debits such as drawings and losses affect the current account and do not turn the fixed capital account into a debit balance. Thus the reason explains the assertion. Option (B) denies this link, while (C) and (D) incorrectly reject one of the true statements.

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

Quick Tip to Solve: Under fixed capitals, locate routine profit and drawing adjustments in the current accounts before judging balances.

13(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:

- Divisible profit is the profit remaining after the agreed appropriations, including partner salary and interest on capital.
- The remaining divisible profit is shared in the agreed profit sharing ratio; appropriations are not themselves that residual share.

Step 1: Calculate the appropriations Vanya alone is stated to be entitled to interest on capital. Her interest 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 entitlement is stated for Aanya.

Step 2: Find and divide the balance The 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 37,500 would assume equal sharing, and Rs 40,000 is Vanya's interest, not her share of divisible profit.

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

Quick Tip to Solve: Deduct Vanya's interest and Aanya's full twelve-month salary before applying the 3:2 ratio.

OR

13(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:

- When no profit sharing ratio is stated, partners share the residual profit equally.
- A partner's total credit comprises the agreed salary plus that partner's share of the residual profit.

Step 1: Identify the profit available for sharing The net profit of Rs 5,60,000 is expressly given after charging both partners' salaries. It is therefore the residual profit available for sharing; deducting their salaries again would count the same appropriation twice.

Step 2: Compute Omkar's total credit With no other ratio specified, Omkar receives $5,60,000/2 =$ Rs $2,80,000$ as his profit share. Add his salary of Rs 20,000 to obtain $2,80,000+20,000 =$ Rs $3,00,000$. Rs 2,45,000 and Rs 2,65,000 arise from deducting salaries again; Rs 3,15,000 splits the pre-salary amount equally and ignores the unequal salary entitlements.

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

Quick Tip to Solve: Underline "after charging salary": share that residual profit, then add only Omkar's own salary to his credit.

14. 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:

- Cash received on realising an asset at dissolution is debited to Cash or Bank Account and credited to Realisation Account.
- The amount debited is the actual cash collected, rather than the book value of debtors or the loss on collection.

Step 1: Calculate the collection After excluding bad debtors of Rs 1,000, the remaining debtors are $34,000 - 1,000 = \text{Rs } 33,000$. Cash recovered is $33,000 \times 60/100 = \text{Rs } 19,800$.

Step 2: Identify the debit account The receipt increases cash, so Cash Account is debited by Rs 19,800. Realisation Account receives the corresponding credit. Rs 33,000 is merely the remaining debtors before applying the recovery percentage; Rs 14,200 is the total book-value shortfall. Neither is the cash receipt, and no separate Profit and Loss Account debit records this dissolution collection.

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

Quick Tip to Solve: First remove the Rs 1,000 bad debt, then apply 60 percent; a cash receipt always debits Cash or Bank.

15(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:

- Debentures issued to a vendor settle the purchase consideration at their issue price, which may differ from their face value.
- Number of debentures equals purchase consideration divided by issue price per debenture. The

coupon rate determines interest, not the issue price.

Step 1: Calculate the issue price The discount is 4% of the face value of Rs 100, or Rs 4 per debenture. Therefore,

$$\text{Issue price} = 100 - 4 = \text{Rs } 96.$$

Step 2: Divide the purchase consideration by the issue price The whole purchase consideration of Rs 24,00,000 is settled by issuing debentures:

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

Option (A) uses face value and ignores discount. Options (C) and (D) would settle Rs 28,80,000 and Rs 26,88,000 respectively at Rs 96 each, exceeding the amount due. The 9% rate is irrelevant to this calculation.

Step 3: Conclusion Arnav Ltd. issues $25,000$ debentures. Hence, the correct option is (B).

Quick Tip to Solve: First subtract the issue discount from Rs 100; divide the vendor's consideration by Rs 96, not by the face value.

OR

15(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 of debentures comprises discount on issue, if any, and premium payable on redemption.
- Premium received on issue is credited separately to Securities Premium. It does not reduce the loss initially recorded for redemption premium.

Step 1: Find the nominal value and redemption premium The nominal value of the debentures 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: Identify the loss on issue The issue is at a premium, so there is no issue discount. The loss on issue is therefore the redemption premium of Rs 1,00,000. The separate Rs 1,00,000 issue premium is a credit to Securities Premium. Adding both premiums would wrongly give option (A); neither Rs 1,30,000 nor Rs 80,000 follows from the given terms. The issue date and coupon rate affect interest, not this loss.

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

Quick Tip to Solve: Keep issue premium separate: the initial loss is issue discount plus redemption premium, even when both premiums are 10%.

16. 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 payable at the rate agreed with the firm. It is a charge against profit, distinct from interest on capital.
- The default rate of 6% per annum applies only in the absence of an agreement specifying the rate on a partner's advance or loan.

Step 1: Identify the agreed rate Nisha advanced Rs 1,00,000 to the firm explicitly at 10% per annum. The question therefore supplies an agreed rate, so the accountant cannot replace it with the default rate.

Step 2: Apply the agreement and reject the alternatives Interest must be calculated at 10% per annum. For a complete year, it would be

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

Option (A) would apply only if no rate had been agreed. There is no basis for 8% in option (C), and option (D) is incorrect because the loan earns the agreed interest even when the firm has insufficient profits.

Step 3: Conclusion Nisha will receive interest on her loan at 10% per annum. Hence, the correct option is (B).

Quick Tip to Solve: Look for an agreed loan rate first; use 6% per annum only when the partnership agreement is silent about that rate.

17. Mehak, Ayush and Anshu were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2023, they agreed to share profits and losses in the ratio of 4:3:3. On that date, there was a General Reserve of Rs. 80,000 in the books of the firm. It was agreed that:

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

(ii) Loss on revaluation of assets and re-assessment of liabilities amounted to Rs. 50,000.

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

Solution:

Concept:

- Accumulated reserves and revaluation profit or loss belong to the partners in their old profit-sharing ratio, here $5:3:2$.
- For goodwill adjustment, the gaining partner compensates the sacrificing partner. Sacrifice equals old share minus new share; gain equals new share minus old share.

Step 1: Prepare the working notes **Working Notes.** Mehak sacrifices $5/10 - 4/10 = 1/10$, Ayush's share is unchanged, and Anshu gains $3/10 - 2/10 = 1/10$. Thus Anshu must compensate Mehak by $3,00,000 \times 1/10 =$ Rs $30,000$. Goodwill is adjusted through the partners' capital accounts without raising it in the books. General Reserve is distributed as Rs 40,000, Rs 24,000 and Rs 16,000 to Mehak, Ayush and Anshu respectively. The Rs 50,000 revaluation loss is borne by them as Rs 25,000, Rs 15,000 and Rs 10,000 respectively. Both allocations use the old ratio because these amounts arose before the change.

Step 2: Distribute the General Reserve **Journal of the firm — 1st April, 2023**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-23	General Reserve A/c Dr.		80,000	
	To Mehak's Capital A/c			40,000
	To Ayush's Capital A/c			24,000
	To Anshu's Capital A/c			16,000
	(Being General Reserve distributed in the old ratio of 5:3:2)			

Step 3: Adjust goodwill between the partners **Journal of the firm — continued**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-23	Anshu's Capital A/c Dr.		30,000	
	To Mehak's Capital A/c			30,000
	(Being goodwill adjusted for Anshu's gain and Mehak's sacrifice of 1/10 each)			

Step 4: Transfer the revaluation loss **Journal of the firm — continued**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-23	Mehak's Capital A/c Dr.		25,000	
	Ayush's Capital A/c Dr.		15,000	
	Anshu's Capital A/c Dr.		10,000	
	To Revaluation A/c			50,000
	(Being revaluation loss transferred in the old ratio of 5:3:2)			

Step 5: Conclusion The reserve and revaluation loss are transferred in the old ratio. Anshu is debited and Mehak credited Rs 30,000 for goodwill; Ayush has no goodwill adjustment.

Quick Tip to Solve: Use 5:3:2 for reserve and revaluation, but compare old and new shares for goodwill: only Anshu gains and Mehak sacrifices.

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:

- Record an asset purchased at its agreed purchase price and credit the vendor. Payment by bank and by debentures then settles the vendor's balance.
- Debentures are credited at face value. Any discount on issue is debited separately; number issued equals the balance due divided by the issue price per debenture.

Step 1: Calculate the debentures and the discount **Working Notes.** After the cheque payment, the amount due to Ish Ltd. is

$$4,50,000 - 50,000 = \text{Rs } 4,00,000.$$

The 20% discount makes the issue price $100 - 20 = \text{Rs } 80$ per debenture. Therefore,

$$\text{Number of debentures} = \frac{4,00,000}{80} = 5,000.$$

Their face value is $5,000 \times 100 = \text{Rs } 5,00,000$, and the discount is $5,000 \times 20 = \text{Rs } 1,00,000$. The coupon rate of 6% affects future interest, not the value at which the vendor is paid.

Step 2: Record the purchase and cheque payment **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 from Ish Ltd.)		4,50,000	4,50,000
	Ish Ltd. Dr. To Bank A/c (Being part payment made to Ish Ltd. by cheque)		50,000	50,000

Step 3: Settle the balance by issuing debentures **Journal of Mahesh Ltd. — continued**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Ish Ltd. Dr. Discount on Issue of Debentures A/c Dr. To 6% Debentures A/c (Being 5,000 debentures of Rs 100 each issued at 20% discount to settle the balance due to Ish Ltd.)		4,00,000 1,00,000	 5,00,000

The final entry balances at Rs 5,00,000 on each side. Ish Ltd.'s total debit is Rs 4,50,000, equal to the original credit, so the vendor is fully paid.

Step 4: Conclusion Mahesh Ltd. records the plant at Rs 4,50,000, pays Rs 50,000 by cheque and issues 5,000 debentures; discount on issue is Rs 1,00,000.

Quick Tip to Solve: Subtract the cheque first, then divide Rs 4,00,000 by Rs 80. Credit debentures at their Rs 5,00,000 face value.

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, debit Share Capital with the called-up amount, credit the unpaid call accounts, and credit Share Forfeiture with the amount already received on the forfeited shares.
- Discount allowed on reissue is debited to Share Forfeiture. Transfer only the surplus relating to shares actually reissued to Capital Reserve.

Step 1: Calculate the forfeiture and reissue amounts **Working Notes.** Both calls have been made, so the full Rs 100 per share is called up. Unpaid calls total $20 + 25 = \text{Rs } 45$ per share; the amount received was $100 - 45 = \text{Rs } 55$ per share. Thus Share Capital is debited Rs 50,000 and Share Forfeiture credited $500 \times 55 = \text{Rs } 27,500$. On reissue of 250 shares, bank receives $250 \times 50 = \text{Rs } 12,500$ and fully paid capital is Rs 25,000. The reissue discount is Rs 12,500, which is less than the forfeited amount of $250 \times 55 = \text{Rs } 13,750$ attributable to these shares. The surplus is $13,750 - 12,500 = \text{Rs } 1,250$.

Step 2: Record the forfeiture of 500 shares **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 of Rs 100 each forfeited for non-payment of the first and final calls)			

Step 3: Record reissue and transfer the related surplus **Journal of Manika Ltd. — continued**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		12,500	
	Share Forfeiture A/c Dr.		12,500	
	To Share Capital A/c			25,000
	(Being 250 shares reissued at Rs 50 each as fully paid)			
	Share Forfeiture A/c Dr.		1,250	
	To Capital Reserve A/c			1,250
	(Being surplus on 250 reissued shares transferred to Capital Reserve)			

Share Forfeiture retains $27,500 - 12,500 - 1,250 = \text{Rs } 13,750$, relating exclusively to the 250 shares not yet reissued.

Step 4: Conclusion The forfeiture credit is Rs 27,500; reissue discount is Rs 12,500 and Capital Reserve is Rs 1,250. Rs 13,750 remains in Share Forfeiture for the unreissued shares.

Quick Tip to Solve: For Capital Reserve, take only half the forfeited amount because only 250 of the 500 shares were reissued, then subtract their reissue discount.

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 firm's net assets: total assets less outside liabilities. Partners' capitals and accumulated reserves both form part of this amount.
- Normal profit equals capital employed multiplied by the normal rate of return. Super profit is the excess of average actual profit over normal profit.
- Goodwill equals super profit multiplied by the agreed number of years' purchase. An incoming partner's share of goodwill equals total goodwill multiplied by that partner's new profit share.

Step 1: Working Notes: find capital employed Loan and creditors are outside liabilities. General reserve belongs to the existing partners and must not be deducted as an outside liability. Therefore,

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

This is also verified by adding Aayush's capital, Krish's capital and general reserve: Rs $90,000 + 50,000 + 20,000 = 1,60,000$.

Step 2: Calculate normal profit and super profit Apply the normal rate of return to the capital employed, rather than to the total assets:

$$\text{Normal profit} = \text{Rs } 1,60,000 \times \frac{12}{100} = \text{Rs } 19,200.$$

The average profit of Rs 30,000 is already provided, so no further averaging is required.

$$\text{Super profit} = \text{Rs } 30,000 - \text{Rs } 19,200 = \text{Rs } 10,800.$$

Step 3: Value goodwill and apply Vansh's new share The firm values goodwill at four years' purchase

of super profits:

$$\text{Firm's goodwill} = \text{Rs } 10,800 \times 4 = \text{Rs } 43,200.$$

All three partners will share profits equally after admission. Vansh therefore receives a one-third share, not one-half of the firm's profits.

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

Step 4: Conclusion The goodwill of the firm is Rs 43,200 and Vansh's share of goodwill is $\boxed{\text{Rs } 14,400}$.

Quick Tip to Solve: Include the general reserve in capital employed, deduct loan and creditors from assets, then apply Vansh's one-third share only after valuing the whole firm's goodwill.

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:

- When goodwill is not raised in the books, gaining partners' capital accounts are debited and the sacrificing or retiring partners' capital accounts are credited.
- A continuing partner's gain is the new profit share less the old share. A negative result is a sacrifice and entitles that partner to goodwill compensation.

Step 1: Working Notes: compare old and new profit shares The old ratio is $5:3:2:2$, whose total is 12. After Arun retires, the three continuing partners share equally, so each new share is $1/3 = 4/12$.

$$\text{Varun's gain} = \frac{4}{12} - \frac{5}{12} = -\frac{1}{12},$$
$$\text{Tarun's gain} = \frac{4}{12} - \frac{3}{12} = \frac{1}{12},$$
$$\text{Barun's gain} = \frac{4}{12} - \frac{2}{12} = \frac{2}{12}.$$

Thus Varun sacrifices $1/12$; Tarun and Barun gain in the ratio $1:2$. Arun gives up his entire old share of $2/12$.

Step 2: Calculate goodwill adjustments for all partners Multiply each gain or sacrifice by the firm's goodwill of Rs 9,00,000. Tarun is debited Rs $9,00,000 \times 1/12 = 75,000$, while Barun is debited Rs $9,00,000 \times 2/12 = 1,50,000$. Arun is credited Rs $9,00,000 \times 2/12 = 1,50,000$, and Varun is credited Rs $9,00,000 \times 1/12 = 75,000$. Varun must be compensated even though he continues in the firm, since his share falls. Total debits and credits both equal Rs 2,25,000.

Step 3: Pass the goodwill 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 Arun's Capital A/c			1,50,000
	To Varun's Capital A/c			75,000
	(Being goodwill adjusted through capital accounts on Arun's retirement, including compensation for Varun's sacrifice)			

Step 4: Conclusion Debit Tarun's Capital Account by Rs 75,000 and Barun's Capital Account by Rs 1,50,000; credit Arun's Capital Account by Rs 1,50,000 and Varun's Capital Account by Rs 75,000. No Goodwill Account is opened.

Quick Tip to Solve: Calculate each continuing partner's new share minus old share: Varun's negative gain means he also receives goodwill compensation, along with the retiring partner.

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20. Piya and Rosa were partners in a firm sharing profits and losses in the ratio of 3:5. Their fixed capitals were Rs. 10,00,000 and Rs. 6,00,000 respectively. After the accounts for the year were prepared, it was noticed that interest on capital @ 8% 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 entry. Show your workings clearly. [3 marks]

Solution:

Concept:

- Omitted interest on capital is credited to each partner at the deed rate. The total interest reduces the divisible profit and is therefore charged to partners in their profit-sharing ratio.
- Under the fixed capital method, interest on capital and profit adjustments pass through partners' Current Accounts, while their Capital Accounts remain fixed.

Step 1: Working Notes: calculate the omitted interest The interest relates to the full accounting year. Apply the deed rate of 8% to each fixed capital:

$$\text{Piya's interest} = \text{Rs } 10,00,000 \times \frac{8}{100} = \text{Rs } 80,000,$$
$$\text{Rosa's interest} = \text{Rs } 6,00,000 \times \frac{8}{100} = \text{Rs } 48,000.$$

Total omitted interest is Rs $80,000 + 48,000 = 1,28,000$. Crediting this amount as interest requires an equal reduction in profits already shared.

Step 2: Compare the correct interest with excess profit received Since the profit was distributed without deducting interest, Piya and Rosa received excess profit in the ratio $3 : 5$:

$$\text{Piya's excess profit} = \text{Rs } 1,28,000 \times \frac{3}{8} = \text{Rs } 48,000,$$
$$\text{Rosa's excess profit} = \text{Rs } 1,28,000 \times \frac{5}{8} = \text{Rs } 80,000.$$

Piya is entitled to Rs 80,000 interest but must surrender Rs 48,000 excess profit: her net credit is Rs 32,000. Rosa is entitled to Rs 48,000 interest but must surrender Rs 80,000 excess profit: her net debit is Rs 32,000. The equal and opposite adjustments confirm that the total partners' funds are unchanged.

Step 3: Record the net adjusting entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Rosa's Current A/c Dr. To Piya's Current A/c (Being adjustment of omitted interest on capital at 8% p.a. and the consequent excess profit distributed in the ratio of 3:5)		32,000	 32,000

Current Accounts are used because the partners maintain fixed capitals. This single entry produces the same net result as separately crediting interest and reversing the excess profit share.

Step 4: Conclusion Debit Rosa's Current Account and credit Piya's Current Account by $\boxed{\text{Rs } 32,000}$ each.

Quick Tip to Solve: Compute interest due minus the partner's share of total omitted interest. A positive balance is a credit; 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 registered maximum; issued capital is the face value offered for subscription. Subscribed capital relates to shares actually allotted.
- After forfeiture, the forfeited shares cease to form part of subscribed capital. The amount already received on those shares is disclosed as shares forfeited under the share capital note, until their reissue.

Step 1: Calculate the fully paid shares and forfeited amount The final call is $100-30-30-25 = \text{Rs } 15$ per share. Thus both calls total Rs 40 per share, while Charvi paid application and allotment money of Rs 60 per share.

$$\text{Shares remaining after forfeiture} = 42,000 - 3,300 = 38,700,$$
$$\text{Fully paid subscribed capital} = 38,700 \times 100 = \text{Rs } 38,70,000,$$
$$\text{Amount on forfeited shares} = 3,300 \times 60 = \text{Rs } 1,98,000.$$

The unpaid calls on Charvi's shares were $3,300 \times 40 =$ Rs $1,32,000$. Since those shares have already been forfeited, these calls are not shown as calls in arrears against the remaining subscribed capital. No reissue is stated.

Step 2: Present the Balance Sheet extract **Balance Sheet of Ronit Ltd. (Extract)**

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	40,68,000

Step 3: Prepare the share capital note **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	38,70,000
Add: Shares forfeited (amount originally paid on 3,300 shares)	1,98,000
Total Share Capital	**40,68,000**

The 3,000 shares offered but not subscribed do not enter subscribed capital. Forfeiture does not reduce authorised capital or the number originally issued.

Step 4: Conclusion Ronit Ltd. shows **Share Capital of Rs 40,68,000**: Rs 38,70,000 of fully paid subscribed equity capital plus Rs 1,98,000 received on forfeited shares.

Quick Tip to Solve: First remove all 3,300 forfeited shares from subscribed capital, then add back only the Rs 60 per share already received on them.

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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: 1,00,000		Debtors: 3,00,000	
Ravi: 2,00,000		Less: Provision for doubtful debts: 10,000	2,90,000
Rohan: 3,00,000	6,00,000	Investments	50,000
		Land	2,50,000
	9,80,000		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 is credited with his share of accumulated reserves, goodwill and profit earned up to the date of death, in addition to his existing capital balance.
- Goodwill equals the average annual profit multiplied by the agreed years' purchase. Interim profit based on average annual profit is apportioned for the period up to death and then in the deceased partner's profit-sharing fraction.
- The final amount due is transferred to the deceased partner's executor's account. The continuing partners bear his goodwill share in their gaining ratio.

Step 1: Calculate reserve and goodwill adjustments **Working Notes**

Rohan's share in the old ratio $2:3:1$ is $1/6$. His share of the general reserve is therefore $18,000 \times 1/6 = \text{Rs } 3,000$.

$$\text{Average annual profit} = \frac{45,000 + 90,000 + 1,35,000}{3}$$

$$= \text{Rs } 90,000,$$

$$\text{Firm's goodwill} = 90,000 \times 2 = \text{Rs } 1,80,000,$$

$$\text{Rohan's share of goodwill} = 1,80,000 \times \frac{1}{6} = \text{Rs } 30,000.$$

No revised ratio is specified, so Ram and Ravi continue in their relative old ratio of $2:3$, which is also their gaining ratio. Ram bears $30,000 \times 2/5 = \text{Rs } 12,000$; Ravi bears $30,000 \times 3/5 = \text{Rs } 18,000$. Their capital accounts are debited and Rohan's capital account is credited, without raising a goodwill asset.

Step 2: Calculate profit up to the date of death The period from 1 April 2023 to 30 September 2023 is six months. Applying the deed's average-profit basis:

$$\text{Rohan's interim profit} = 90,000 \times \frac{6}{12} \times \frac{1}{6} = \text{Rs } 7,500.$$

Credit Rohan's Capital Account and debit Profit and Loss Suspense Account for this estimated share. The given balance sheet contains no separate revaluation instruction or other death adjustment, so no further amount is introduced.

Step 3: Prepare Rohan's Capital Account **Rohan's Capital Account (up to 30 September 2023)**

Dr. Particulars	Rs	Particulars Cr.	Rs
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 credit total is $3,00,000 + 3,000 + 12,000 + 18,000 + 7,500 = \text{Rs } 3,40,500$. Transferring it to the executor closes Rohan's Capital Account; the transfer does not imply that cash has already been paid.

Step 4: Conclusion The amount due to Rohan's executors is **Rs 3,40,500**, transferred from his Capital Account to Rohan's Executor's Account on 30 September 2023.

Quick Tip to Solve: Use Rohan's old share of 1/6 for reserve, goodwill and interim profit; apply the six-month fraction only to the interim profit.

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:

- Under pro-rata allotment, excess application money of accepted applicants is adjusted against allotment. Rejected applicants receive a refund.
- Share Capital is credited only with face value; Securities Premium Reserve is credited separately. On forfeiture, Share Forfeiture is credited with capital money actually received.
- For a defaulter, first adjust excess application money against premium due on allotment and then against allotment capital. Reverse only premium that remains unpaid.

Step 1: Compute allotment and the instalments The issue price is $10 + 20\% \times 10 = \text{Rs } 12$ per share. Hence the first and final call is $12 - 5 - 4 = \text{Rs } 3$ per share. Allotment contains Rs 2 capital and Rs 2 premium.

$$\begin{aligned} \text{Accepted applications} &= 3,20,000 - 20,000 = 3,00,000, \\ \text{Allotment ratio} &= 2,00,000 : 3,00,000 = 2:3, \\ \text{Excess application money} &= (3,00,000 - 2,00,000) \times 5 \\ &= \text{Rs } 5,00,000. \end{aligned}$$

Kavita receives $15,000 \times 2/3 = 10,000$ shares. Her application payment is Rs 75,000; Rs 50,000 is application capital and Rs 25,000 is excess. Her allotment due is Rs 40,000, so unpaid allotment is Rs 15,000. The excess covers all Rs 20,000 premium and Rs 5,000 allotment capital. Thus no premium is reversed on forfeiture. Her unpaid call is $10,000 \times 3 = \text{Rs } 30,000$.

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

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 capital 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 Reserve A/c			4,00,000
	(Being allotment due on 2,00,000 shares at Rs 4, including premium of Rs 2 each)			
	Bank A/c Dr.		2,85,000	
	To Share Allotment A/c			2,85,000
	(Being allotment received after Rs 5,00,000 adjustment, except Kavita's Rs 15,000)			

Step 3: Record call and forfeiture Journal of Lazal Ltd. (call and forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	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 due on 2,00,000 shares)			
	Bank A/c Dr.		5,70,000	
	To Share First and Final Call A/c			5,70,000
	(Being call 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 10,000 fully called shares forfeited for non-payment of allotment and call)			

Capital received on Kavita's shares is $50,000 + 5,000 =$ Rs $55,000$; the balance Rs 20,000 of her payment is premium. The forfeiture entry balances: $1,00,000 = 15,000 + 30,000 + 55,000$. Allotment cash is $8,00,000 - 5,00,000 - 15,000 =$ Rs $2,85,000$.

Step 4: Conclusion Kavita is allotted 10,000 shares; Rs 55,000 is credited to Share Forfeiture. Securities Premium Reserve is not debited because her premium was fully received through excess application money.

Quick Tip to Solve: For Kavita, apply the Rs 25,000 excess first to Rs 20,000 premium; only Rs 5,000 remains as allotment capital.

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:

- The share issue price includes face value and premium. Application premium is credited to Securities Premium Reserve when applications are appropriated.
- Pro-rata excess application money reduces the amount subsequently collected on allotment; rejected application money is refunded.
- Forfeiture cancels called-up capital. The credit to Share Forfeiture equals capital received, excluding premium, and unpaid calls are cancelled.

Step 1: Compute the instalments and pro-rata adjustment The issue price is $10+2 = \text{Rs } 12$. Application of Rs 4 comprises Rs 2 capital and Rs 2 premium; allotment of Rs 5 is capital. The first and final call is therefore $12 - 4 - 5 = \text{Rs } 3$ per share.

$$\begin{aligned}
\text{Accepted applications} &= 1,80,000 - 30,000 = 1,50,000,\\
\text{Allotment ratio} &= 1,00,000 : 1,50,000 = 2:3,\\
\text{Application cash} &= 1,80,000 \times 4 = \text{Rs } 7,20,000,\\
\text{Refund} &= 30,000 \times 4 = \text{Rs } 1,20,000,\\
\text{Excess adjusted} &= (1,50,000 - 1,00,000) \times 4\\
&= \text{Rs } 2,00,000.
\end{aligned}$$

Mansi holds 5,000 allotted shares and therefore applied for $5,000 \times 3/2 = 7,500$ shares. Her Rs 30,000 application payment includes Rs 10,000 excess, which is adjusted against her Rs 25,000 allotment. She pays the remaining Rs 15,000 allotment. Her only default is the call of $5,000 \times 3 = \text{Rs } 15,000$.

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

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 Reserve A/c			2,00,000
	To Share Allotment A/c			2,00,000
	To Bank A/c			1,20,000
	(Being application capital and premium transferred, excess adjusted and rejected money refunded)			
	Share Allotment A/c Dr.		5,00,000	
	To Share Capital A/c			5,00,000
	(Being allotment of Rs 5 per share due on 1,00,000 shares)			
	Bank A/c Dr.		3,00,000	
	To Share Allotment A/c			3,00,000
	(Being balance allotment received after adjusting excess application money of Rs 2,00,000)			

Step 3: Record call and forfeiture Journal of Chand Ltd. (call and forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		3,00,000	
	To Share Capital A/c			3,00,000
	(Being first and final call due on 1,00,000 shares at Rs 3 each)			
	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 5,000 fully called shares forfeited for non-payment of first and final call)			

Mansi has paid capital of Rs 7 per share: Rs 2 on application and Rs 5 on allotment. Thus Share Forfeiture is credited with $5,000 \times 7 =$ Rs $35,000$. Her Rs 10,000 premium was received and remains in Securities Premium Reserve. The forfeiture entry balances: $50,000 = 15,000 + 35,000$.

Step 4: Conclusion Mansi's 5,000 shares are forfeited: Share Capital is debited Rs 50,000, Share First and Final Call is credited Rs 15,000 and Share Forfeiture is credited Rs 35,000. The received premium remains unchanged.

Quick Tip to Solve: Mansi holds 5,000 allotted shares: multiply the Rs 3 call by 5,000, and forfeit only Rs 7 capital received per share.

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 to their capital accounts in the old profit-sharing ratio.
- The goodwill premium brought by the incoming partner compensates the sacrificing partners in their sacrificing ratio.
- A decrease in an asset and an increase in a liability are debited to Revaluation Account; its net loss is borne by the old partners. Payment of an already recorded liability has no revaluation effect.

Step 1: Working Notes: determine the ratios and adjustments No different sacrifice is specified, so Anikesh and Bhavesh surrender Chahat's share in their old ratio, $7:3$. They retain $3/4$ of the profits:

$$\text{New ratio} = \frac{7}{10}\times\frac{3}{4} : \frac{3}{10}\times\frac{3}{4} : \frac{1}{4} = 21:9:10.$$

Their sacrifices are $7/40$ and $3/40$, so goodwill of Rs 30,000 is credited as Rs 21,000 and Rs 9,000.

General Reserve of Rs 15,000 is credited as Rs 10,500 and Rs 4,500.

$$\text{Stock reduction} = 60,000 \times 10\% = \text{Rs } 6,000,$$
$$\text{Revaluation loss} = 6,000 + 6,300 = \text{Rs } 12,300,$$
$$\text{Anikesh's loss} = 12,300 \times 7/10 = \text{Rs } 8,610,$$
$$\text{Bhavesh's loss} = 12,300 \times 3/10 = \text{Rs } 3,690.$$

The outstanding wages of Rs 9,000 already appear as a liability. Paying them reduces cash and the liability equally; they must not be charged again to Revaluation Account.

Step 2: Record the reserve, capital and goodwill entries Journal of Anikesh, Bhavesh and Chahat

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	General Reserve A/c Dr.		15,000	
	To Anikesh's Capital A/c			10,500
	To Bhavesh's Capital A/c			4,500
	(Being reserve distributed in the old ratio of 7:3)			
1-4-2023	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)			
1-4-2023	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 7:3)			

Goodwill is adjusted through the premium received; no goodwill asset is raised. The question does not require withdrawal of the premium, so the money remains in the firm.

Step 3: Record payment and revaluation entries Journal (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Outstanding Wages A/c Dr.		9,000	
	To Cash A/c			9,000
	(Being outstanding wages paid)			
1-4-2023	Revaluation A/c Dr.		6,000	
	To Stock A/c			6,000
	(Being stock reduced by 10%)			
1-4-2023	Revaluation A/c Dr.		6,300	
	To Creditors A/c			6,300
	(Being an unrecorded creditor recognised)			
1-4-2023	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 the old ratio)			

Step 4: Conclusion The required entries record Chahat's admission, goodwill distribution, reserve transfer, payment of wages and revaluation loss of 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 the existing wages liability from the new creditor: only the unrecorded creditor and stock reduction create the revaluation loss.

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 among all old partners in their old profit-sharing ratio.
- The retiring partner receives a goodwill credit equal to the firm's goodwill multiplied by the retiring partner's share. Continuing partners bear this credit in their gaining ratio.
- When continuing capitals are fixed in the new ratio, a surplus capital is credited to the partner's current account and a deficiency is debited to it. A retiring partner's unpaid balance is transferred to a loan account.

Step 1: Working Notes: calculate goodwill, reserves and revaluation Qadir retires, and no different arrangement between the continuing partners is stated. Prina and Kian therefore share future profits

in $7:1$. Their gains are:

$$\text{Prina's gain} = \frac{7}{8} - \frac{7}{10} = \frac{7}{40},$$
$$\text{Kian's gain} = \frac{1}{8} - \frac{1}{10} = \frac{1}{40}.$$

Thus the gaining ratio is $7:1$. Qadir's goodwill share is $12,00,000 \times 2/10 = \text{Rs } 2,40,000$. Debit Prina's capital by Rs 2,10,000 and Kian's capital by Rs 30,000, crediting Qadir's capital by Rs 2,40,000.

The General Reserve of Rs 3,00,000 is distributed as Rs 2,10,000, Rs 60,000 and Rs 30,000. Of the Workmen's Compensation Reserve, Rs 1,40,000 is retained against the determined liability. Its excess of $5,40,000 - 1,40,000 = \text{Rs } 4,00,000$ is distributed as Rs 2,80,000, Rs 80,000 and Rs 40,000 in $7:2:1$. The covered liability does not create a revaluation loss.

$$\text{Land appreciation} = 12,00,000 \times 30\% = \text{Rs } 3,60,000,$$
$$\text{New doubtful debts provision} = 6,00,000 \times 6\% = \text{Rs } 36,000,$$
$$\text{Increase in provision} = 36,000 - 30,000 = \text{Rs } 6,000.$$

The revaluation credit of Rs 3,60,000 exactly equals the building depreciation of Rs 3,54,000 plus the provision increase of Rs 6,000.

Step 2: Prepare the Revaluation Account Revaluation Account

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

Both sides already balance, so revaluation profit or loss is nil. There is no amount to transfer to partners' capital accounts and no balance to carry forward in this nominal account.

Step 3: Working Notes: determine the settlement and current accounts After reserve and goodwill adjustments, the capital balances are:

$$\begin{aligned}\text{Prina} &= 9,60,000 + 2,10,000 + 2,80,000 - 2,10,000\\ &= \text{Rs } 12,40,000,\\ \text{Qadir} &= 8,40,000 + 60,000 + 80,000 + 2,40,000\\ &= \text{Rs } 12,20,000,\\ \text{Kian} &= 9,00,000 + 30,000 + 40,000 - 30,000\\ &= \text{Rs } 9,40,000.\end{aligned}$$

Transfer Qadir's entire Rs 12,20,000 to his loan account. Continuing capitals must total Rs 16,00,000 in $7:1$: Prina Rs 14,00,000 and Kian Rs 2,00,000. Therefore, debit Prina's Current Account and credit her Capital Account by $14,00,000 - 12,40,000 = \text{Rs } 1,60,000$. Debit Kian's Capital Account and credit his Current Account by $9,40,000 - 2,00,000 = \text{Rs } 7,40,000$. No cash is introduced or withdrawn for these capital adjustments.

Step 4: Prepare the Partners Capital Accounts Partners' Capital Accounts (all amounts in Rs)

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

The goodwill adjustment is shown by debiting the continuing partners and crediting Qadir with the contributions from each; no goodwill asset is created. Qadir's capital closes, and the two continuing capital balances total Rs 16,00,000. The current balances reconcile their unchanged total claims: Prina has capital Rs 14,00,000 less debit current Rs 1,60,000, while Kian has capital Rs 2,00,000 plus credit current Rs 7,40,000.

Step 5: Conclusion Revaluation profit or loss is nil. Qadir's loan is Rs 12,20,000. Closing capitals are Prina Rs 14,00,000 and Kian Rs 2,00,000, with a debit current balance of Rs 1,60,000 for Prina and a credit current balance of Rs 7,40,000 for Kian.

Quick Tip to Solve: Release only the Rs 4,00,000 excess compensation reserve; the Rs 1,40,000 claim is covered. Compare adjusted capitals with Rs 14,00,000 and Rs 2,00,000 to find current balances.

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

(i) Sudha agreed to pay off her husband's loan Rs. 19,000.

(ii) A debtor, whose debt of Rs. 9,300 was written off as bad debts in the books, paid Rs. 7,500 in full settlement.

(iii) Shiva took over all investments at Rs. 13,300.

(iv) An unrecorded creditor of Rs. 20,000 was paid by Sudha at a discount of 10%.

(v) The firm had 300 shares in Veligare Ltd. acquired at a cost of Rs. 3,000 and had been written off completely from the books. These shares were valued at Rs. 5 each and divided among the partners in their profit sharing ratio.

(vi) Realisation expenses Rs. 3,400 were paid by Sudha for which she was allowed a remuneration of Rs. 3,000. [6 marks]

Solution:

Concept:

- After assets and outside liabilities have been transferred, their settlements are recorded through Realisation Account. A partner taking over an asset is debited; a partner settling an outside liability is credited.
- Recovery of a debt already written off and distribution of an unrecorded asset are credited to Realisation Account. Only the current amount realised or agreed value is recorded.
- Where a partner undertakes realisation work for fixed remuneration and pays the expenses, the firm records the agreed remuneration. The partner's actual expenditure is not separately reimbursed.

Step 1: (i) Sudha takes responsibility for her husband's loan The husband's loan is an outside liability already transferred to Realisation Account. Sudha's undertaking relieves the firm of Rs 19,000 and creates an amount due to her. There is no payment from the firm's bank.

Journal of Sudha and Shiva

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Sudha's Capital A/c (Being husband's loan taken over by Sudha)		19,000	 19,000

Step 2: (ii) Recover the debt previously written off The debtor no longer has a book balance because the entire debt was written off. Therefore credit the recovery to Realisation Account, rather than reopening Debtors Account. The unrecovered Rs 1,800 needs no fresh entry.

Journal of Sudha and Shiva

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Realisation A/c (Being recovery of a debt previously written off)		7,500	 7,500

Step 3: (iii) Record investments taken over by Shiva The investments have already been transferred out of their asset account. Shiva receives them at the agreed value of Rs 13,300, so debit his capital and credit Realisation Account.

Journal of Sudha and Shiva

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Shiva's Capital A/c Dr. To Realisation A/c (Being investments taken over by Shiva)		13,300	 13,300

Step 4: (iv) Settle the unrecorded creditor through Sudha The settlement amount is $20,000 \times 90\% =$ Rs $18,000$. The creditor was unrecorded, so record the actual settlement as a realisation expense. Credit Sudha because she paid on the firm's behalf. There is no separate discount entry for this unrecorded liability.

Journal of Sudha and Shiva

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Sudha's Capital A/c (Being unrecorded creditor settled by Sudha at a discount of 10%)		18,000	 18,000

Step 5: (v) Distribute the unrecorded shares The shares' agreed value is $300 \times 5 =$ Rs $1,500$. Their historical cost of Rs 3,000 has already been written off and is not reinstated. No profit-sharing ratio is

supplied, so use equal sharing in the absence of an agreement to the contrary: Sudha and Shiva each receive 150 shares valued at Rs 750.

Journal of Sudha and Shiva

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sudha's Capital A/c Dr.		750	
	Shiva's Capital A/c Dr.		750	
	To Realisation A/c			1,500
	(Being unrecorded shares distributed equally at their agreed value)			

Step 6: (vi) Record Sudha's agreed remuneration Sudha pays the realisation expenses under the arrangement for remuneration of Rs 3,000. Consequently only that agreed amount is charged to the firm. The actual expenses of Rs 3,400 paid by her are not entered again; the excess of Rs 400 is borne by Sudha.

Journal of Sudha and Shiva

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		3,000	
	To Sudha's Capital A/c			3,000
	(Being agreed remuneration allowed to Sudha for realisation work and expenses)			

Step 7: Conclusion The six transactions are journalised above. Realisation is debited by Rs 19,000, Rs 18,000 and Rs 3,000, and credited by Rs 7,500, Rs 13,300 and Rs 1,500 respectively. Each entry has equal debits and credits.

Quick Tip to Solve: After transfer to Realisation, use that account for settlements; debit a partner for assets taken and credit a partner for liabilities paid.

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

(i) 400, 11% debentures of Rs. 1,000 each are issued at 10% discount and redeemable at par. Balance in Securities Premium Account is Rs. 50,000.

(ii) 500, 10% debentures of Rs. 1,000 each are issued at 10% discount and redeemable at a premium of 10%. Balance in Securities Premium Account is Rs. 75,000. [6 marks]

Solution:

Concept:

- Debentures are credited with their nominal value. Issue proceeds equal nominal value less issue discount; redemption premium creates a separate liability on issue.
- Loss on issue comprises the discount allowed at issue plus the premium payable on redemption. Securities Premium Account can be used to write off this loss; any balance is charged to Statement of Profit and Loss.

Step 1: (i) Calculate the issue proceeds and discount For 400 debentures of Rs 1,000 each, the nominal liability is $400 \times 1,000 = \text{Rs } 4,00,000$. The discount is $4,00,000 \times 10\% = \text{Rs } 40,000$, and the amount received is Rs 3,60,000. Redemption is at par, so there is no redemption premium liability.

The 11% coupon determines interest, not the issue discount.

Journal of Dhatu Ltd.—Case (i)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		3,60,000	
	Discount on Issue of Debentures A/c Dr.		40,000	
	To 11% Debentures A/c			4,00,000
	(Being 400 debentures of Rs 1,000 each issued at 10% discount, redeemable at par)			

Step 2: (i) Write off the discount against securities premium The Securities Premium balance of Rs 50,000 exceeds the issue discount of Rs 40,000. Thus the whole discount is written off against that reserve, leaving Rs 10,000 in Securities Premium Account. No charge to Statement of Profit and Loss is required in this case.

Journal of Dhatu Ltd.—Case (i), write-off

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Securities Premium A/c Dr.		40,000	
	To Discount on Issue of Debentures A/c			40,000
	(Being issue discount written off against securities premium)			

Step 3: (ii) Calculate the combined loss and record the issue The nominal value is $500 \times 1,000 =$ Rs $5,00,000$. Issue discount is Rs 50,000, leaving bank receipts of Rs 4,50,000. Redemption premium is a further $5,00,000 \times 10\% =$ Rs $50,000$. Therefore the total loss on issue is $50,000 + 50,000 =$ Rs $1,00,000$. The redemption premium is recognised now, even though it will be paid on redemption.

Journal of Dhatu Ltd.—Case (ii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,50,000	
	Loss on Issue of Debentures A/c Dr.		1,00,000	
	To 10% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(Being 500 debentures issued at 10% discount and redeemable at 10% premium)			

Step 4: (ii) Write off the total loss These are separate cases; case (ii) has its own Securities Premium balance of Rs 75,000. Use the entire balance and charge the remaining $1,00,000 - 75,000 =$ Rs $25,000$ to Statement of Profit and Loss. Writing off the loss does not cancel the Rs 50,000 premium payable on redemption.

Journal of Dhatu Ltd.—Case (ii), write-off

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Securities Premium A/c Dr.		75,000	
	Statement of Profit and Loss Dr.		25,000	
	To Loss on Issue of Debentures A/c			1,00,000
	(Being issue loss written off using securities premium and Statement of Profit and Loss)			

Step 5: Conclusion Case (i): issue discount of Rs 40,000 is fully written off against securities premium. Case (ii): total issue loss of Rs 1,00,000 is written off using Rs 75,000 of securities premium and Rs 25,000 from Statement of Profit and Loss.

Quick Tip to Solve: Add issue discount and redemption premium before writing off the loss; compute both percentages on the debentures' face value.

Part B (20 marks)

OPTION - I (Analysis of Financial Statements)

27.

	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:

- Purchase of investments and goodwill creates cash outflows from investing activities. Sale of investments creates a cash inflow from investing activities.
- Net cash flow equals investing cash receipts less investing cash payments; a negative net amount denotes an outflow.

Step 1: Identify the relevant receipts and payments Investments purchased cause an outflow of Rs 2,00,000, while investments sold bring an inflow of Rs 1,80,000. Goodwill purchased causes another outflow of Rs 3,00,000. Goodwill is an intangible non-current asset, so its purchase belongs to investing activities. There is no goodwill sale receipt in the table.

Step 2: Compute the net flow and test the options

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

Option (A) has the correct magnitude but reverses the direction. Option (C) considers only the net investment purchase and omits goodwill. Option (D) both omits goodwill and reverses the sign of that partial calculation. Option (B) includes both classes of assets with their correct signs.

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

Quick Tip to Solve: Include goodwill purchases alongside investment purchases, then subtract both from the investment sale receipts.

28(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 investments other than cash equivalents.

Step 1: Evaluate Statement I Financing activities relate to the long-term funds or capital of an enterprise. Issue of shares, raising long-term loans and repayment of such loans are examples. Statement I is therefore correct.

Step 2: Evaluate Statement II Expenditure on resources intended to generate future income and cash flows describes the significance of investing activities. Separate disclosure of financing cash flows instead helps predict claims on future cash flows by providers of capital. Thus Statement II is incorrect. Options (A) and (C) wrongly accept Statement II, while option (B) wrongly rejects Statement I.

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-generating assets with investing, and providers of capital with financing.

OR

28(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.
- A cash payment decreases cash and cash equivalents and is therefore a cash outflow.

Step 1: Identify the activity Employee benefit expenses, such as salaries and wages, arise from the ordinary conduct of business. Payment of these expenses is classified as an operating activity.

Step 2: Determine the cash-flow effect The word payment means cash has actually left the enterprise. Hence there is an operating cash outflow. It is not an investing outflow for acquisition of long-term assets or investments, and it does not raise or repay capital as a financing activity would. The no-effect option is also incorrect because an actual cash payment occurs.

Step 3: Conclusion The payment causes an outflow from operating activities. Hence, the correct option is (A).

Quick Tip to Solve: For a paid expense, first identify its business activity; salaries and wages belong to operating activities.

29. 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 equals quick assets divided by current liabilities. Quick assets exclude inventories and prepaid expenses.
- At a quick ratio of $1.5 : 1$, quick assets exceed current liabilities.

Step 1: Test transactions affecting quick assets In (A), the sale adds Rs 12,000 to cash or receivables; the inventory given up was not a quick asset. The ratio rises. In (B), collecting Rs 41,000 merely converts receivables into cash, so total quick assets and the ratio remain unchanged. In (C), purchasing inventory for Rs 38,000 reduces cash, while the inventory received is excluded from quick assets. Current liabilities remain unchanged.

Step 2: Test payment of creditors Let current liabilities be L, so initial quick assets are $1.5L$. For payment $p = \text{Rs } 11,000$, assuming liabilities remain positive,

$$\frac{1.5L - p}{L - p} - 1.5 = \frac{0.5p}{L - p} > 0.$$

Thus (D) increases the ratio because equal amounts are deducted from a numerator already larger than its denominator.

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 exchanged for inventory reduces quick assets; collection from debtors only changes their composition.

30(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 meaningful relationships between related financial-statement figures.
- Profitability, solvency and activity ratios respectively assess earning capacity, long-term financial soundness and operating efficiency.

Step 1: Identify the tool from its purpose The question asks for a tool that assesses profitability, solvency and efficiency together. Ratio analysis provides these distinct groups of measures, such as net profit ratio, debt-equity ratio and inventory turnover ratio.

Step 2: Compare the other tools A cash flow statement explains cash inflows and outflows under operating, investing and financing activities. Comparative statements show changes in figures across periods. Common size statements express items as percentages of a common base. Although these tools aid analysis, the tool specifically organised into profitability, solvency and efficiency measures is ratio analysis.

Step 3: Conclusion The tool is ratio analysis. Hence, the correct option is (D).

Quick Tip to Solve: When the question lists profitability, solvency and efficiency together, connect them with the groups of ratios.

OR

30(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 acid test ratio is a stringent test of short-term liquidity using quick or liquid assets.
- Quick assets exclude inventories and prepaid expenses from current assets; quick ratio equals quick assets divided by current liabilities.

Step 1: Recall the alternative name The acid test asks whether liabilities due in the short term can be met from assets readily convertible into cash. Since inventories and prepaid expenses are excluded, this measure is called the quick ratio or liquid ratio.

Step 2: Distinguish the distractors The current ratio uses all current assets, including inventories, and is therefore a broader liquidity measure. Gross profit ratio measures trading profitability relative to revenue from operations. Return on investment ratio measures returns on capital employed. Neither profitability measure is a short-term liquidity test.

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

Quick Tip to Solve: Remember acid test as the stricter liquidity test: remove inventory and prepaid expenses before dividing.

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

(i) Design

(ii) Unpaid dividend

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

Solution:

Concept:

- Assets held for continuing use rather than conversion into cash in the normal operating cycle are classified as non-current assets.
- A liability payable in the short term is shown under current liabilities; unpaid dividend is a liability to shareholders, not part of reserves.

Step 1: Classify Design Design is an identifiable asset without physical substance that provides benefits over more than one accounting period. It therefore appears under Non-current assets, within

Fixed assets, as an Intangible asset.

Step 2: Classify unpaid dividend Unpaid dividend represents dividend already declared but not yet paid to the entitled shareholders. It is shown under the major head Current liabilities and the sub-head Other current liabilities. It is not a provision because the dividend obligation is already established.

Step 3: Classify capital work-in-progress Capital work-in-progress represents expenditure on construction or acquisition of fixed assets that are not yet ready for their intended use. It is shown under Non-current assets, within Fixed assets, separately as Capital work-in-progress. It must not be confused with inventory work-in-progress, which relates to goods produced for sale.

Step 4: Conclusion The required Balance Sheet classifications are:

Item	Major head	Sub-head / classification
Design	Non-current assets	Fixed assets: Intangible assets
Unpaid dividend	Current liabilities	Other current liabilities
Capital work-in-progress	Non-current assets	Fixed assets: Capital work-in-progress

Quick Tip to Solve: Classify designs by their intangible nature, unpaid dividends by the liability, and capital work-in-progress by its fixed-asset purpose.

32. Calculate 'Operating Profit Ratio' from the following information:

Particulars	Amount
Revenue from operations	**Rs. 10,00,000**
Gross profit	**25% on cost**
Office and administrative expenses	**Rs. 18,000**
Selling and distribution expenses	**Rs. 2,000**
Loss by theft	**Rs. 20,000**

[3 marks]

Solution:

Concept:

- Operating profit ratio equals operating profit divided by revenue from operations, multiplied by 100.
- Operating profit equals gross profit less operating expenses; abnormal non-operating losses are excluded.
- Gross profit stated as a percentage of cost must first be converted to a percentage of revenue.

Step 1: Calculate gross profit from its cost base Let cost of revenue from operations be C. Gross profit is 25% of C, so revenue is $C + 0.25C = 1.25C$. Thus

$$C = \frac{\text{Rs } 10,00,000}{1.25} = \text{Rs } 8,00,000.$$

$$\text{Gross profit} = \text{Rs } 10,00,000 - \text{Rs } 8,00,000 = \text{Rs } 2,00,000.$$

This is 20% of revenue, not 25% of revenue.

Step 2: Identify operating expenses Office and administrative expenses and selling and distribution expenses arise from normal operations. Their total is

$$\text{Operating expenses} = \text{Rs } 18,000 + \text{Rs } 2,000 = \text{Rs } 20,000.$$

Loss by theft of Rs 20,000 is an abnormal, non-operating loss. It is therefore not deducted in calculating operating profit from the given gross profit.

Step 3: Compute operating profit and its ratio

$$\text{Operating profit} = \text{Rs } 2,00,000 - \text{Rs } 20,000 = \text{Rs } 1,80,000.$$

Use revenue from operations as the denominator:

$$\text{Operating profit ratio} = \frac{1,80,000}{10,00,000} \times 100 = 18\%.$$

Deducting the theft loss would mix a non-operating item into the operating measure and incorrectly understate this ratio.

Step 4: Conclusion The Operating Profit Ratio is 18%.

Quick Tip to Solve: Convert 25% on cost to 25/125 of sales first; exclude the abnormal theft loss from operating expenses.

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 every asset as a percentage of total assets and every equity or liability item as a percentage of total equity and liabilities for the same year.
- The common size percentage is $\dfrac{\text{Individual item}}{\text{Balance sheet total of that year}} \times 100$. The base is Rs 80,00,000 for 2023 and Rs 50,00,000 for 2022; each year's total is shown as 100%.

Step 1: Compute the percentages using each year's own total For 2023, equity share capital is $30,00,000/80,00,000 \times 100 = 37.50\%$, reserves and surplus are $10,00,000/80,00,000 \times 100 = 12.50\%$, and each of non-current liabilities and current liabilities is $20,00,000/80,00,000 \times 100 = 25\%$. Non-current assets and inventories are each $40,00,000/80,00,000 \times 100 = 50\%$.

For 2022, equity share capital is 30%, reserves and surplus 10%, non-current liabilities 40%, and current liabilities 20%. Non-current assets are $30,00,000/50,00,000 \times 100 = 60\%$, while inventories are 40%. These are proportions within each year's balance sheet, not rates of growth between the two years.

Step 2: Present the common size balance sheet **Common Size Balance Sheet of X Ltd.**
As at 31st March, 2023 and 31st March, 2022

Particulars	2023 (Rs)	2022 (Rs)	2023 (%)	2022 (%)
I. Equity and Liabilities				
1. Shareholders' funds				
(a) Equity share capital	30,00,000	15,00,000	37.50	30.00
(b) 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
2. Non-current liabilities	20,00,000	20,00,000	25.00	40.00
3. 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				
1. Non-current assets	40,00,000	30,00,000	50.00	60.00
2. Current assets				
(a) Inventories	40,00,000	20,00,000	50.00	40.00
Total	**80,00,000**	**50,00,000**	**100.00**	**100.00**

As a check, the equity and liabilities percentages add to $37.50 + 12.50 + 25 + 25 = 100\%$ in 2023 and $30 + 10 + 40 + 20 = 100\%$ in 2022. The asset percentages also total 100% in each year. The shareholders' funds subtotal is not added a second time.

Step 3: Conclusion The common size balance sheet shows shareholders' funds at 50% of total financing in 2023 and 40% in 2022. Inventories represent 50% and 40% of total assets respectively; both sides total 100% in each year.

Quick Tip to Solve: Write 80,00,000 above the 2023 percentage column and 50,00,000 above the 2022 column as working bases; never use one year's total for both columns.

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 places the preceding year's figures beside the current year's figures, showing absolute change and percentage change for each income, expense and profit item.
- Absolute change equals the 2023 amount minus the 2022 amount. Percentage change is $\frac{\text{Absolute change}}{\text{2022 amount}} \times 100$. Tax expense equals profit before tax multiplied by the tax rate; profit after tax is profit before tax less tax.

Step 1: Work out inventory changes and profits for both years The given changes in inventories are positive expense amounts, calculated on purchases of stock in trade. For 2023, this expense is $24,00,000 \times 25\% = \text{Rs } 6,00,000$; for 2022, it is $12,00,000 \times 20\% = \text{Rs } 2,40,000$.

$$\begin{aligned} \text{2023 total expenses} &= 24,00,000 + 6,00,000 + 2,00,000 \\ &= \text{Rs } 32,00,000, \\ \text{2022 total expenses} &= 12,00,000 + 2,40,000 + 1,60,000 \\ &= \text{Rs } 16,00,000. \end{aligned}$$

Hence profit before tax is Rs 8,00,000 for 2023 and Rs 4,00,000 for 2022. Tax at 40% is Rs 3,20,000 and Rs 1,60,000 respectively. Deducting tax gives profits after tax of Rs 4,80,000 and Rs 2,40,000 respectively.

Step 2: Calculate changes and prepare the comparative statement For changes in inventories, the increase is $6,00,000 - 2,40,000 = \text{Rs } 3,60,000$, giving $3,60,000/2,40,000 \times 100 = 150\%$. Other expenses increase by Rs 40,000, or $40,000/1,60,000 \times 100 = 25\%$. Each remaining monetary item doubles, so its increase is 100%.

Comparative Statement of Profit and Loss of Y Ltd.
For the years ended 31st March, 2022 and 31st March, 2023

Particulars	2022 (Rs)	2023 (Rs)	Increase (Rs)	Increase (%)
I. Revenue from operations	20,00,000	40,00,000	20,00,000	100
II. Total revenue	**20,00,000**	**40,00,000**	**20,00,000**	**100**
III. Expenses:				
Purchases of stock in trade	12,00,000	24,00,000	12,00,000	100
Changes in inventories	2,40,000	6,00,000	3,60,000	150
Other expenses	1,60,000	2,00,000	40,000	25
Total expenses	**16,00,000**	**32,00,000**	**16,00,000**	**100**
IV. Profit before tax (II–III)	4,00,000	8,00,000	4,00,000	100
V. Tax expense at 40%	1,60,000	3,20,000	1,60,000	100
VI. Profit after tax (IV–V)	**2,40,000**	**4,80,000**	**2,40,000**	**100**

The unchanged tax rate is applied separately to each year's profit before tax. Although the rate remains 40%, the tax amount doubles because the taxable profit doubles.

Step 3: Conclusion Y Ltd.'s profit after tax rises from Rs 2,40,000 in 2022 to Rs 4,80,000 in 2023, an increase of Rs 2,40,000 or 100%. Revenue and total expenses also increase by 100%.

Quick Tip to Solve: Calculate inventory changes on each year's purchases first; use the 2022 amount, not the 2023 amount, as the denominator of every percentage increase.

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, cash flow from operating activities starts with profit before tax and adjusts for non-cash expenses, non-operating items and changes in operating working capital.
- Depreciation, goodwill written off and loss on sale of machinery reduce accounting profit without representing operating cash outflows; they are added back.
- An increase in inventories or trade receivables reduces operating cash, while an increase in trade payables increases operating cash.

Step 1: Working Notes: determine profit before tax The balance in the Statement of Profit and Loss rises from Rs 4,00,000 to Rs 5,00,000. With no dividend or transfer specified, the increase is the current year's profit after tax:

$$\text{Profit after tax} = 5,00,000 - 4,00,000 = \text{Rs } 1,00,000.$$

Under the usual treatment where no further tax information is given, the closing provision of Rs 80,000 is the current year's tax charge, and the opening provision of Rs 60,000 is paid during the year. Thus:

$$\text{Profit before tax} = 1,00,000 + 80,000 = \text{Rs } 1,80,000.$$

Step 2: Working Notes: calculate depreciation and loss on sale Accumulated depreciation on the machine sold must be removed from the accumulated depreciation balance. Consequently the depreciation charged during the year is:

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

The carrying amount of the machine sold was Rs $3,00,000 - 45,000 = 2,55,000$. Therefore:

$$\text{Loss on sale} = 2,55,000 - 1,35,000 = \text{Rs } 1,20,000.$$

Both depreciation and the loss on sale are added back. The actual sale proceeds belong to investing activities and are not included in operating cash flow.

Step 3: Working Notes: identify the other adjustments Goodwill falls from Rs 2,00,000 to Rs 1,40,000. With no purchase or sale of goodwill specified, Rs 60,000 is treated as goodwill written off and added back as a non-cash expense. Inventories increase by Rs 50,000 and trade receivables by Rs 2,00,000; both increases are deducted. Trade payables increase by Rs 40,000 and are added. Share capital and long-term borrowings relate to financing activities. Cash and cash equivalents are the result of all cash flows, so their change is not a working-capital adjustment.

Step 4: Prepare the operating activities statement **Bharat Gas Ltd.**

Cash Flow from Operating Activities for the year ended 31 March 2023

Particulars	Amount (Rs)
Net profit before tax	1,80,000
Adjustments for non-cash and non-operating items:	
Depreciation on machinery	1,95,000
Goodwill written off	60,000
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**

Tax is deducted when paid, not merely when provided. Keeping the closing tax charge in profit before tax and deducting the opening provision paid avoids treating the tax provision itself as an ordinary trade-payable adjustment.

Step 5: Conclusion Net cash inflow from operating activities for the year ended 31 March 2023 is $\boxed{\text{Rs } 2,85,000}$.

Quick Tip to Solve: For depreciation, add back the accumulated depreciation on the asset sold to the increase in the provision; use opening tax provision as tax paid when no further tax details are given.

OPTION - II (Computerised Accounting)

27. 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:

- Excel uses the dollar sign before a row number or column letter to keep that component fixed when a formula is copied.
- An absolute reference fixes both components; a mixed reference fixes only one component.

Step 1: Identify absolute and mixed references An absolute reference is written as `$A$1`: both column A and row 1 remain fixed. Mixed references include `$A1`, which fixes the column, and `A$1`, which fixes the row. All these references are identified by the dollar sign.

Step 2: Compare the other symbols The pound sign, hash sign and tilde sign do not make the row or column of an Excel cell reference absolute. They therefore cannot identify either an absolute reference or the fixed component of a mixed reference.

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

Quick Tip to Solve: Look for the dollar sign immediately before a column letter or row number: that component stays fixed when copied.

28(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 evaluates multiplication and division at the same level of operator precedence.
- When operators have equal precedence, Excel evaluates them from left to right unless parentheses specify a different order.

Step 1: Compare the precedence levels Exponentiation is performed before multiplication and

division. Multiplication and division are then performed before addition and subtraction. Thus division and multiplication form a pair of equal importance.

Step 2: Eliminate unequal pairs Multiplication and addition are at different levels, so (A) is incorrect. Exponent and multiplication are at different levels, so (C) is incorrect. Subtraction and division are also at different levels, excluding (D). For example, $12/3 \times 2 = 8$ is evaluated from left to right.

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

Quick Tip to Solve: Group multiplication with division, and addition with subtraction; evaluate each equal-priority group from left to right.

OR

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

(A) 5663

(B) 65536

(C) 72257

(D) 4332

Correct Answer: No correct printed option: Excel 2007 supports 10,48,576 rows, whereas 65,536 belongs to the older format.

Solution:

Concept:

- Excel 2007 supports $2^{20} = 10,48,576$ rows in a worksheet in its native workbook format.
- The older Excel 97–2003 worksheet format is limited to $2^{16} = 65,536$ rows.

Step 1: Use the version stated in the question The question specifically names Excel 2007. Its worksheet row count is 10,48,576. This is the capacity of the worksheet, rather than the number of rows currently containing data.

Step 2: Check every printed option The values 5,663, 65,536, 72,257 and 4,332 do not equal 10,48,576. Option (B), 65,536, is associated with the older Excel 97–2003 format; it would apply if a workbook were restricted to that legacy format, but no such restriction is stated. Therefore none of the printed options answers the question as written.

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

Quick Tip to Solve: Distinguish the versions: Excel 2007 uses 10,48,576 rows; the older Excel 97–2003 format uses 65,536.

29. 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 is ready-made software intended for use by many organisations with broadly similar accounting requirements.
- Because the package and its features are commonly known, low secrecy and exposure to data fraud are recognised limitations of generic software.

Step 1: Match the limitation to the software type A generic package is available to a wide range of users, so its operation is not exclusive to a particular business. The stated limitation of low secrecy and susceptibility to data fraud is associated with this widely used, standardised type of accounting software.

Step 2: Compare the alternatives Tailored or specific software is developed or adapted for the requirements of a particular organisation. These categories are not the standard answer to the stated limitation. Consequently neither (A), (B), nor their combination in (D) is the appropriate choice.

Step 3: Conclusion The limitation describes generic software. Hence, the correct option is (C).

Quick Tip to Solve: Associate ready-made, widely available generic software with the textbook limitation of lower secrecy.

30(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 chart legend identifies each data series using its assigned colour, pattern or symbol together with a descriptive name.
- A data point represents an individual plotted value, whereas a data series is a collection of related values.

Step 1: Identify the chart information The information assigned to a data series allows the reader

to recognise which plotted line, bar colour or other symbol represents that series. This identifying information appears in the legend of the chart.

Step 2: Distinguish the other choices A data point or plot point refers to a plotted observation rather than the identification of the whole series. A data table displays the underlying values in tabular form. These do not match the series-identifying information described in the question.

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

Quick Tip to Solve: In a chart, read the legend to match each colour or symbol with its data-series name.

OR

30(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:

- A label is a text entry, such as a word or special character, used to identify or describe worksheet data.
- Labels provide headings and descriptions; numerical values provide quantities on which arithmetic is performed.

Step 1: Identify the nature and use of a label Entries such as Sales, Month and Total are labels. They are text and can serve as row headings, column headings or other descriptive information. Thus both statement (A), describing their nature, and statement (B), describing their use, are correct.

Step 2: Eliminate the numerical interpretation A label such as Sales cannot itself be added or multiplied as a numerical amount. Hence statement (C) does not describe labels. Choosing only (A) or only (B) would omit another correct statement; option (D) includes both.

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

Quick Tip to Solve: Distinguish the heading Sales from the amount below it: the heading is a label and the amount is a value.

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

Solution:

Concept:

- Excel's error-checking facility identifies common mistakes in formulas and marks cells requiring attention.
- The checking rules can be selected in Excel Options; a marked formula must be examined before deciding whether to correct or ignore it.

Step 1: Enable the error-checking facility Open Excel Options from the Office Button or File menu, as applicable to the Excel version. Select Formulas. In the Error Checking section, select Enable background error checking. Choose the colour used to indicate errors if required. This lets Excel check formulas while the worksheet is being used.

Step 2: Select the common errors to be marked Under Error checking rules, tick the relevant rules and click OK. Examples include cells containing formulas that result in an error, numbers formatted as text or preceded by an apostrophe, formulas inconsistent with other formulas in a region, and formulas that omit cells in a region. These rules specify which possible mistakes Excel should draw to the user's attention.

Step 3: Review and correct each marked cell Excel normally displays a small coloured triangle in the upper-left corner of a cell where a selected rule detects a possible error. Select that cell and click the error-warning button to read the explanation and suggested action. Correct the formula or reference when it is wrong; choose Ignore Error only after checking that the entry is intentional. For example, a total formula accidentally omitting the last amount may be flagged for review. Error checking assists the user but does not prove that every accounting formula is logically correct.

Step 4: Conclusion Enable background error checking, select the required rules, and examine the warning on each marked cell to correct common formula errors.

Quick Tip to Solve: Remember the sequence: Excel Options, Formulas, enable checking, choose rules, then inspect each warning.

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

Solution:

Concept:

- A code is a short symbol or number assigned to identify an accounting document, account or other record systematically.
- Sequential coding identifies records in a continuous order; block coding reserves separate ranges for different classes of records.

Step 1: Explain sequential codes with an example Sequential codes are numbers or letters assigned consecutively in a definite sequence. Each new record receives the next available code, so the code identifies its position in the sequence rather than describing its account class. For example, sales invoices may be numbered 001, 002, 003 and so on as they are issued. This method is simple to assign

and helps check completeness: if invoice 002 is missing between 001 and 003, it can be investigated. The serial number alone, however, does not reveal the nature of the transaction.

Step 2: Explain block codes with an example Block codes divide the available code numbers into blocks, with each block reserved for a particular category. Individual records are then assigned codes within the appropriate block. For example, a chart of accounts may reserve 100–199 for assets, 200–299 for liabilities, 300–399 for income and 400–499 for expenses. Cash could be 101 and Bank 102, while Sales could be 301. The range identifies the account class, and unused numbers in that range allow new accounts to be added without disturbing other classes.

Step 3: Conclusion Sequential codes follow one continuous sequence, such as invoice numbers; block codes combine identification with classification by reserving a range for each group of accounts.

Quick Tip to Solve: Use consecutive invoice numbers to illustrate sequential coding and reserved account-number 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 match the comparison or relationship that the reader needs to understand.
- Excel retains the link between a chart and its source data, so changing the chart type can reuse the existing data and category labels.

Step 1: State why a chart may need changing A chart is changed when the original type does not communicate the information clearly, when the purpose of the presentation changes, or when another type better suits the data. For example, columns are useful for comparing sales amounts across product categories, whereas a pie chart is useful for showing each product's share in total sales. Changing the type can therefore make the required comparison easier to understand without changing the underlying figures.

Step 2: Explain how to change the chart Select the existing chart to display Chart Tools. On the Design tab, choose Change Chart Type. Select the required type and subtype in the dialog box, and click OK. The same command is also available by right-clicking the chart. Check the resulting title, legend and data labels, and adjust their formatting where needed so the revised chart remains clear and accurate.

Step 3: Explain why conversion from columns to a pie is easy The column chart already has a source-data range, category names and numerical values. Excel can reuse these when Pie is chosen, replacing the columns with sectors whose sizes show the proportions of the total. There is no need to type the values again or draw and calculate each sector manually. For instance, one series of sales values for several products can be displayed immediately as shares of total sales.

The data must nevertheless be suitable: an ordinary pie chart displays one data series with non-negative values and a meaningful positive total. If a column chart contains several series, select the

intended series or adjust the source range before using a pie chart. Ease of conversion does not make a pie chart appropriate for every dataset.

Step 4: Conclusion Change the chart when a different type presents the information more clearly. Excel's Change Chart Type command makes conversion easy because it reuses existing source data and labels, subject to the suitability of that data for the new chart.

Quick Tip to Solve: Before changing columns to a pie, select one series and check that its categories represent parts of a meaningful whole.

OR

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

Solution:

Concept:

- A computerised accounting system records and processes financial transactions through accounting software and an organised database.
- Once a transaction is correctly entered, the software can post it to relevant accounts, perform calculations and generate reports using predefined rules.

Step 1: Explain speed and timely reporting A computerised accounting system processes a large number of transactions quickly. Posting, totalling and preparation of reports take much less time than manual processing. Updated ledgers, trial balances and financial statements can therefore be obtained promptly, helping management use current information for decisions.

Step 2: Explain accuracy and consistency The system automatically performs calculations and applies the same programmed accounting procedures to similar transactions. This reduces arithmetic and posting errors and produces consistent reports. Accuracy depends on correct input data and proper configuration: entering an incorrect amount will not become correct merely because a computer processes it.

Step 3: Explain efficiency and reduced duplication A transaction generally needs to be entered only once. Its effects can then be reflected automatically in the concerned accounts and reports. This avoids repeated manual copying, reduces routine clerical effort and allows accounting staff to spend more time checking exceptions and analysing information.

Step 4: Explain storage and retrieval A large volume of accounting records can be stored electronically in relatively little physical space. Records can be searched, classified and retrieved quickly by date, party or account. The same stored data can be used to prepare different reports, and regular backups help preserve the records for later reference.

Step 5: Conclusion The main advantages are faster processing and timely reporting, improved accuracy and consistency, greater efficiency with less duplication, and convenient storage and retrieval of accounting information.

Quick Tip to Solve: For each advantage, name the benefit and connect it to a concrete accounting task, such as posting, report preparation or locating a ledger entry.

34.

	A	B	C	D	E
1	S. No	Product	Q1 sales	Q2 Sales	half yearly sales
2	1	N	21000	30000	51000
3	2	P	31000	40000	71000
4	3	Q	4500	28000	32500
5	4	R	6700	49000	55700
6	5	S	55600	36000	91600
7	6	T	32000	32000	64000
8	7	U	11000	40000	51000

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:

- VLOOKUP uses four arguments: lookup value, table range, column index and match type. With match type 0, it searches for an exact match in the first column of the table and returns data from the specified column of that table.
- A missing exact match gives `#N/A`; a column index beyond the table gives `#REF!`; a column index less than 1 gives `#VALUE!`. An invalid argument count prevents the formula from being accepted.
- Formula evaluation must follow the expression actually printed. An error in an inner lookup propagates to an outer calculation; it cannot be ignored to diagnose a later arithmetic operation.

Step 1: Check part (i): the lookup value B1 contains the heading Product, whereas the first column of B2:E8 contains N, P, Q, R, S, T and U. Product is not an exact match for any of these entries. Therefore `=VLOOKUP(B1,B2:E8,2,0)` gives `#N/A`. The range has four columns and index 2 is valid; the problem is the missing lookup value, not the column index.

Step 2: Check part (ii): evaluate the inner function first B5 contains R. The printed table range B8:E8 contains only one row, whose first cell B8 contains U. Consequently the exact-match lookup for R fails and returns `#N/A`. Subtracting 1,00,000 from that error and applying SQRT does not remove it, so the complete printed expression also gives `#N/A`. A square root of a negative number would give `#NUM!`, but that is not reached here. If the lookup range were B2:E8, the lookup would return 6,700 and the square-root argument would be $6,700 - 1,00,000 = -93,300$; that different expression would give `#NUM!`.

Step 3: Check part (iii): count the table columns A2:A8 is a single-column table. A2 contains 1 and is present in that table, but column index 2 requests a second column that the table does not contain. Therefore `=VLOOKUP(A2,A2:A8,2,0)` gives `#REF!`. A valid return column must lie within the specified

table range.

Step 4: Check part (iv): count the arguments as printed The expression `=VLOOKUP(B2,B3,E4,5,0)` supplies five comma-separated arguments. VLOOKUP accepts at most four, so Excel rejects this formula for too many arguments before it can return a worksheet error value. The printed commas must not silently be treated as a range colon. If B3:E4 were intended as the table, index 5 would exceed its four columns and would be a `#REF!` error; that requires a different formula.

Step 5: Check part (v): examine the column index The table A2:E8 has five columns, numbered 1 to 5 for VLOOKUP. The supplied column index is 0, which is below 1, so `=VLOOKUP(B2,A2:E8,0,0)` gives `#VALUE!`. There is also a lookup-design problem: B2 contains N, while the first column A contains serial numbers. Even after making the index valid, an exact search for N in column A would not succeed.

Step 6: Check part (vi): distinguish syntax from division The printed lookup `VLOOKUP(B2,B2,E8,2,0)` again has five arguments, so the full formula is rejected for too many arguments. It does not first produce a numeric lookup result to divide by zero. If the intended table were B2:E8, the valid formula `=VLOOKUP(B2,B2:E8,2,0)/0` would return 21,000 from the lookup and then give `#DIV/0!`. That division error describes the corrected-range expression, not the syntactically invalid expression as printed.

Step 7: Conclusion For the expressions exactly as printed: (i) `#N/A`; (ii) `#N/A`; (iii) `#REF!`; (iv) formula rejected for too many arguments; (v) `#VALUE!`; (vi) formula rejected for too many arguments. The negative-square-root and division-by-zero errors arise only after changing the relevant printed lookup expressions as explained above.

Quick Tip to Solve: Check argument count first, then the table's first column and return-column number. Evaluate an inner lookup before diagnosing the surrounding SQRT or division.