CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-5-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. A partnership firm has 45 partners. It wants to admit 7 more partners into partnership. Only _____ more partners can be admitted in the partnership firm according to Companies Act, 2013. [1 mark]

(A) 1

(B) 6

(C) 5

(D) 3

Correct Answer: (C) 5

Solution:

Concept:

- The prescribed maximum number of partners in a partnership firm is 50.
- An admission must keep the total membership within this limit.

Step 1: Identify the available places The firm already has 45 partners. Its capacity for further admission is therefore $50 - 45 = 5$ partners.

Step 2: Test the proposed admission and options Admitting all seven would give $45 + 7 = 52$, exceeding the limit. One or three admissions leave unused capacity, whereas six would also exceed the limit. Thus five is the maximum number that can be admitted.

Step 3: Conclusion Only 5 more partners can be admitted. Hence, the correct option is (C).

Quick Tip to Solve: Subtract existing partners from 50 before considering how many applicants wish to join.

2. A, B and C were partners in a firm sharing profits and losses in the ratio of 1/2 : 1/3 : 1/4. D was admitted in the firm for 1/6th share. C would retain his original share. The new profit sharing ratio will be : [1 mark]

(A) 12 : 8 : 5 : 5

(B) 21 : 14 : 18 : 12

(C) 21 : 14 : 15 : 10

(D) 2 : 2 : 1 : 1

Correct Answer: No printed option matches the literal ratio; (C) is the intended answer only if C retains one-fourth.

Solution:

Concept:

- A ratio must be normalised to obtain actual profit shares. Here $(1/2) : (1/3) : (1/4) = 6 : 4 : 3$.
- C retains his actual old share, while D receives $1/6$; A and B divide the balance in the ratio $3 : 2$.

Step 1: Normalise the printed old ratio The ratio terms sum to $13/12$, rather than one. Therefore the old shares are $6/13, 4/13, 3/13$. C retains $3/13$, not $1/4$.

Step 2: Calculate the literal new ratio The balance for A and B is

$$1 - \frac{3}{13} - \frac{1}{6} = \frac{47}{78}.$$

Thus

$$A = \frac{47}{78} \times \frac{3}{5} = \frac{141}{390}, \quad B = \frac{47}{78} \times \frac{2}{5} = \frac{94}{390}.$$

With $C = 90/390$ and $D = 65/390$, the new ratio is $141 : 94 : 90 : 65$, absent from all four options.

Step 3: Identify the intended interpretation If C is instead taken to retain one-fourth, the balance is $7/12$, yielding A and B as $7/20$ and $7/30$. This gives $21 : 14 : 15 : 10$, option (C). That interpretation treats the printed one-fourth as an actual share despite the unnormalised old ratio, so it is not the unique literal answer.

Step 4: Conclusion The literal new ratio is $141 : 94 : 90 : 65$; no printed option matches. Option (C), $21 : 14 : 15 : 10$, is intended only under the additional interpretation that C retains one-fourth.

Quick Tip to Solve: Normalise fractional ratio terms before calling them shares; check that all old shares sum to one.

3(a). If all the forfeited shares are reissued, the balance, if any, left in the Forfeited Shares Account is transferred to : [1 mark]

(A) General Reserve Account

(B) Securities Premium Account

(C) Capital Reserve Account

(D) Statement of Profit and Loss

Correct Answer: (C) Capital Reserve Account

Solution:

Concept:

- The balance in Share Forfeiture Account represents capital received on forfeited shares.
- After reissue, the surplus relating to the reissued shares is a capital profit.

Step 1: Identify the surplus after reissue The amount forfeited is first available to meet any permitted discount on reissue. Once all the forfeited shares have been reissued, any amount still standing to the credit of Share Forfeiture Account is no longer required for that purpose.

Step 2: Classify the profit and test the options This surplus arises from a capital transaction and is transferred to Capital Reserve Account. It is not a revenue profit for the Statement of Profit and Loss or General Reserve. Securities Premium records premium on issue, rather than the surplus on forfeiture and reissue.

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

Quick Tip to Solve: Forfeiture surplus becomes Capital Reserve only for shares that have actually been reissued.

OR

3(b). Raghav Ltd. forfeited 100 shares of Rs. 10 each issued at a premium of 20% for non-payment of first call of Rs. 3 per share and final call of Rs. 1 per share. The minimum price per share at which these shares can be reissued will be : [1 mark]

(A) Rs. 4

(B) Rs. 6

(C) Rs. 8

(D) Rs. 10

Correct Answer: (A) Rs. 4

Solution:

Concept:

- The discount on reissue cannot exceed the amount forfeited on share capital for those shares.
- Premium already received is excluded when calculating the share-capital amount forfeited.

Step 1: Calculate capital received before forfeiture Each share has face value Rs 10. Unpaid calls are Rs 3 and Rs 1, so capital already received per share is

$$10 - (3 + 1) = \text{Rs } 6.$$

The issue premium of 20 percent does not increase the share-capital amount forfeited.

Step 2: Determine the lowest reissue price The maximum permissible reissue discount is therefore Rs 6 per share. The minimum price for a fully paid share is

$$\text{Rs } 10 - \text{Rs } 6 = \text{Rs } 4.$$

Prices of Rs 6, Rs 8 and Rs 10 are permissible, but none is the minimum. For 100 shares, discount of Rs 600 exactly uses the Rs 600 forfeited capital.

Step 3: Conclusion The minimum reissue price is Rs 4 per share. Hence, the correct option is (A).

Quick Tip to Solve: Exclude received securities premium: subtract only unpaid calls from face value to find forfeited capital.

4. **Assertion (A) : In partnership firm, the private assets of the partners can also be used to pay off the firm's debts.**

Reason (R) : The liability of the partners for acts of the firm is limited.

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

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

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

(C) Assertion (A) is false, but Reason (R) is true.

(D) Assertion (A) is true, but Reason (R) is false.

Correct Answer: (D) Assertion (A) is true, but Reason (R) is false.

Solution:

Concept:

- Partners in an ordinary partnership have unlimited liability for the obligations of the firm.
- Private assets may meet firm debts when the assets of the firm are insufficient.

Step 1: Judge the assertion The assertion is true. If the firm cannot discharge its debts from its own property, partners may have to contribute from their private assets to meet the deficiency.

Step 2: Judge the reason The reason says that partners' liability is limited. This is false for an ordinary partnership: liability is unlimited and is not restricted to the capital contributed by each partner.

Step 3: Check the explanatory relationship A false statement about limited liability cannot explain the true assertion. Unlimited liability is precisely why personal assets may be used. Options (A) and (B) incorrectly treat the reason as true, while option (C) incorrectly treats the assertion as false.

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

Quick Tip to Solve: Link use of partners' private assets directly to unlimited liability, then evaluate A and R separately.

5(a). Ridhima and Kavita were partners sharing profits and losses in the ratio of 3 : 2. Their fixed capitals were Rs. 1,50,000 and Rs. 2,00,000 respectively. The partnership deed provides for interest on capital @ 8% p.a. The net profit of the firm for the year ended 31st March, 2023 amounted to Rs. 21,000. The amount of interest on capital credited to the capital accounts of Ridhima and Kavita will be : [1 mark]

(A) Rs. 12,000 and Rs. 16,000 respectively.

(B) Rs. 10,500 and Rs. 10,500 respectively.

(C) Rs. 9,000 and Rs. 12,000 respectively.

(D) Rs. 16,000 and Rs. 5,000 respectively.

Correct Answer: (C) Rs. 9,000 and Rs. 12,000 respectively.

Solution:

Concept:

- Interest on capital is an appropriation of profit unless the deed expressly makes it a charge.
- Insufficient profit is allocated in the ratio of the interest amounts due, not the profit-sharing ratio.

Step 1: Calculate full interest entitlement Ridhima's interest is $1,50,000 \times 8/100 = \text{Rs } 12,000$. Kavita's interest is $2,00,000 \times 8/100 = \text{Rs } 16,000$. Total entitlement is Rs 28,000, which exceeds the available profit of Rs 21,000.

Step 2: Allocate available profit proportionately The interest ratio is $12,000 : 16,000 = 3 : 4$. Thus Ridhima receives $21,000 \times 3/7 = \text{Rs } 9,000$, and Kavita receives $21,000 \times 4/7 = \text{Rs } 12,000$. Full interest in (A) exceeds profit; (B) divides equally; (D) does not follow the interest ratio. Under fixed capitals, the actual posting is to partners' current accounts.

Step 3: Conclusion The interest amounts are Rs 9,000 and Rs 12,000 respectively. Hence, the correct option is (C).

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

OR

5(b). Ruchika and Harshita were partners in a firm. Ruchika had withdrawn Rs. 9,000 at the end of each quarter, throughout the year. The interest to be charged on Ruchika's drawings at 6% p.a. will be : [1 mark]

(A) Rs. 540

(B) Rs. 2,160

(C) Rs. 1,080

(D) Rs. 810

Correct Answer: (D) Rs. 810

Solution:

Concept:

- Interest on drawings equals total drawings multiplied by the annual rate and the average time fraction.
- Equal drawings at quarter ends remain outstanding for $9, 6, 3, 0$ months respectively.

Step 1: Find total drawings and average period There are four quarterly withdrawals of Rs 9,000, so total drawings are $4 \times 9,000 =$ Rs $36,000$. The average period is

$$(9 + 6 + 3 + 0)/4 = 4.5 \text{ months.}$$

Step 2: Calculate interest and check options

$$I = 36,000 \times \frac{6}{100} \times \frac{4.5}{12} = \text{Rs } 810.$$

Rs 2,160 charges a full year on all drawings; Rs 1,080 uses six months, appropriate to a different timing pattern. Rs 540 understates the actual weighted period. Only Rs 810 uses quarter-end withdrawals correctly.

Step 3: Conclusion Interest on Ruchika's drawings is Rs 810. Hence, the correct option is (D).

Quick Tip to Solve: For equal drawings at each quarter end, use an average period of 4.5 months, including zero for the last withdrawal.

6(a). Aarav Ltd. issued 10,000, 9% debentures of Rs. 100 each at a premium of 5%, redeemable at a premium of 10%. Loss on issue of debentures account will be debited by : [1 mark]

(A) Rs. 10,00,000

(B) Rs. 1,00,000

(C) Rs. 1,50,000

(D) Rs. 1,05,000

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

Solution:

Concept:

- Loss on issue includes discount on issue and premium payable on redemption.
- Issue premium is credited to Securities Premium; it does not reduce the initial loss-on-issue debit.

Step 1: Compute the redemption premium The face value issued is $10,000 \times 100 = \text{Rs } 10,00,000$. Redemption at a premium of 10 percent creates a premium obligation of

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

Step 2: Identify the amount debited There is no discount on issue because the debentures are issued at a premium. Thus Loss on Issue of Debentures Account is debited with the redemption premium alone, Rs 1,00,000. Rs 10,00,000 is principal, Rs 1,50,000 improperly adds issue premium, and Rs 1,05,000 has no basis in the prescribed calculation.

Step 3: Conclusion Loss on Issue of Debentures Account is debited by Rs 1,00,000. Hence, the correct option is (B).

Quick Tip to Solve: For issue at premium and redemption at premium, debit loss with redemption premium; credit issue premium separately.

OR

6(b). Dove Ltd. issued 8,000, 11% debentures of Rs. 100 each at a premium of 5%. The total amount of interest on Debentures for one year will be : [1 mark]

(A) Rs. 80,000

(B) Rs. 92,400

(C) Rs. 88,000

(D) Rs. 880

Correct Answer: (C) Rs. 88,000

Solution:

Concept:

- Debenture interest is calculated on nominal value, using the stated coupon rate.
- The premium collected on issue does not form part of the principal used for coupon interest.

Step 1: Find nominal debenture capital The company issued 8,000 debentures of Rs 100 each. Their total nominal value is

$$8,000 \times 100 = \text{Rs } 8,00,000.$$

The 5 percent issue premium affects issue proceeds, not this nominal value.

Step 2: Apply the annual coupon rate For one year, interest is

$$8,00,000 \times \frac{11}{100} = \text{Rs } 88,000.$$

Rs 92,400 incorrectly applies 11 percent to proceeds including premium. Rs 80,000 uses 10 percent instead of 11 percent, while Rs 880 is too small for the stated number of debentures.

Step 3: Conclusion The annual interest is Rs 88,000. Hence, the correct option is (C).

Quick Tip to Solve: Always multiply the coupon rate by face value; exclude premium received when finding debenture interest.

7. Assertion (A) : Securities Premium cannot be utilized for writing off loss on sale of a fixed asset.
Reason (R) : Securities Premium can be applied only for the purposes mentioned in the Companies Act, 2013.
Choose the correct option from the following : [1 mark]

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

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

(C) Both Assertion (A) and Reason (R) are false.

(D) Assertion (A) is false, but Reason (R) is true.

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

Solution:

Concept:

- Securities premium is a capital receipt whose application is restricted to the purposes prescribed by the Companies Act, 2013.
- A loss on sale of a fixed asset is not an authorised application of the Securities Premium Account.

Step 1: Judge the assertion Assertion (A) is true. Securities premium cannot be used to write off a loss arising on sale of a fixed asset; the loss must receive its normal accounting treatment.

Step 2: Judge the reason Reason (R) is true. The balance of securities premium can be applied only for the specified statutory purposes, such as issuing fully paid bonus shares or writing off permitted issue expenses.

Step 3: Check the explanatory link The statutory restriction is precisely why this particular loss cannot be charged against securities premium. Thus the reason correctly explains the assertion. Option (A) wrongly denies this link, while (C) and (D) wrongly reject the assertion or both statements.

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

(B).

Quick Tip to Solve: For securities premium, first ask whether the proposed use is specifically permitted by the Act.

8(a). Kriti, Hina and Nidhi were partners sharing profits in the ratio of 3 : 2 : 1. Nidhi retired. On the date of her retirement, Workmen Compensation Fund stood in the Balance Sheet at Rs. 1,50,000. Workmen Compensation Claim was Rs. 1,20,000. How much amount of Workmen Compensation Fund will be credited to Nidhi's Capital Account ? [1 mark]

(A) Rs. 30,000

(B) Rs. 10,000

(C) Rs. 5,000

(D) Rs. 15,000

Correct Answer: (C) Rs. 5,000

Solution:

Concept:

- A specific reserve first meets its related liability; only the excess is distributed to the old partners.
- The retiring partner receives her share of the surplus in the old profit-sharing ratio.

Step 1: Find the distributable surplus The Workmen Compensation Fund is Rs 1,50,000 and the claim is Rs 1,20,000. Therefore the excess available for distribution is

$$1,50,000 - 1,20,000 = \text{Rs } 30,000.$$

The amount needed to meet the claim is retained as a liability.

Step 2: Allocate the excess Nidhi shares old profits in the ratio $3 : 2 : 1$, so her fraction is $1/6$. Her capital is credited with

$$30,000 \times \frac{1}{6} = \text{Rs } 5,000.$$

Rs 30,000 is the total excess, Rs 10,000 is Hina's share and Rs 15,000 is Kriti's share, so none of those is Nidhi's entitlement.

Step 3: Conclusion Nidhi's Capital Account is credited with Rs 5,000. Hence, the correct option is (C).

Quick Tip to Solve: Subtract the claim before distributing a specific reserve in the old profit-sharing ratio.

OR

8(b). Rohit, Udit and Mohit were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Mohit retired. The balance in his capital account after making the necessary adjustments on account of reserves and revaluation of assets and liabilities was Rs. 1,80,000. Rohit and Udit agreed to pay him Rs. 2,00,000 in full settlement of his claim. Mohit's share of goodwill in the firm was [1 mark]

(A) Rs. 1,80,000

(B) Rs. 2,00,000

(C) Rs. 40,000

(D) Rs. 20,000

Correct Answer: (D) Rs. 20,000

Solution:

Concept:

- The retiring partner's adjusted capital includes the stated reserve and revaluation adjustments.
- An agreed settlement above that adjusted capital represents the retiring partner's share of goodwill.

Step 1: Identify what is already included Mohit's capital after the necessary reserve and revaluation adjustments is Rs 1,80,000. These adjustments are already complete, so they must not be added again when comparing his capital with the final settlement.

Step 2: Calculate goodwill compensation The continuing partners agree to pay Rs 2,00,000. Therefore Mohit's share of goodwill is the excess:

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

Rs 1,80,000 is the adjusted capital and Rs 2,00,000 is the whole settlement, not goodwill. Rs 40,000 does not equal the excess and has no basis in the supplied figures.

Step 3: Conclusion Mohit's share of goodwill is Rs 20,000. Hence, the correct option is (D).

Quick Tip to Solve: Compare the agreed retirement settlement with the already adjusted capital to isolate goodwill.

9. On dissolution of a partnership firm, if realisation expenses are paid by the firm on behalf of a partner, then such expenses are debited to which of the following account : [1 mark]

(A) Realisation Account

(B) Partner's Capital Account

(C) Partner's Loan Account

(D) Bank Account

Correct Answer: (B) Partner's Capital Account

Solution:

Concept:

- Expenses borne by a partner are charged to that partner's Capital Account.
- When the firm pays on the partner's behalf, Bank Account is credited for the cash outflow.

Step 1: Identify who bears the expense The words "on behalf of a partner" mean that the partner is responsible for these realisation expenses. Payment through the firm's bank does not make them an expense to be borne by the firm.

Step 2: Determine the account debited The payment reduces the amount due to the partner, so the partner's Capital Account is debited. Realisation Account would be debited for expenses borne by the firm itself. Partner's Loan Account is not involved because no loan settlement is described. Bank Account is credited, not debited, because cash leaves the firm.

Step 3: Conclusion The expenses are debited to Partner's Capital Account. Hence, the correct option is (B).

Quick Tip to Solve: Distinguish the person bearing the expense from the person making the actual payment.

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10. Keshav and Hitesh are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023 after division of profit of Rs. 15,000, their capitals were Rs. 55,000 and Rs. 45,000 respectively. During the year Keshav's drawings were Rs. 1,500 at the beginning of each quarter and Hitesh withdrew Rs. 9,000 on 1st November, 2022.

After the final accounts have been prepared, it was discovered that interest on capital @ 5% p.a. and interest on drawings @ 8% p.a. have not been taken into consideration.

Opening capital of Keshav was : [1 mark]

(A) Rs. 35,000

(B) Rs. 39,000

(C) Rs. 43,000

(D) Rs. 52,000

Correct Answer: (D) Rs. 52,000

Solution:

Concept:

- Closing capital equals opening capital plus profit credited minus drawings, when there are no other recorded changes.

- Reverse the recorded movements to find opening capital; omitted interest has not yet changed the stated closing balance.

Step 1: Calculate the recorded movements Keshav's share of the Rs 15,000 profit is

$$15,000 \times \frac{3}{5} = \text{Rs } 9,000.$$

His drawings at the beginning of each of four quarters total $1,500 \times 4 = \text{Rs } 6,000$.

Step 2: Reverse the capital changes The closing capital of Rs 55,000 is after this profit credit and these drawings. Thus

$$\begin{aligned}\text{Opening capital} &= 55,000 - 9,000 + 6,000 \\ &= \text{Rs } 52,000.\end{aligned}$$

The omitted interest is relevant to a subsequent adjustment, not to reversing the entries already included. Rs 35,000, Rs 39,000 and Rs 43,000 all fail to reconcile the given closing balance using the recorded profit and drawings.

Step 3: Conclusion Keshav's opening capital was Rs 52,000. Hence, the correct option is (D).

Quick Tip to Solve: To reconstruct opening capital, subtract profit credited and add back the year's drawings.

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11. Keshav and Hitesh are partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023 after division of profit of Rs. 15,000, their capitals were Rs. 55,000 and Rs. 45,000 respectively. During the year Keshav's drawings were Rs. 1,500 at the beginning of each quarter and Hitesh withdrew Rs. 9,000 on 1st November, 2022.

After the final accounts have been prepared, it was discovered that interest on capital @ 5% p.a. and interest on drawings @ 8% p.a. have not been taken into consideration.

Amount of interest to be charged on Hitesh's drawings will be : [1 mark]

(A) Rs. 225

(B) Rs. 4,500

(C) Rs. 300

(D) Rs. 7,200

Correct Answer: (C) Rs. 300

Solution:

Concept:

- For a single drawing, interest equals amount multiplied by annual rate multiplied by the time fraction.
- The period runs from the drawing date to the accounting year end.

Step 1: Find the interest period Hitesh withdrew Rs 9,000 on 1st November, 2022 and the accounts close on 31st March, 2023. The amount remains withdrawn for five months: November, December, January, February and March.

Step 2: Calculate and compare Using the stated annual rate of 8%,

$$\text{Interest} = 9,000 \times \frac{8}{100} \times \frac{5}{12} = \text{Rs } 300.$$

Rs 225 does not use the given rate and period, Rs 4,500 is not the interest on this drawing, and Rs 7,200 ignores both the percentage conversion and the time adjustment. The quarterly drawing information concerns Keshav and is not used for Hitesh.

Step 3: Conclusion Interest on Hitesh's drawings is Rs 300. Hence, the correct option is (C).

Quick Tip to Solve: Count months from the actual withdrawal date; do not apply the other partner's quarterly pattern.

12. Kewal Ltd. purchased sundry assets from Ganpati Ltd. for Rs. 28,60,000. The amount was paid by issuing fully paid shares of Rs. 100 each issued at a premium of 10%. The number of shares issued to Ganpati Ltd. were : [1 mark]

(A) 28,000

(B) 31,778

(C) 28,600

(D) 26,000

Correct Answer: (D) 26,000

Solution:

Concept:

- When shares settle a purchase consideration, divide the amount payable by the issue price per share.
- Issue price equals face value plus securities premium.

Step 1: Find the issue price Each share has face value Rs 100 and is issued at a premium of 10%. Premium per share is $100 \times 10/100 = \text{Rs } 10$. Hence the issue price is Rs 110 per share.

Step 2: Calculate the share count The full purchase consideration of Rs 28,60,000 is settled by shares. Therefore

$$\text{Number of shares} = \frac{28,60,000}{110} = 26,000.$$

Dividing by face value alone gives 28,600, which ignores the premium. The counts 28,000 and 31,778 also do not multiply by Rs 110 to give the stated consideration.

Step 3: Conclusion Kewal Ltd. issued 26,000 shares. Hence, the correct option is (D).

Quick Tip to Solve: Use the issue price, including premium, as the denominator when shares pay a vendor.

13. Sarita Ltd. forfeited 100 shares of Rs. 10 each, Rs. 8 called up issued at a premium of Rs. 2 per share to Ramesh for non-payment of allotment money of Rs. 5 per share (including premium). The first and final call of Rs. 2 per share was not made. Out of these 70 shares were reissued to Ashok as Rs. 8 called up for Rs. 10 per share. The gain on reissue will be : [1 mark]

(A) Rs. 500

(B) Rs. 400

(C) Rs. 350

(D) Rs. 300

Correct Answer: (C) Rs. 350

Solution:

Concept:

- Share Forfeiture Account contains capital money actually received on the forfeited shares, excluding premium.
- The forfeiture credit attributable to reissued shares is transferred to Capital Reserve after deducting any reissue discount.

Step 1: Find capital received on forfeiture Capital called up is Rs 8 per share. Unpaid allotment of Rs 5 includes Rs 2 premium, so unpaid capital is Rs 3 per share. Capital already received is therefore $8 - 3 =$ Rs 5 per share. The uncalled final Rs 2 is excluded.

Step 2: Find the realised forfeiture gain Only 70 shares have been reissued. Their forfeiture credit is $70 \times 5 =$ Rs 350. Reissue for Rs 10 as Rs 8 called up involves no capital discount; the additional Rs 2 per share is securities premium, not a deduction from forfeiture gain. Hence Rs 350 transfers to Capital Reserve. Rs 500 relates to all 100 forfeited shares, while Rs 400 and Rs 300 do not represent the gain on the 70 reissued shares.

Step 3: Conclusion The gain on reissue transferred to Capital Reserve is Rs 350. Hence, the correct option is (C).

Quick Tip to Solve: Exclude unpaid premium and uncalled capital, then use only the number of shares actually reissued.

14. Isha and Manish were partners in a firm sharing profits and losses in the ratio of 3 : 2. With effect from 1st April, 2023, they agreed to share profits equally. On this date the goodwill of the firm was valued at Rs. 3,00,000. The necessary journal entry for the treatment of goodwill without opening Goodwill Account will be : [1 mark]

(A)

Date 2023	Particulars		Dr. Amount (Rs.)	Cr. Amount (Rs.)
April, 1	Manish's Capital A/c.	Dr.	30,000	
	To Isha's Capital A/c.			30,000

(B)

Date 2023	Particulars		Dr. Amount (Rs.)	Cr. Amount (Rs.)
April, 1	Isha's Capital A/c.	Dr.	30,000	
	To Manish's Capital A/c.			30,000

(C)

Date 2023	Particulars		Dr. Amount (Rs.)	Cr. Amount (Rs.)
April, 1	Manish's Capital A/c.	Dr.	3,000	
	To Isha's Capital A/c.			3,000

(D)

Date 2023	Particulars		Dr. Amount (Rs.)	Cr. Amount (Rs.)
April, 1	Isha's Capital A/c.	Dr.	3,000	
	To Manish's Capital A/c.			3,000

Correct Answer: (A)

Date 2023	Particulars		Dr. Amount (Rs.)	Cr. Amount (Rs.)
April, 1	Manish's Capital A/c.	Dr.	30,000	
	To Isha's Capital A/c.			30,000

Solution:

Concept:

- A gaining partner compensates a sacrificing partner for the latter's sacrificed share of goodwill.
- Goodwill is adjusted through partners' capital accounts when no Goodwill Account is opened.

Step 1: Calculate sacrifice and gain Isha's old share is $3/5$ and new share is $1/2$, so her sacrifice is $3/5 - 1/2 = 1/10$. Manish gains $1/2 - 2/5 = 1/10$. The compensation is $3,00,000 \times 1/10 = \text{Rs } 30,000$.

Step 2: Record the goodwill adjustment Manish is the gaining partner and is debited; Isha is the sacrificing partner and is credited. The reversed entries in (B) and (D) have the wrong direction, while (C) understates the amount.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
2023 Apr. 1	Manish's Capital A/c Dr.		30,000	
	To Isha's Capital A/c			30,000
	(Being goodwill adjusted for change in profit-sharing ratio)			

Step 3: Conclusion Debit Manish's Capital Account and credit Isha's Capital Account with Rs 30,000. Hence, the correct option is (A).

Quick Tip to Solve: Identify the gaining partner first: debit the gainer and credit the sacrificer for goodwill.

15. Mahi, Ruhi and Ginni are partners in a firm sharing profits and losses in the ratio of 6 : 4 : 1. Mahi guaranteed a profit of Rs. 50,000 to Ginni. Net profit for the year ending 31st March, 2023 was Rs. 1,10,000. Mahi's share in the profit of the firm after giving guaranteed amount to Ginni will be : [1 mark]

(A) Rs. 20,000

(B) Rs. 60,000

(C) Rs. 40,000

(D) Rs. 10,000

Correct Answer: (A) Rs. 20,000

Solution:

Concept:

- A partner who alone guarantees a minimum profit bears the entire deficiency of the guaranteed partner.
- The normal profit share equals total profit multiplied by the agreed profit-sharing fraction.

Step 1: Calculate the normal shares The ratio totals $6 + 4 + 1 = 11$. Hence Mahi receives $1,10,000 \times 6/11 = \text{Rs } 60,000$, while Ginni receives $1,10,000 \times 1/11 = \text{Rs } 10,000$.

Step 2: Charge the guarantee deficiency to Mahi Ginni must receive Rs 50,000, so the deficiency is $50,000 - 10,000 = \text{Rs } 40,000$. Mahi alone bears it: $60,000 - 40,000 = \text{Rs } 20,000$. Rs 60,000 ignores the guarantee; Rs 40,000 is the deficiency; Rs 10,000 is Ginni's original share.

Step 3: Conclusion Mahi receives Rs 20,000. Hence, the correct option is (A).

Quick Tip to Solve: Calculate Ginni's normal share first, then deduct only her deficiency from Mahi.

16(a). Aditi, Sukriti and Niti were partners sharing profits in the ratio of 2 : 2 : 1. Sukriti died on 30th June, 2023. Net profit for the year ended 31st March, 2023 was Rs. 4,50,000. If the deceased partner's share of profit is to be calculated on the basis of previous year's profit, the amount of profit credited to Sukriti's Capital Account will be : [1 mark]

(A) Rs. 90,000

(B) Rs. 45,000

(C) Rs. 1,80,000

(D) Rs. 1,12,500

Correct Answer: (B) Rs. 45,000

Solution:

Concept:

- Profit up to death is estimated proportionately from the previous annual profit.
- The deceased partner receives the estimated period profit multiplied by her profit-sharing fraction.

Step 1: Find the profit for the period The current accounting year begins on 1st April, 2023. Sukriti died on 30th June, so the relevant period is three months. Estimated firm profit is $4,50,000 \times 3/12 = \text{Rs } 1,12,500$.

Step 2: Apply Sukriti's share Sukriti's fraction is $2/(2+2+1) = 2/5$. Her profit is $1,12,500 \times 2/5 =$ Rs $45,000$. Rs 1,80,000 is her full annual share; Rs 1,12,500 is the firm's period profit; Rs 90,000 does not use the correct three-month period.

Step 3: Conclusion Credit Sukriti's Capital Account with Rs 45,000. Hence, the correct option is (B).

Quick Tip to Solve: Count April to June as three months before applying Sukriti's fraction of 2/5.

OR

16(b). Pawan, a partner was appointed to look after the process of dissolution of firm for which he was allowed a remuneration of Rs. 75,000. Pawan agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 60,000 were paid by Pawan. Pawan's capital account will be credited by : [1 mark]

(A) Rs. 75,000

(B) Rs. 60,000

(C) Rs. 15,000

(D) Rs. 10,000

Correct Answer: (A) Rs. 75,000

Solution:

Concept:

- Agreed remuneration payable to a partner for dissolution is credited to the partner's Capital Account.
- When that partner bears and personally pays the dissolution expenses, no separate entry for those expenses is recorded in the firm's books.

Step 1: Identify the amount payable by the firm Pawan is allowed a fixed remuneration of Rs 75,000 for conducting dissolution. Therefore Realisation Account is debited and Pawan's Capital Account is credited with Rs 75,000.

Step 2: Distinguish his personal expenses Pawan agreed to bear the expenses and paid Rs 60,000 himself. The firm neither reimburses these expenses nor deducts them from the agreed remuneration. Rs 60,000 is his actual outlay and Rs 15,000 is his net benefit, neither being the capital credit. Rs 10,000 has no basis.

Step 3: Conclusion Pawan's Capital Account is credited by Rs 75,000. Hence, the correct option is (A).

Quick Tip to Solve: For a fixed remuneration with expenses borne personally, credit the agreed fee in full.

17. Anand, Ridhi and Shyam were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their fixed capitals were Rs. 1,00,000, Rs. 60,000 and Rs. 40,000 respectively. For the year ended 31st March, 2023, interest on capital was credited to their capital accounts @ 9% p.a instead of 7% p.a. Pass the necessary adjusting Journal entry. [3 marks]

Solution:

Concept:

- Excess interest equals capital multiplied by the difference between the incorrect and correct interest rates.
- Reversing excess interest increases divisible profit, which belongs to partners in their profit-sharing ratio.
- With fixed capitals, the net past adjustment is made through partners' Current Accounts.

Step 1: Calculate excess interest The excess rate is $9\% - 7\% = 2\%$. Anand was overcredited $1,00,000 \times 2\% =$ Rs $2,000$, Ridhi $60,000 \times 2\% =$ Rs $1,200$, and Shyam $40,000 \times 2\% =$ Rs 800. The total excess appropriation is Rs 4,000, which must be restored to divisible profit.

Step 2: Find the net adjustment The restored profit of Rs 4,000 is allocated in $2 : 2 : 1$: Anand Rs 1,600, Ridhi Rs 1,600 and Shyam Rs 800. Anand therefore has a net debit of $2,000 - 1,600 =$ Rs 400; Ridhi has a net credit of $1,600 - 1,200 =$ Rs 400; Shyam has no net adjustment. Thus the partners' aggregate entitlement remains unchanged, while the excess benefit taken by Anand passes to Ridhi.

Step 3: Pass the adjusting entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2023	Anand's Current A/c Dr. To Ridhi's Current A/c (Being excess interest on capital adjusted, with the resulting profit redistributed in 2:2:1)		400	 400

The fixed-capital method requires current accounts for this adjustment; no fresh cash is introduced or withdrawn.

Step 4: Conclusion Debit Anand's Current Account by Rs 400 and credit Ridhi's Current Account by Rs 400.

Quick Tip to Solve: Reverse the excess interest, then redistribute its total in 2:2:1 before netting each partner.

18(a). Mahesh, Ramesh and Naresh were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1st April, 2023, they decided to share profits equally. On that date, there was a balance of Rs. 3,60,000 in General Reserve and a debit balance of Rs. 1,80,000 in the Profit and Loss Account. Pass single adjustment Journal entry for the above on account of change in the profit sharing ratio. [3 marks]

Solution:

Concept:

- Existing accumulated profits and losses belong to partners in their old profit-sharing ratio.
- If their book balances are retained, compensate sacrificing partners by debiting gaining partners with the net reserve multiplied by their gain.

Step 1: Find the net accumulated surplus The General Reserve is Rs 3,60,000 and the debit balance of Profit and Loss Account is an accumulated loss of Rs 1,80,000. Net accumulated surplus is therefore $3,60,000 - 1,80,000 =$ Rs $1,80,000$. Its old-ratio entitlements in $5:3:2$ are Rs 90,000, Rs 54,000 and Rs 36,000 respectively.

Step 2: Compare old entitlements with equal sharing Under equal sharing, the same net surplus would benefit each partner by $1,80,000/3 =$ Rs $60,000$. Mahesh sacrifices $5/10 - 1/3 = 1/6$, while Ramesh gains $1/3 - 3/10 = 1/30$ and Naresh gains $1/3 - 2/10 = 2/15$. Accordingly Mahesh must receive Rs 30,000, funded by Ramesh Rs 6,000 and Naresh Rs 24,000. These amounts preserve the old entitlements without closing the reserve and loss accounts.

Step 3: Record the single adjustment Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Ramesh's Capital A/c Dr.		6,000	
	Naresh's Capital A/c Dr.		24,000	
	To Mahesh's Capital A/c			30,000
	(Being net accumulated surplus adjusted on change in profit-sharing ratio)			

Total debits and total credits are both Rs 30,000. The General Reserve and Profit and Loss Account balances remain in the books.

Step 4: Conclusion Debit Ramesh's Capital Account Rs 6,000 and Naresh's Capital Account Rs 24,000; credit Mahesh's Capital Account Rs 30,000.

Quick Tip to Solve: Use the net surplus of Rs 1,80,000 and multiply it by each partner's sacrifice or gain.

OR

18(b). Ravi, Guru, Mani and Sonu were partners in a firm sharing profits in the ratio of the 2 : 2 : 2 : 1. On 31st January, 2023, Sonu retired. On Sonu's retirement the Goodwill of the firm was valued at Rs. 1,40,000. The new profit sharing ratio among Ravi, Guru and Mani was agreed as 5 : 1 : 1. Showing your workings clearly, pass necessary Journal entry for the treatment of Goodwill in the books of the firm on Sonu's retirement without opening goodwill account. [3 marks]

Solution:

Concept:

- Goodwill is adjusted through partners' capital accounts when no goodwill account is to be opened.
- Compare each continuing partner's new share with the old share: gaining partners compensate all partners whose shares decrease.

Step 1: Calculate gains and sacrifices Old shares of Ravi, Guru and Mani are each $2/7$, and Sonu's share is $1/7$. New shares are $5/7, 1/7, 1/7$. Ravi gains $5/7 - 2/7 = 3/7$; Guru and Mani each sacrifice $2/7 - 1/7 = 1/7$. Sonu also gives up $1/7$ upon retirement. Thus Ravi alone gains, and his gain includes the sacrifices of the two continuing partners as well as Sonu.

Step 2: Value the goodwill adjustments At firm goodwill of Rs 1,40,000, Ravi must be debited $1,40,000 \times 3/7 =$ Rs $60,000$. Guru, Mani and Sonu are each credited $1,40,000 \times 1/7 =$ Rs $20,000$.

The total credits of Rs 60,000 equal Ravi's debit. Crediting only Sonu would ignore the goodwill rights surrendered by Guru and Mani under the new ratio.

Step 3: Pass the necessary entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-1-2023	Ravi's Capital A/c Dr.		60,000	
	To Guru's Capital A/c			20,000
	To Mani's Capital A/c			20,000
	To Sonu's Capital A/c			20,000
	(Being goodwill adjusted for Ravi's gain and the sacrifices of Guru, Mani and retiring partner Sonu)			

The entry transfers compensation directly between capital accounts, so no Goodwill Account is opened.

Step 4: Conclusion Debit Ravi's Capital Account Rs 60,000; credit Guru's, Mani's and Sonu's Capital Accounts Rs 20,000 each.

Quick Tip to Solve: Check continuing partners for sacrifice too: Guru and Mani each lose 1/7 despite Sonu retiring.

19(a). Chavi Ltd. purchased machinery from Neo Ltd. It was agreed that the purchase consideration will be paid by issuing 10,000 equity shares of Rs. 10 each at a premium of 10% and a bank draft of Rs. 50,000. Pass the necessary Journal entries in the books of Chavi Ltd. for the above transactions.

[3 marks]

Solution:

Concept:

- When machinery is purchased for shares and cash, its cost equals the total purchase consideration payable to the vendor. Shares issued at a premium are valued at their issue price, not merely at face value.
- Credit Share Capital with the nominal value of shares and Securities Premium with the excess of the issue price over nominal value. The vendor account is cleared by the shares issued and the bank payment.

Step 1: Calculate the purchase consideration Premium per share $= 10\% \times$ Rs $10 =$ Rs 1. Thus, issue price per share $=$ Rs 11.

$$\text{Value of shares issued} = 10,000 \times 11 = \text{Rs } 1,10,000,$$

$$\text{Cost of machinery} = 1,10,000 + 50,000 = \text{Rs } 1,60,000.$$

The share component comprises nominal capital of Rs 1,00,000 and securities premium of Rs 10,000. The bank draft represents the cash component of the settlement.

Step 2: Record the purchase and its settlement Journal of Chavi Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Machinery A/c Dr. To Neo Ltd. (Being machinery purchased from Neo Ltd.)		1,60,000	 1,60,000
	Neo Ltd. Dr. To Equity Share Capital A/c To Securities Premium A/c To Bank A/c (Being 10,000 shares of Rs 10 each issued at a premium of 10% and bank draft paid in full settlement)		1,60,000	 1,00,000 10,000 50,000

Neo Ltd. is debited with the entire amount due, so the vendor account is fully settled. The second entry balances because its credits total Rs 1,60,000.

Step 3: Conclusion Machinery is recorded at Rs 1,60,000; Equity Share Capital is credited with Rs 1,00,000, Securities Premium with Rs 10,000 and Bank with Rs 50,000.

Quick Tip to Solve: Value the shares at Rs 11 for purchase consideration, but credit share capital at their Rs 10 face value.

OR

19(b). On 1st October, 2022 Ninza Ltd. issued 4,000, 8% Debentures of Rs. 100 each at a discount of 10%. The company had a balance of Rs. 50,000 in Securities Premium Account on the same date. Pass necessary Journal entries for issue of debentures and to write off discount on issue of debentures.

[3 marks]

Solution:

Concept:

- Debentures issued at a discount are credited at their full nominal value. Bank is debited with the actual proceeds and Discount on Issue of Debentures is debited with the shortfall.
- The Securities Premium Account can be used to write off discount on issue of debentures. Its available balance must first be compared with the discount to be written off.

Step 1: Calculate nominal value, discount and proceeds There are 4,000 debentures, each having a face value of Rs 100.

$$\text{Nominal value} = 4,000 \times 100 = \text{Rs } 4,00,000,$$

$$\text{Discount on issue} = 4,00,000 \times \frac{10}{100} = \text{Rs } 40,000,$$

$$\text{Bank proceeds} = 4,00,000 - 40,000 = \text{Rs } 3,60,000.$$

The available securities premium of Rs 50,000 exceeds the discount by Rs 10,000. Hence the entire discount can be written off against securities premium; no charge to the Statement of Profit and Loss is needed for this purpose.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Oct. 2022	Bank A/c Dr. Discount on Issue of Debentures A/c Dr. To 8% Debentures A/c (Being 4,000, 8% debentures of Rs 100 each issued at a discount of 10%)		3,60,000 40,000	 4,00,000
1 Oct. 2022	Securities Premium A/c Dr. To Discount on Issue of Debentures A/c (Being discount on issue of debentures written off against securities premium)		40,000	 40,000

The discount account is closed by the second entry. The coupon rate of 8% identifies the debentures and determines interest separately; it does not determine the issue discount.

Step 3: Conclusion Issue proceeds are Rs 3,60,000. The entire discount of Rs 40,000 is written off against Securities Premium, leaving its credit balance at Rs 10,000.

Quick Tip to Solve: Apply the 10% issue discount to face value; the 8% coupon does not enter the issue-proceeds calculation.

20. Sunny and Rohan were partners in a firm sharing profits and losses in the ratio of 2 : 1. Their books showed that the capital employed on 31st March, 2023 was Rs. 7,00,000. The average profits earned by the firm were Rs. 90,000. Calculate the value of goodwill on the basis of 5 years purchase of super profits assuming that the normal rate of return is 10%. [3 marks]

Solution:

Concept:

- Normal profit is the return that a comparable business would earn on the capital employed: normal profit = capital employed $\times$ normal rate of return.
- Super profit is the excess of average maintainable profit over normal profit. Under the years purchase method, goodwill = super profit $\times$ the stated number of years purchase.

Step 1: Calculate the normal profit Capital employed on 31st March, 2023 is Rs 7,00,000 and the normal rate of return is 10% per annum. Therefore,

$$\text{Normal profit} = \text{Rs } 7,00,000 \times \frac{10}{100} = \text{Rs } 70,000.$$

This is the annual profit expected from an ordinary business with the same capital employed. It provides the benchmark for measuring the firm's additional earning capacity. The given average profit of Rs 90,000 is not itself the super profit.

Step 2: Find super profit and capitalise the stated years purchase Deduct the expected normal profit

from the average profit earned by the firm:

$$\begin{aligned}\text{Super profit} &= \text{Average profit} - \text{Normal profit}\\ &= \text{Rs } 90,000 - \text{Rs } 70,000 = \text{Rs } 20,000.\\ \text{Goodwill} &= \text{Super profit} \times 5\\ &= \text{Rs } 20,000 \times 5 = \text{Rs } 1,00,000.\end{aligned}$$

The multiplier of five applies to super profit, because only earnings above the normal return give rise to goodwill under this method. Sunny and Rohan's profit-sharing ratio of $2:1$ is not required to value the goodwill of the firm as a whole; it would become relevant if that value had to be distributed between them.

Step 3: Conclusion The value of goodwill of Sunny and Rohan's firm, on the basis of five years purchase of super profits, is $\boxed{\text{Rs } 1,00,000}$.

Quick Tip to Solve: First deduct normal profit from average profit; multiply only the resulting super profit by five.

21. Madhav, Raghav and Purav were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. Their Balance Sheet as at 31st March, 2023 was as follows :

Balance Sheet of Madhav, Raghav and Purav as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	1,00,000	Bank	20,000
General Reserve	50,000	Stock	1,10,000
Capitals :		Investment	70,000
Madhav 60,000		Furniture	35,000
Raghav 1,00,000		Building	1,15,000
Purav 40,000	2,00,000		
	3,50,000		3,50,000

Purav died on 30th September, 2023. According to Partnership deed, his legal representatives are entitled to the following :

(i) Balance in his Capital Account.

(ii) Share of profit upto the date of death to be calculated on the basis of last year's profit.

(iii) Share of goodwill calculated on the basis of three years purchase of average profits of last four years.

(iv) Interest on capital @ 12% p.a.

Purav's share of profit was Rs. 3,000 and the average profit of last four years were Rs. 50,000. Purav's drawings upto the date of death were Rs. 10,000.

Prepare Purav's Capital Account to be rendered to his legal representatives. [4 marks]

Solution:

Concept:

- The deceased partner's capital is credited with his reserve, goodwill, profit up to death and interest on capital; drawings are debited. The balance represents the amount due to his legal representatives.
- Purav's share is $1/5$, and the period from 1st April to 30th September is six months. Goodwill equals average profit multiplied by years' purchase.

Step 1: Calculate Purav's entitlements Purav's share of General Reserve is $50,000 \times 1/5 = \text{Rs } 10,000$. Firm's goodwill is $50,000 \times 3 = \text{Rs } 1,50,000$, so Purav's share of goodwill is $1,50,000 \times 1/5 = \text{Rs } 30,000$. Interest on capital is $40,000 \times 12/100 \times 6/12 = \text{Rs } 2,400$. The question directly supplies Purav's share of profit up to death as Rs 3,000. This amount must not be multiplied by his share or by six months again. In the absence of a changed ratio, Madhav and Raghav continue in their relative ratio of $3:1$, bearing the goodwill adjustment as Rs 22,500 and Rs 7,500 respectively.

Step 2: Prepare Purav's Capital Account Purav's Capital Account as at 30th September, 2023

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Drawings A/c	10,000	By Balance b/d	40,000
To Balance c/d	75,400	By General Reserve A/c	10,000
(Due to representatives)		By Madhav's Capital A/c	22,500
		By Raghav's Capital A/c	7,500
		By Profit and Loss Suspense A/c	3,000
		By Interest on Capital A/c	2,400
Total	85,400	Total	85,400

The credit balance is transferred to Purav's Executor's Account for settlement. The bank balance does not limit the liability to his representatives; it only indicates the cash currently available. No revaluation adjustment or interest on drawings is introduced because neither is provided. The reserve is distributed in the old ratio because it accumulated before the partner's death.

Step 3: Conclusion The amount due to Purav's legal representatives is $\boxed{\text{Rs } 75,400}$, being $40,000 + 10,000 + 30,000 + 3,000 + 2,400 - 10,000$.

Quick Tip to Solve: Use Rs 3,000 directly as Purav's profit share, and calculate capital interest for only six months.

22. On 1st April 2023, Khyati Ltd. was formed with an authorised capital of Rs. 20,00,000 divided into 2,00,000 equity shares of Rs. 10 each. The company invited applications for issuing 1,80,000 equity shares. The company received applications for 1,70,000 equity shares. During the first year, Rs. 8 per share were called and final call of Rs. 2 per share has not been made yet. Siya holding 2,000 shares and Piya holding 4,000 shares did not pay the first call of Rs. 2 per share. All the shares of Siya and Piya were forfeited after the first call.

Present the share capital in the Balance Sheet of Khyati Ltd. as per Schedule III, Part I of Companies Act, 2013 and also prepare 'Notes to Accounts' for the same. [4 marks]

Solution:

Concept:

- Schedule III presents share capital under Shareholders' Funds, supported by a note distinguishing authorised, issued and subscribed capital. Uncalled capital is not a liability recognised as called-up capital.
- Forfeited shares cease to form part of subscribed capital. Amounts already received on them are added separately as shares forfeited, until their reissue or other disposal.

Step 1: Determine subscribed capital and the forfeited amount Applications were received for 1,70,000 shares, so that is the original subscription, although 1,80,000 shares were offered. Total forfeited shares are $2,000 + 4,000 = 6,000$. Remaining subscribed shares are $1,70,000 - 6,000 = 1,64,000$. Rs 8 per share was called, of which the defaulters failed to pay Rs 2. Therefore Rs 6 per forfeited share had been received. The figures for disclosure are:

$$\text{Subscribed and paid-up amount} = 1,64,000 \times 8 = \text{Rs } 13,12,000,$$
$$\text{Shares forfeited, amount paid} = 6,000 \times 6 = \text{Rs } 36,000.$$

The final call of Rs 2 has not been made, so the remaining subscribed shares are not fully paid. The first-call arrears of Rs 12,000 on the forfeited shares are removed on forfeiture; they must not also be deducted from the remaining subscribed capital.

Step 2: Present the Balance Sheet extract and supporting note Balance Sheet of Khyati Ltd. (extract) as at 31st March, 2024

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital	1	13,48,000

Notes to Accounts: Note 1 – Share Capital

Particulars	Amount (Rs)
Authorised capital:	
2,00,000 equity shares of Rs 10 each	20,00,000
Issued capital:	
1,80,000 equity shares of Rs 10 each	18,00,000
Subscribed but not fully paid-up capital:	
1,64,000 equity shares of Rs 10 each, Rs 8 called-up and paid-up	13,12,000
Add: Shares forfeited (6,000 shares; amount originally paid-up)	36,000
Total share capital	13,48,000

The separate authorised and issued figures describe the permitted and offered capital; only the

subscribed paid amount plus the forfeited amount enters the Balance Sheet total.

Step 3: Conclusion Share Capital is shown at $\boxed{\text{Rs } 13,48,000}$, comprising Rs 13,12,000 subscribed but not fully paid-up capital and Rs 36,000 on forfeited shares.

Quick Tip to Solve: Remove all 6,000 forfeited shares from subscription, then add back only their Rs 6 per share already received.

23(a). Murari Ltd. invited applications for issuing 80,000 equity shares of Rs. 10 each at a premium of Rs. 4 per share. The amount per share was payable as follows : Rs. 5 on application and Rs. 9 (including premium) on allotment.

Applications were received for 1,40,000 shares and allotment was made on pro-rata basis to all the applicants. Money overpaid on application was utilised towards sums due on allotment.

The allotment money was duly received except from Sameer who had applied for 1,400 shares. His shares were forfeited.

Pass the necessary journal entries in the books of Murari Ltd. to record the above transactions. Open calls-in-arrears account wherever required. [6 marks]

Solution:

Concept:

- On pro-rata allotment, shares allotted equal shares applied for multiplied by $80,000/1,40,000 = 4/7$. Excess application money is transferred to Share Allotment Account.
- For forfeiture, debit Share Capital with called-up nominal capital and reverse unpaid securities premium. Credit Calls-in-Arrears with the unpaid amount and Share Forfeiture with capital money already received.

Step 1: Calculate allotment and application adjustment Application receipts are $1,40,000 \times 5 =$ Rs $7,00,000$. Application capital on shares issued is $80,000 \times 5 =$ Rs $4,00,000$; excess application money is Rs 3,00,000. Allotment due is $80,000 \times 9 =$ Rs $7,20,000$, comprising capital Rs 4,00,000 and premium Rs 3,20,000. Consequently, cash still due on allotment is Rs 4,20,000.

Sameer receives $1,400 \times 4/7 = 800$ shares. He paid $1,400 \times 5 =$ Rs $7,000$ on application. Application required on his allotment is Rs 4,000, so Rs 3,000 is adjusted towards allotment. His allotment liability is $800 \times 9 =$ Rs $7,200$; arrears are $7,200 - 3,000 =$ Rs $4,200$. The excess is absorbed by the capital portion of allotment, leaving the entire premium of Rs 3,200 unpaid. Capital received on his shares is therefore Rs 7,000.

Step 2: Record application and allotment due — Journal of Murari Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,00,000	
	To Share Application A/c			7,00,000
	(Being application money received on 1,40,000 shares at Rs 5 each)			
	Share Application A/c Dr.		7,00,000	
	To Share Capital A/c			4,00,000
	To Share Allotment A/c			3,00,000
	(Being application money transferred and excess adjusted towards allotment)			
	Share Allotment A/c Dr.		7,20,000	
	To Share Capital A/c			4,00,000
	To Securities Premium A/c			3,20,000
	(Being allotment due on 80,000 shares, including premium of Rs 4 per share)			

Step 3: Record allotment receipts and arrears — Journal of Murari Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,15,800	
	To Share Allotment A/c			4,15,800
	(Being allotment money received from shareholders other than Sameer)			
	Calls-in-Arrears A/c Dr.		4,200	
	To Share Allotment A/c			4,200
	(Being Sameer's unpaid allotment transferred to calls-in-arrears)			

Actual bank receipt is $4,20,000 - 4,200 = \text{Rs } 4,15,800$.

Step 4: Record forfeiture — Journal of Murari Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		8,000	
	Securities Premium A/c Dr.		3,200	
	To Calls-in-Arrears A/c			4,200
	To Share Forfeiture A/c			7,000
	(Being Sameer's 800 shares forfeited for non-payment of allotment)			

The forfeiture entry balances: debit $8,000 + 3,200 = 11,200$, credit $4,200 + 7,000 = 11,200$. No reissue is stated, so no capital reserve transfer arises.

Step 5: Conclusion Sameer was allotted 800 shares. His calls-in-arrears are Rs 4,200, unpaid securities premium is Rs 3,200, and Share Forfeiture Account is credited with Rs 7,000.

Quick Tip to Solve: First convert shares applied for into shares allotted; apply Sameerś excess application money before calculating his unpaid allotment.

OR

23(b). Kavya Ltd. invited applications for issuing 30,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as follows :

On application and allotment Rs. 7 per share

On first and final call Rs. 5 per share (including Rs. 2 premium)

Applications were received for 33,000 shares. Applications for 3,000 shares were rejected and money returned to the applicants. Applications for 30,000 shares were accepted in full.

The application and allotment money was duly received. The first and final call was made and money received except from a shareholder holding 500 shares. His shares were forfeited. All these shares were re-issued to Kartik as fully paid for Rs. 8 per share.

Pass necessary journal entries for the above transactions in the books of Kavya Ltd. Open calls-in-arrears account wherever required.

[6 marks]

Solution:

Concept:

- Rejected applications are refunded; the application and allotment money on accepted shares is credited to Share Capital because the premium is due only with the call.
- On forfeiture, reverse the unpaid premium as well as called-up share capital. A reissue discount is debited to Share Forfeiture; the remaining forfeiture surplus relating to reissued shares goes to Capital Reserve.

Step 1: Calculate application, refund and call amounts Application and allotment received: $33,000 \times 7 = \text{Rs } 2,31,000$. Refund: $3,000 \times 7 = \text{Rs } 21,000$. Share capital on accepted applications: $30,000 \times 7 = \text{Rs } 2,10,000$.

The Rs 5 call comprises Rs 3 capital and Rs 2 premium. Total call due is Rs 1,50,000: capital Rs 90,000 and premium Rs 60,000. Arrears on 500 shares are Rs 2,500; cash received is Rs 1,47,500.

Step 2: Record receipts, refund and call — Journal of Kavya Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		2,31,000	
	To Share Application and Allotment A/c			2,31,000
	(Being application and allotment received)			
	Share Application and Allotment A/c Dr.		2,31,000	
	To Bank A/c			21,000
	To Share Capital A/c			2,10,000
	(Being refund and capital transfer recorded)			
	Share First and Final Call A/c Dr.		1,50,000	
	To Share Capital A/c			90,000
	To Securities Premium A/c			60,000
	(Being call due including premium)			
	Bank A/c Dr.		1,47,500	
	To Share First and Final Call A/c			1,47,500
	(Being call money received)			
	Calls-in-Arrears A/c Dr.		2,500	
	To Share First and Final Call A/c			2,500
	(Being unpaid call transferred to arrears)			

Step 3: Calculate forfeiture and reissue On forfeiture, debit called-up capital $500 \times 10 = \text{Rs } 5,000$ and unpaid premium $500 \times 2 = \text{Rs } 1,000$. Capital received, credited to Share Forfeiture, is $500 \times 7 = \text{Rs } 3,500$.

Reissue receipts are $500 \times 8 = \text{Rs } 4,000$; fully paid capital is Rs 5,000. The Rs 1,000 discount is debited to Share Forfeiture. As all 500 shares are reissued, transfer the surplus $3,500 - 1,000 = \text{Rs } 2,500$ to Capital Reserve.

Step 4: Record forfeiture, reissue and reserve transfer — Journal of Kavya Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		5,000	
	Securities Premium A/c Dr.		1,000	
	To Calls-in-Arrears A/c			2,500
	To Share Forfeiture A/c			3,500
	(Being 500 shares forfeited)			
	Bank A/c Dr.		4,000	
	Share Forfeiture A/c Dr.		1,000	
	To Share Capital A/c			5,000
	(Being shares reissued to Kartik, fully paid)			
	Share Forfeiture A/c Dr.		2,500	
	To Capital Reserve A/c			2,500
	(Being reissue surplus transferred to reserve)			

Step 5: Conclusion The forfeiture credit is Rs 3,500, the reissue discount is Rs 1,000 and the amount transferred to Capital Reserve is Rs 2,500. Calls-in-Arrears Account is cleared on forfeiture.

Quick Tip to Solve: Keep the Rs 2 premium separate from the Rs 3 capital portion of the call; reverse that unpaid premium when forfeiting the shares.

24(a). Arnav, Bhavi and Chavi were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. On 31st March, 2023, their Balance Sheet was as follows :

Balance Sheet of Arnav, Bhavi and Chavi as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals :		Plant & Machinery	3,00,000
Arnav 1,80,000		Furniture	20,000
Bhavi 1,60,000		Debtors 3,50,000	
Chavi 1,00,000	4,40,000	Less : Provision for doubtful debts 20,000	3,30,000
Creditors	2,50,000	Cash in hand	10,000
		Profit and Loss Account	30,000
	6,90,000		6,90,000

Chavi retired on the above date. It was agreed that :

(i) Plant and Machinery be valued at Rs. 4,30,000.

(ii) The existing Provision for Bad Debts was to be increased by 50%.

(iii) Chavi's share of Goodwill was valued at Rs. 80,000 and the same was to be treated without opening goodwill account.

(iv) The total amount to be paid to Chavi was brought in by Arnav and Bhavi in such a way as to make their capitals in proportion to their new profit sharing ratio.

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

Solution:

Concept:

- Revaluation profit and accumulated losses belong to all old partners in their old ratio, $3:2:1$.
- The continuing partners compensate the retiring partner for goodwill in their gaining ratio. With no change specified, Arnav and Bhavi continue in $3:2$.
- Cash introduced must both discharge the retiring partner and leave continuing capitals proportional to the new profit-sharing ratio.

Step 1: Calculate revaluation profit Plant and machinery appreciates by $4,30,000 - 3,00,000 =$ Rs $1,30,000$. The provision increases by $20,000 \times 50\% =$ Rs $10,000$, making the revised provision Rs 30,000. Hence revaluation profit is Rs 1,20,000, credited to Arnav, Bhavi and Chavi as Rs 60,000, Rs 40,000 and Rs 20,000 respectively.

Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Provision for doubtful debts	10,000	By Plant and Machinery	1,30,000
To Arnav's Capital A/c	60,000		
To Bhavi's Capital A/c	40,000		
To Chavi's Capital A/c	20,000		
Total	1,30,000	Total	1,30,000

Step 2: Adjust accumulated loss and goodwill The debit balance of Profit and Loss Account is an accumulated loss of Rs 30,000. Debit the old capitals by Rs 15,000, Rs 10,000 and Rs 5,000. Arnav gains $3/5 - 3/6 = 1/10$, while Bhavi gains $2/5 - 2/6 = 1/15$; their gaining ratio is $3:2$. Chavi receives goodwill compensation of Rs 80,000, debited to Arnav Rs 48,000 and Bhavi Rs 32,000. No goodwill

asset is opened.

Step 3: Determine payment and capital contributions Chavi is due $1,00,000 + 20,000 - 5,000 + 80,000 =$ Rs $1,95,000$. Arnav and Bhavi have adjusted capitals of Rs 1,77,000 and Rs 1,58,000. Since they bring in the entire payment, their total final capital is $1,77,000 + 1,58,000 + 1,95,000 =$ Rs $5,30,000$. In the ratio $3:2$, their final capitals are Rs 3,18,000 and Rs 2,12,000. Thus Arnav brings Rs 1,41,000 and Bhavi Rs 54,000. These receipts exactly equal Chavi$\acute{s}$ payment.

Step 4: Prepare the capital accounts Arnav's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Profit and Loss A/c	15,000	By Balance b/d	1,80,000
To Chavi's Capital A/c	48,000	By Revaluation A/c	60,000
To Balance c/d	3,18,000	By Bank A/c	1,41,000
Total	3,81,000	Total	3,81,000

Bhavi's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Profit and Loss A/c	10,000	By Balance b/d	1,60,000
To Chavi's Capital A/c	32,000	By Revaluation A/c	40,000
To Balance c/d	2,12,000	By Bank A/c	54,000
Total	2,54,000	Total	2,54,000

Chavi's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Profit and Loss A/c	5,000	By Balance b/d	1,00,000
To Bank A/c	1,95,000	By Revaluation A/c	20,000
		By Arnav's Capital A/c	48,000
		By Bhavi's Capital A/c	32,000
Total	2,00,000	Total	2,00,000

Step 5: Conclusion Revaluation profit is Rs 1,20,000. Chavi is paid Rs 1,95,000. Arnav brings Rs 1,41,000 and Bhavi Rs 54,000, leaving capitals of Rs 3,18,000 and Rs 2,12,000.

Quick Tip to Solve: First settle goodwill and the debit Profit and Loss balance; only then calculate the cash needed to align the remaining capitals.

OR

24(b). Divya and Ekta were partners in a firm sharing profits in the ratio of 3 : 1. On 31st March, 2023 they admitted Sona as a new partner for 1/4th share in the profits of the firm. Their Balance Sheet on that date was as follows :

Balance Sheet of Divya and Ekta as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals :		Land and Building	5,00,000
Divya 10,00,000		Machinery	6,00,000
Ekta 7,00,000	17,00,000	Stock	1,50,000
General Reserve	3,20,000	Debtors 4,00,000	
Creditors	5,40,000	Less : Provision for doubtful debts 30,000	3,70,000
		Investments	5,00,000
		Cash	4,40,000
	25,60,000		25,60,000

Sona will bring Rs. 4,00,000 as her capital and her share of goodwill in cash. It was agreed that :

(i) Goodwill of the firm was valued at Rs. 2,40,000.

(ii) Land & Building were valued at Rs. 7,12,000.

(iii) Provision for doubtful debts was found to be in excess by Rs. 8,000

(iv) A liability for Rs. 20,000 included in Creditors was not likely to arise.

(v) The capitals of Divya and Ekta will be adjusted on the basis of Sona's capital by opening current accounts.

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

Solution:

Concept:

- Pre-admission reserves and revaluation gains are credited to the old partners in their old ratio, $3:1$.
- Sona acquires $1/4$ share; the old partners retain $3/4$ in their existing ratio. The sacrificing ratio is therefore $3:1$.
- Total capital equals incoming capital divided by incoming share. Transfer differences between adjusted and required capitals to current accounts.

Step 1: Find the new ratio and goodwill premium Divyaś new share is $(3/4)(3/4) = 9/16$; Ektaś is $(1/4)(3/4) = 3/16$; Sonaś is $4/16$. The new ratio is $9:3:4$. Sona brings goodwill premium of $2,40,000 \times 1/4 = \text{Rs } 60,000$. Divya and Ekta receive Rs 45,000 and Rs 15,000 in their sacrificing ratio of $3:1$. Sonaś cash contribution totals Rs 4,60,000, of which only Rs 4,00,000 is credited to her capital.

Step 2: Prepare revaluation account Land and building increases by $7,12,000 - 5,00,000 = \text{Rs } 2,12,000$. The excess provision of Rs 8,000 is released, leaving Rs 22,000. Creditors decrease by Rs 20,000 for the liability no longer expected to arise. Thus total revaluation profit is $2,12,000 + 8,000 + 20,000 = \text{Rs } 2,40,000$, divided Rs 1,80,000 to Divya and Rs 60,000 to Ekta.

Revaluation Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Divya's Capital A/c	1,80,000	By Land and Building	2,12,000
To Ekta's Capital A/c	60,000	By Provision for doubtful debts	8,000
		By Creditors	20,000
Total	2,40,000	Total	2,40,000

Step 3: Calculate capital adjustment through current accounts General Reserve of Rs 3,20,000 is distributed Rs 2,40,000 to Divya and Rs 80,000 to Ekta. Their adjusted capitals are therefore:

$$\begin{aligned} \text{Divya} &= 10,00,000 + 2,40,000 + 1,80,000 + 45,000 \\ &= \text{Rs } 14,65,000, \\ \text{Ekta} &= 7,00,000 + 80,000 + 60,000 + 15,000 \\ &= \text{Rs } 8,55,000. \end{aligned}$$

Total capital based on Sona is $4,00,000 \div (1/4) = \text{Rs } 16,00,000$. Required capitals in $9:3:4$ are Rs 9,00,000, Rs 3,00,000 and Rs 4,00,000. Transfer excesses of Rs 5,65,000 and Rs 5,55,000 from Divyaś and Ektaś capital accounts to their respective current accounts; these are credit balances, with no cash withdrawal.

Step 4: Prepare partners capital accounts Divya's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Current A/c	5,65,000	By Balance b/d	10,00,000
To Balance c/d	9,00,000	By General Reserve A/c	2,40,000
		By Revaluation A/c	1,80,000
		By Premium for Goodwill A/c	45,000
Total	14,65,000	Total	14,65,000

Ekta's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Current A/c	5,55,000	By Balance b/d	7,00,000
To Balance c/d	3,00,000	By General Reserve A/c	80,000
		By Revaluation A/c	60,000
		By Premium for Goodwill A/c	15,000
Total	8,55,000	Total	8,55,000

Sona's Capital Account

Dr. Particulars	Amount (Rs)	Particulars	Amount (Rs) Cr.
To Balance c/d	4,00,000	By Bank A/c	4,00,000
Total	4,00,000	Total	4,00,000

Step 5: Conclusion Revaluation profit is Rs 2,40,000. Final capitals are Divya Rs 9,00,000, Ekta Rs 3,00,000 and Sona Rs 4,00,000; Divya and Ekta have current-account credits of Rs 5,65,000 and Rs 5,55,000.

Quick Tip to Solve: Keep Sonaś goodwill premium separate from her capital when deriving total firm capital; use current accounts for the old partnerséxcesses.

25. Pass the necessary journal entries for the following transactions on dissolution of the firm of Avyan and Shruti after various assets (other than cash) and third party liabilities have been transferred to Realisation Account :

(i) Sundry creditors amounting to Rs. 40,000 were settled at a discount of 10%.

(ii) An unrecorded computer of Rs. 50,000 was taken over by Shruti.

(iii) Creditors of Rs. 5,000 agreed to take over debtors of Rs. 8,000 in full settlement of their claim.

(iv) The firm had a debit balance of Rs. 42,000 in the Profit and Loss Account on the date of dissolution.

(v) There was an old furniture with the firm which had been written off completely from the books. This was sold for Rs. 9,000.

(vi) Realisation expenses amounting to Rs. 11,000 were paid by Shruti. [6 marks]

Solution:

Concept:

- After recorded assets and outside liabilities have been transferred, Realisation Account records their disposal and settlement; the original asset or creditor accounts are not used again.
- An unrecorded asset realised or taken over is credited to Realisation Account. Accumulated losses are debited to partners' capital accounts in their profit-sharing ratio; if no ratio is given, profits and losses are shared equally.

Step 1: Transactions (i) and (ii): creditor payment and computer taken over The creditor payment is $40,000 \times 90\% = \text{Rs } 36,000$. The discount of Rs 4,000 is automatically reflected in Realisation Account, whose credit already contains the original liability. Shruti must be debited for the unrecorded computer she takes over.

Journal of Avyan and Shruti

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
(i)	Realisation A/c Dr.		36,000	
	To Bank A/c			36,000
	(Being creditors settled at 10% discount)			
(ii)	Shruti's Capital A/c Dr.		50,000	
	To Realisation A/c			50,000
	(Being unrecorded computer taken over)			

Step 2: Transaction (iii): asset directly accepted by creditor No journal entry is required. Both the debtors of Rs 8,000 and creditors of Rs 5,000 have already been transferred to Realisation Account. The direct acceptance of debtors in full settlement involves neither cash nor a partner's account. The difference of Rs 3,000 is already reflected by their original transfers; recording another entry would duplicate its effect.

Step 3: Transaction (iv): transfer the accumulated loss No profit-sharing ratio is specified, so the partners share the loss equally: $42,000 \div 2 = \text{Rs } 21,000$ each. A debit balance in Profit and Loss Account is an accumulated loss, not an asset realised on dissolution.

Journal of Avyan and Shruti

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
(iv)	Avyan's Capital A/c Dr.		21,000	
	Shruti's Capital A/c Dr.		21,000	
	To Profit and Loss A/c			42,000
	(Being accumulated loss shared equally)			

Step 4: Transactions (v) and (vi): furniture and expenses The fully written-off furniture is an unrecorded asset: its sale increases bank and is credited to Realisation Account. Expenses paid personally by Shruti are borne by the firm, so Realisation is debited and her capital is credited; the firm's Bank Account is not credited.

Journal of Avyan and Shruti

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
(v)	Bank A/c Dr.		9,000	
	To Realisation A/c			9,000
	(Being written-off furniture sold)			
(vi)	Realisation A/c Dr.		11,000	
	To Shruti's Capital A/c			11,000
	(Being realisation expenses paid by Shruti)			

Step 5: Conclusion The required entries are shown above; transaction (iii) requires no entry. The accumulated loss is charged Rs 21,000 to each partner.

Quick Tip to Solve: After transfer to Realisation, do not debit creditors again; debit Realisation only for the cash actually paid.

26. Pass Journal entries relating to issue of debentures in the books of Novex Ltd. in each of following cases :

(i) Issued 30,000, 10% Debentures of Rs. 100 each at a premium of 10%, redeemable at par.

(ii) Issued 4,000, 10% Debentures of Rs. 100 each at a premium of 15%, redeemable at a premium of 10%.

(iii) Issued 5,000, 10% Debentures of Rs. 100 each at a discount of 5%, redeemable at a premium of 10%. [6 marks]

Solution:

Concept:

- Debentures are credited with their face value. Bank is debited with issue proceeds, and any issue premium is credited to Securities Premium Reserve.
- Loss on Issue of Debentures includes issue discount plus the premium payable on redemption. Premium on Redemption of Debentures is credited separately as the obligation arises at issue; the 10% coupon does not affect issue proceeds.

Step 1: Case (i): issue at 10% premium, redemption at par Face value $= 30,000 \times 100 =$ Rs $30,00,000$. Issue premium $= 30,00,000 \times 10\% =$ Rs $3,00,000$; hence cash received is Rs 33,00,000. Redemption at par creates no premium liability or loss on issue.

Journal of Novex Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
(i)	Bank A/c Dr.		33,00,000	
	To 10% Debentures A/c			30,00,000
	To Securities Premium Reserve A/c			3,00,000
	(Being 30,000 debentures issued at 10% premium, redeemable at par)			

Step 2: Case (ii): issue at 15% premium, redemption at 10% premium Face value $= 4,000 \times 100 =$ Rs $4,00,000$. Cash received $= 4,000 \times 115 =$ Rs $4,60,000$; issue premium is Rs 60,000. Redemption premium $= 4,00,000 \times 10\% =$ Rs $40,000$. It is recognised as a debit to Loss on Issue and a separate credit to Premium on Redemption; it is not deducted from the cash received or netted against the issue premium.

Journal of Novex Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
(ii)	Bank A/c Dr.		4,60,000	
	Loss on Issue of Debentures A/c Dr.		40,000	
	To 10% Debentures A/c			4,00,000
	To Securities Premium Reserve A/c			60,000
	To Premium on Redemption of Debentures A/c			40,000
	(Being debentures issued at 15% premium, redeemable at 10% premium)			

Step 3: Case (iii): issue at 5% discount, redemption at 10% premium Face value $= 5,000 \times 100 =$ Rs $5,00,000$. Discount $= 5,00,000 \times 5\% =$ Rs $25,000$, so bank receives Rs 4,75,000. Redemption premium is Rs 50,000. Total loss on issue is therefore $25,000 + 50,000 =$ Rs $75,000$. Debit total is Rs 5,50,000, equal to credits of Rs 5,00,000 plus Rs 50,000.

Journal of Novex Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
(iii)	Bank A/c Dr.		4,75,000	
	Loss on Issue of Debentures A/c Dr.		75,000	
	To 10% Debentures A/c			5,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(Being debentures issued at 5% discount, redeemable at 10% premium)			

Step 4: Conclusion Bank receipts in cases (i), (ii) and (iii) are Rs 33,00,000, Rs 4,60,000 and Rs 4,75,000 respectively; loss on issue is nil, Rs 40,000 and Rs 75,000 respectively.

Quick Tip to Solve: Calculate cash from the issue price first; add redemption premium only when computing loss on issue, never to bank receipts.

Part B (20 marks)

OPTION - I (Analysis of Financial Statements)

27. Which of the following is not a tool of Analysis of Financial Statements ? [1 mark]

(A) Ratio Analysis

(B) Comparative Statement

(C) Statement of Profit & Loss

(D) Cash flow Statement

Correct Answer: (C) Statement of Profit & Loss

Solution:

Concept:

- Financial statements provide accounting information; analysis tools process that information to compare performance, relationships and cash movements.
- The Statement of Profit and Loss reports income, expenses and profit for a period and is a basic financial statement.

Step 1: Identify the basic statement Option (C), Statement of Profit and Loss, is the source statement used for analysis. Preparing it determines the period's profit; it does not by itself constitute a tool of financial statement analysis.

Step 2: Check the other options Ratio Analysis in (A) studies relationships between financial figures. A Comparative Statement in (B) measures changes across periods. A Cash flow Statement in (D) analyses changes in cash and cash equivalents by operating, investing and financing activities. These are all recognised tools of analysis, so none answers the negative question.

Step 3: Conclusion The correct option is (C): Statement of Profit & Loss.

Quick Tip to Solve: For a negative tool question, distinguish the underlying income statement from methods that analyse financial information.

28(a). Total Assets - Rs. 3,00,000

Non-current Assets - Rs. 2,60,000

Non-current Liabilities - Rs. 80,000

Shareholders Funds - Rs. 2,00,000

Current ratio calculated on the basis of above information will be : [1 mark]

(A) 0.5 : 1

(B) 2 : 1

(C) 1.5 : 1

(D) 1 : 1

Correct Answer: (B) 2 : 1

Solution:

Concept:

- Current ratio measures liquidity: Current ratio $=$ Current assets/Current liabilities.
- Total assets equal shareholders funds plus non-current liabilities plus current liabilities.

Step 1: Find current assets Current assets are the portion of total assets remaining after non-current assets:

$$\text{Current assets} = 3,00,000 - 2,60,000 = \text{Rs } 40,000.$$

Step 2: Find current liabilities and compare Using the balance sheet equation,

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

Hence the ratio is $40,000 : 20,000 = 2 : 1$. Options (A), (C) and (D) do not equal this quotient; non-current liabilities must not be used as the denominator.

Step 3: Conclusion The current ratio is $2 : 1$. Hence, the correct option is (B).

Quick Tip to Solve: Find both current balances by subtraction before dividing; do not divide by total liabilities.

OR

28(b). When Current Ratio is 4 : 1, Current Assets are Rs. 60,000 and Quick Ratio is 2.5 : 1, the amount of 'Inventory' will be : [1 mark]

(A) Rs. 22,500

(B) Rs. 37,500

(C) Rs. 15,000

(D) Rs. 25,000

Correct Answer: (A) Rs. 22,500

Solution:

Concept:

- Current ratio is current assets divided by current liabilities; quick ratio is quick assets divided by current liabilities.
- Quick assets exclude inventory and prepaid expenses from current assets. No prepaid expenses are given here.

Step 1: Calculate the common denominator From the current ratio,

$$\text{Current liabilities} = \frac{60,000}{4} = \text{Rs } 15,000.$$

Both liquidity ratios must use this same amount.

Step 2: Find quick assets and inventory Quick assets are $2.5 \times 15,000 = \text{Rs } 37,500$. Thus

$$\text{Inventory} = 60,000 - 37,500 = \text{Rs } 22,500.$$

Option (B) gives quick assets, while option (C) gives current liabilities. Option (D) does not satisfy the two ratios.

Step 3: Conclusion Inventory is Rs 22,500. Hence, the correct option is (A).

Quick Tip to Solve: Multiply the difference between the two ratios by current liabilities to obtain inventory.

29(a). **Shyam Sunder Ltd. is a financing company. Under which of the following activity will the amount of 'Interest paid on loan' be shown :** [1 mark]

(A) Investing activity

(B) Financing activity

(C) Both Financing & Operating activity

(D) Operating activity

Correct Answer: (D) Operating activity

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of an enterprise.
- For a financing company, interest paid and interest received relate to its principal business and are classified as operating cash flows.

Step 1: Identify the nature of the company Shyam Sunder Ltd. is explicitly a financing company. Raising funds and deploying funds for interest are integral to its ordinary revenue-producing business. Therefore the interest paid on its loan is an operating cash outflow.

Step 2: Test the other classifications Option (A) is unsuitable because the payment is not acquisition of an investment. Option (B) is the usual classification of interest paid for a non-financial enterprise, but the company here is a financing enterprise. Option (C) incorrectly divides one payment across two activity headings.

Step 3: Conclusion Interest paid on loan is shown under Operating activity. Hence, the correct option is (D).

Quick Tip to Solve: Check whether the enterprise is a financing company before classifying interest paid.

OR

29(b).

Particulars	1-4-2022	31-3-2023
Provision for Tax	Rs. 10,000	Rs. 25,000

Tax paid during the year ended 31st March, 2023 was Rs. 15,000.

While calculating Net Profit before Tax and Extra ordinary items, the amount of provision for tax to be added is _____. [1 mark]

(A) Rs. 30,000

(B) Rs. 25,000

(C) Rs. 10,000

(D) Rs. 15,000

Correct Answer: (A) Rs. 30,000

Solution:

Concept:

- The provision for tax charged during the year is added back to profit after tax to determine profit before tax.
- Closing provision equals opening provision plus the current-year charge minus tax paid.

Step 1: Reconcile the provision balance Let the current-year tax provision be P. The tax payment reduces the opening provision and the new charge increases it:

$$10,000 + P - 15,000 = 25,000.$$

Step 2: Calculate the amount to add back Rearranging,

$$P = 25,000 + 15,000 - 10,000 = \text{Rs } 30,000.$$

The opening and closing balances in options (C) and (B) are balances of the liability, not the expense for the year. Option (D) is tax actually paid, which is dealt with separately in the cash flow statement.

Step 3: Conclusion The provision for tax to be added is Rs 30,000. Hence, the correct option is (A).

Quick Tip to Solve: Current tax charge equals closing provision plus tax paid minus opening provision.

30. Which of the following transaction will result in flow of cash ? [1 mark]

(A) Cash withdrawn from bank Rs. 71,000.

(B) Issue of 9% debentures of Rs. 1,00,000 to the vendors of Machinery.

(C) Received from debtors Rs. 74,000.

(D) Redeemed 10% debentures by converting into equity shares.

Correct Answer: (C) Received from debtors Rs. 74,000.

Solution:

Concept:

- A cash flow is an inflow or outflow of cash and cash equivalents involving an outside party.
- Transfers between cash and bank and transactions settled entirely in securities do not change total cash and cash equivalents.

Step 1: Examine the cash receipt Receipt of Rs 74,000 from debtors increases cash or bank and reduces trade receivables. It is an actual cash inflow from an outside party and is classified as an operating cash receipt.

Step 2: Eliminate transactions without a cash flow In (A), withdrawal of Rs 71,000 merely transfers money from bank to cash in hand; total cash remains unchanged. In (B), machinery is acquired by issuing debentures, without a cash payment. In (D), conversion of debentures into equity shares is also a non-cash transaction. Neither securities exchange causes a cash flow.

Step 3: Conclusion Received from debtors Rs 74,000 results in a flow of cash. Hence, the correct

option is (C).

Quick Tip to Solve: Ask whether total cash and cash equivalents change; a bank-to-cash transfer does not qualify.

31. Under which major heads and sub-heads will the following items be placed in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013 :

(i) Stores and Spares

(ii) Calls-in-Advance

(iii) Income received in advance [3 marks]

Solution:

Concept:

- Balance sheet classification distinguishes assets from liabilities, and then current from non-current items.
- Inventories are a sub-head of current assets; amounts received before they become due or earned are generally other current liabilities.

Step 1: Classify stores and spares Stores and spares held for consumption in the normal operating cycle are inventories. They are therefore reported on the assets side under the major head Current Assets and sub-head Inventories. They are not presented as purchases or an expense merely because they will eventually be consumed.

Step 2: Classify calls-in-advance Calls-in-advance is money received from shareholders before the relevant call becomes due. It is a liability until the call is made and cannot be included in called-up share capital at this stage. Its major head is Current Liabilities and sub-head is Other Current Liabilities.

Step 3: Classify income received in advance Income received in advance represents a receipt for which the company still owes goods or services. Since it has not yet earned the income, the amount is a liability. It appears under Current Liabilities, sub-head Other Current Liabilities.

Item	Major head	Sub-head
Stores and spares	Current Assets	Inventories
Calls-in-advance	Current Liabilities	Other Current Liabilities
Income received in advance	Current Liabilities	Other Current Liabilities

Step 4: Conclusion Stores and spares: Current Assets–Inventories. Calls-in-advance and income received in advance: Current Liabilities–Other Current Liabilities.

Quick Tip to Solve: Separate amounts received from amounts earned: receiving cash in advance usually creates a liability.

32. From the following information of Ajanta Ltd., calculate 'Inventory Turnover Ratio' :

Particulars	Rs.
Opening inventory	19,000
Closing inventory	21,000
Purchases	80,000
Wages	9,000
Carriage Outwards	2,000
Return Outwards	1,000
Revenue from operations	80,000
Carriage inwards	4,000
Rent paid	5,000

[3 marks]

Solution:

Concept:

- Inventory turnover ratio = Cost of revenue from operations/Average inventory, expressed in times.
- Cost of revenue from operations equals opening inventory plus net purchases plus direct expenses minus closing inventory.
- Carriage inwards and wages are direct costs here; carriage outwards and rent paid are indirect expenses.

Step 1: Calculate net purchases and direct expenses Return outwards means purchase returns, so it reduces purchases:

$$\text{Net purchases} = 80,000 - 1,000 = \text{Rs } 79,000.$$

Wages of Rs 9,000 and carriage inwards of Rs 4,000 form part of the cost of bringing goods to their saleable condition and location. Carriage outwards of Rs 2,000 is a selling expense, while rent paid of Rs 5,000 is an indirect expense, so both are excluded from this calculation.

Step 2: Calculate cost of revenue from operations Apply the inventory adjustment to the cost of goods available for sale:

$$\begin{aligned}\text{Cost of revenue from operations} &= 19,000 + 79,000 + 9,000 + 4,000 \\ &\quad - 21,000 \\ &= \text{Rs } 90,000.\end{aligned}$$

The stated revenue from operations is the selling value, not the cost numerator required for inventory turnover. It must not replace the cost computed from the supplied inventory and purchase figures.

Step 3: Calculate average inventory and turnover Average inventory is the mean of the opening and closing amounts:

$$\text{Average inventory} = \frac{19,000 + 21,000}{2} = \text{Rs } 20,000.$$

Therefore,

$$\text{Inventory turnover ratio} = \frac{90,000}{20,000} = 4.5 \text{ times.}$$

This measures how often the average inventory is turned over at cost during the year.

Step 4: Conclusion Ajanta Ltd. has an Inventory Turnover Ratio of 4.5 times.

Quick Tip to Solve: Use cost, not sales, in the numerator; deduct purchase returns and include carriage inwards.

33(a). From the following Statement of Profit and Loss of Shikha Ltd., prepare Comparative Statement of Profit and Loss for the year ended 31st March, 2023.

Shikha Ltd.

Statement of Profit & Loss for the year ended 31st March, 2023

Particulars	2022-23 (Rs.)	2021-22 (Rs.)
Revenue from operations	32,00,000	20,00,000
Expenses :		
Employee benefit expenses	9,60,000	6,00,000
Other expenses	6,40,000	4,00,000

Rate of Tax is 50%. [4 marks]

Solution:

Concept:

- A comparative statement places the previous year and current year side by side. Absolute change equals current-year amount minus previous-year amount.
- Percentage change is $\frac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$. Tax is calculated on profit before tax, and profit after tax equals profit before tax less tax.

Step 1: Calculate expenses, profit and tax for both years For 2021-22, total expenses are $6,00,000 + 4,00,000 =$ Rs $10,00,000$. Profit before tax is $20,00,000 - 10,00,000 =$ Rs $10,00,000$. Tax at 50% is Rs 5,00,000, leaving profit after tax of Rs 5,00,000.

For 2022-23, total expenses are $9,60,000 + 6,40,000 =$ Rs $16,00,000$. Profit before tax is $32,00,000 - 16,00,000 =$ Rs $16,00,000$. Tax at 50% is Rs 8,00,000, leaving profit after tax of Rs 8,00,000.

Step 2: Prepare the comparative statement Shikha Ltd.

Comparative Statement of Profit and Loss for the year ended 31st March, 2023

Particulars	2021-22 (Rs)	2022-23 (Rs)	Increase (Rs)	Increase (%)
Revenue from operations	20,00,000	32,00,000	12,00,000	60
Expenses:				
Employee benefit expenses	6,00,000	9,60,000	3,60,000	60
Other expenses	4,00,000	6,40,000	2,40,000	60
Total expenses	10,00,000	16,00,000	6,00,000	60
Profit before tax	10,00,000	16,00,000	6,00,000	60
Less: Tax at 50%	5,00,000	8,00,000	3,00,000	60
Profit after tax	5,00,000	8,00,000	3,00,000	60

For example, the revenue increase is $\frac{12,00,000}{20,00,000} \times 100 = 60\%$. Each other percentage uses its own previous-year amount as denominator.

Step 3: Conclusion Profit after tax increased by Rs 3,00,000, from Rs 5,00,000 to Rs 8,00,000, an increase of 60%.

Quick Tip to Solve: Use the previous year as the denominator for every percentage-change calculation, including profit and tax.

OR

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

Particulars	A Ltd.	B Ltd.
Revenue from operations (Rs.)	20,00,000	10,00,000
Other income (Rs.)	3,00,000	80,000
Expenses (Rs.)	10,40,000	4,80,000
Tax Rate	40%	40%

[4 marks]

Solution:

Concept:

- In a common size statement of profit and loss, revenue from operations is taken as 100% for each company.
- Each percentage equals $\frac{\text{Particular item}}{\text{Revenue from operations of that company}} \times 100$. Tax is calculated on profit before tax, not on revenue.

Step 1: Calculate profit and tax for each company For A Ltd., total revenue is $20,00,000 + 3,00,000 =$ Rs $23,00,000$. Profit before tax is $23,00,000 - 10,40,000 =$ Rs $12,60,000$. Tax is $12,60,000 \times 40\% =$ Rs $5,04,000$, so profit after tax is Rs 7,56,000.

For B Ltd., total revenue is $10,00,000 + 80,000 =$ Rs $10,80,000$. Profit before tax is $10,80,000 -$

$4,80,000$ = Rs $6,00,000$. Tax is $6,00,000 \times 40\%$ = Rs $2,40,000$, so profit after tax is Rs 3,60,000.

Step 2: Prepare the common size statement A Ltd. and B Ltd.

Common Size Statement of Profit and Loss for the year ended 31st March, 2023

Particulars	A Ltd. (Rs)	A Ltd. (%)	B Ltd. (Rs)	B Ltd. (%)
Revenue from operations	20,00,000	100.00	10,00,000	100.00
Other income	3,00,000	15.00	80,000	8.00
Total revenue	23,00,000	115.00	10,80,000	108.00
Less: Expenses	10,40,000	52.00	4,80,000	48.00
Profit before tax	12,60,000	63.00	6,00,000	60.00
Less: Tax at 40%	5,04,000	25.20	2,40,000	24.00
Profit after tax	7,56,000	37.80	3,60,000	36.00

For example, A Ltd.'s expenses are $10,40,000/20,00,000 \times 100 = 52\%$, whereas B Ltd.'s expenses are $4,80,000/10,00,000 \times 100 = 48\%$. Each company's amounts are compared with its own revenue from operations; total revenue therefore exceeds 100% because it includes other income.

Step 3: Conclusion A Ltd. earns profit after tax of Rs 7,56,000, or 37.80% of revenue from operations; B Ltd. earns Rs 3,60,000, or 36.00%.

Quick Tip to Solve: Keep revenue from operations at 100 percent separately for each company; do not use total revenue as the common size base.

34. From the following Balance Sheet of Yogita Ltd., calculate 'Cash flows from Investing Activities' and 'Cash flows from Financing Activities'. Show your working properly.

Yogita Ltd.

Balance Sheet as at 31st March, 2023

Particulars	Note No.	31-3-2023 (Rs.)	31-3-2022 (Rs.)
I. Equity and Liabilities :			
(1) Shareholders' Funds			
(a) Share Capital		4,00,000	2,00,000
(b) Reserves and Surplus	1	2,00,000	1,00,000
(2) Non-Current Liabilities			
(a) Long term borrowings	2	1,50,000	2,20,000
(3) Current Liabilities			
(a) Short term borrowings	3	1,00,000	-
(b) Trade payables		70,000	50,000
(c) Short term provisions	4	50,000	30,000
Total		9,70,000	6,00,000
II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets (Property, plant and equipment and intangible assets)			
(i) Tangible Assets (Property, plant and equipment)	5	7,00,000	4,00,000
(2) Current Assets			
(a) Inventories		1,70,000	1,00,000
(b) Trade Receivables		1,00,000	50,000
(c) Cash & Cash equivalents		-	50,000
Total		9,70,000	6,00,000

Notes to Accounts :

Note	Particulars	31-3-2023 (Rs)	31-3-2022 (Rs)
1	Reserves and Surplus		
	Balance in statement of Profit & Loss	1,50,000	80,000
	General Reserve	50,000	20,000
	Total	2,00,000	1,00,000
2	Long term borrowings		
	10% Bank Loan	1,50,000	2,20,000
	Total	1,50,000	2,20,000
3	Short term borrowings		
	Bank Overdraft	1,00,000	–
	Total	1,00,000	–
4	Short term provisions		
	Provision for tax	50,000	30,000
	Total	50,000	30,000
5	Tangible Assets (Property, plant & equipment)		
	Plant and Machinery	7,90,000	4,70,000
	Less: Accumulated depreciation	(90,000)	(70,000)
	Net carrying amount	7,00,000	4,00,000

Additional Information :

(i) Rs. 50,000 was charged as depreciation on Plant and Machinery. A machinery costing Rs. 60,000 (Book value Rs. 45,000) was sold for Rs. 42,000.

(ii) Bank loan was repaid on 1st April, 2022. [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire plant and machinery and cash received on its sale. Use gross asset cost to reconcile additions and disposals.
- Financing activities include issue of share capital, repayment of bank loans, increase in bank overdraft and interest paid by a non-financial enterprise.

Step 1: Calculate purchases of plant and machinery Let purchases be P. Reconcile original cost, removing the original cost of the machinery sold:

$$4,70,000 + P - 60,000 = 7,90,000, \qquad P = \text{Rs } 3,80,000.$$

No non-cash acquisition is stated, so this is the cash paid for purchases. Sale proceeds are Rs 42,000; the book value of Rs 45,000 is not the cash received. The loss on sale is Rs 3,000 and does not represent an additional investing payment.

Step 2: Prepare the investing activities extract Yogita Ltd. — Cash Flow Statement (extract), year ended 31st March, 2023

Particulars	Amount (Rs)
Cash flows from investing activities	
Purchase of plant and machinery	(3,80,000)
Proceeds from sale of machinery	42,000
Net cash used in investing activities	**(3,38,000)**

Step 3: Calculate financing receipts and payments The increase in share capital gives cash proceeds of

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

The bank loan repayment is $2,20,000 - 1,50,000 = \text{Rs } 70,000$. Since it was repaid on 1st April, 2022, only Rs 1,50,000 remained outstanding throughout the year. Interest paid is therefore

$$1,50,000 \times \frac{10}{100} = \text{Rs } 15,000.$$

The bank overdraft increased from nil to Rs 1,00,000 and is a financing inflow. The transfer to general reserve is an internal transfer of profits and creates no financing cash flow. Provision for tax and changes in trade payables belong to operating calculations, not these extracts.

Step 4: Prepare the financing activities extract Yogita Ltd. — Cash Flow Statement (extract), year ended 31st March, 2023

Particulars	Amount (Rs)
Cash flows from financing activities	
Proceeds from issue of share capital	2,00,000
Increase in bank overdraft	1,00,000
Repayment of bank loan	(70,000)
Interest paid on bank loan	(15,000)
Net cash from financing activities	**2,15,000**

The printed depreciation figures are inconsistent: depreciation on the machinery sold is $60,000 - 45,000 = 15,000$, so accumulated depreciation would close at $70,000 + 50,000 - 15,000 = 1,05,000$, whereas the balance sheet prints Rs 90,000. The investing calculation above uses the directly reconcilable gross cost figures; no unexplained depreciation adjustment is treated as cash.

Step 5: Conclusion Net cash used in investing activities is $\boxed{\text{Rs } 3,38,000}$; net cash from financing activities is $\boxed{\text{Rs } 2,15,000}$.

Quick Tip to Solve: Reconcile purchases at original cost, and use the loan repayment date before calculating interest.

OPTION - II (Computerised Accounting)

27. Which chart has depth axis ? [1 mark]

(A) 2D chart

(B) 3D chart

(C) Radar chart

(D) Doughnut chart

Correct Answer: (B) 3D chart

Solution:

Concept:

- A depth axis represents the third dimension of a chart, in addition to its horizontal and vertical axes.
- Chart dimensionality must be distinguished from the shape of its plotted data.

Step 1: Identify the required dimension A 3D chart displays data along height, width and depth. Thus it is the chart type associated with a depth axis.

Step 2: Check the other choices A 2D chart uses only two dimensions. A radar chart places categories around a centre and plots values radially. A doughnut chart displays proportions as sectors of a ring; neither name denotes a depth axis.

Step 3: Conclusion The correct option is (B): 3D chart.

Quick Tip to Solve: Associate the word depth with the third dimension when identifying a chart.

28(a). Which of the following is not a limitation of computerised accounting system ? [1 mark]

(A) Data may be lost or corrupted due to power interruptions.

(B) Data are prone to hacking.

(C) Data is made available to everybody.

(D) Unprogrammed and unspecific reports cannot be generated.

Correct Answer: (C) Data is made available to everybody.

Solution:

Concept:

- A computerised accounting system restricts access through user accounts, passwords and access rights.
- A limitation is an actual constraint or risk inherent in using the system, rather than an incorrect description of its normal operation.

Step 1: Examine access to accounting data Accounting data are available to authorised users according to their access permissions. They are not automatically made available to everybody. Therefore statement (C) is not a limitation of the system.

Step 2: Test the remaining statements Power interruptions can cause data loss or corruption, hacking threatens security, and reports depend on the system's programmed capabilities. Hence (A), (B) and (D) describe recognised limitations.

Step 3: Conclusion The correct option is (C): Data is made available to everybody.

Quick Tip to Solve: For a negative question, eliminate real risks first; controlled access rules out everybody.

OR

28(b). To safeguard assets and optimize the use of resources a business _____. [1 mark]

(A) Only tries to earn sufficient revenue.

(B) Only ensures accuracy in accounting records.

(C) Keeps internal controls.

(D) Only protects its assets.

Correct Answer: (C) Keeps internal controls.

Solution:

Concept:

- Internal controls are procedures and checks designed to safeguard assets, promote reliable records and ensure efficient use of resources.
- A control system combines preventive measures, authorisation, supervision and verification.

Step 1: Match the stated objectives Safeguarding assets and optimising resources require a coordinated system of internal controls. Examples include authorised payments, custody controls and checks on transactions.

Step 2: Exclude the narrow alternatives Earning sufficient revenue alone does not protect resources. Accurate records alone do not prevent every misuse of assets. Merely protecting assets also omits efficient resource use. Thus the alternatives containing only are too limited.

Step 3: Conclusion The correct option is (C): Keeps internal controls.

Quick Tip to Solve: When both asset safety and efficient resource use appear, choose internal controls.

29. "A value or function or an arithmetic expression is recorded in _____." [1 mark]

(A) Row

(B) Column

(C) Range

(D) Cell

Correct Answer: (D) Cell

Solution:

Concept:

- A cell is the intersection of a row and a column and is the basic unit for entering spreadsheet data.
- A cell may contain a constant value or a formula, including arithmetic expressions and functions.

Step 1: Identify where entries are stored An entry such as a number, an arithmetic formula or a function is typed into an individual cell. The cell address identifies its column and row.

Step 2: Compare the other locations A row is a horizontal collection of cells and a column is a vertical collection. A range is a group of cells. These structures organise cells, whereas an individual value or formula is recorded in a cell.

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

Quick Tip to Solve: Think of an address such as A1: it identifies the single cell that stores an entry.

30(a). Depreciation is generated from which of the following Accounting information system ? [1 mark]

(A) Tax accounting sub-system

(B) Expense accounting sub-system

(C) Final accounts sub-system

(D) Fixed assets accounting sub-system

Correct Answer: (D) Fixed assets accounting sub-system

Solution:

Concept:

- The fixed assets accounting sub-system maintains acquisition cost, asset details, useful life, depreciation and disposal information.

- Depreciation allocates the depreciable cost of a fixed asset over its useful life.

Step 1: Identify the originating sub-system Depreciation is calculated using the fixed asset register and the applicable depreciation method and rate. These details belong to the fixed assets accounting sub-system.

Step 2: Distinguish the other sub-systems Tax accounting handles tax obligations, expense accounting handles other expenditure records, and final accounts compile financial statements. Final accounts use depreciation information, but its generation originates in the fixed assets sub-system.

Step 3: Conclusion The correct option is (D): Fixed assets accounting sub-system.

Quick Tip to Solve: Distinguish the sub-system generating depreciation from final accounts that report it.

OR

30(b). Which type of software package is suitable for an organization where the volume of accounting transactions is very low and adaptability is very high ? [1 mark]

(A) Specific

(B) Tailored

(C) ERP Software

(D) Generic

Correct Answer: (D) Generic

Solution:

Concept:

- Generic software is a ready-to-use accounting package suited to small organisations with a low volume of transactions.
- Adaptability refers to how readily the organisation can adjust its accounting procedures to the package.

Step 1: Match the stated requirements Here the volume of accounting transactions is very low and adaptability is very high. The organisation can readily adjust to standard accounting features, so a general-purpose, ready-made package is suitable.

Step 2: Check the alternatives Specific and tailored packages serve particular requirements and involve greater specialisation or customisation. ERP software integrates functions across an enterprise and is unnecessary for this stated low transaction volume. Generic software best fits both conditions.

Step 3: Conclusion The suitable package is generic software. Hence, the correct option is (D).

Quick Tip to Solve: For low transaction volume and high adaptability, look for a ready-made generic package.

31. How can a#DIV/0! error be corrected ? [3 marks]

Solution:

Concept:

- The spreadsheet error `#DIV/0!` occurs when a formula divides a number by zero or by a blank cell treated as zero.
- Correct the divisor or its reference; a conditional formula can prevent division when valid data are unavailable.

Step 1: Check and correct the divisor Inspect the formula and identify the denominator. If it refers to the wrong cell, change the reference to the intended cell containing a valid non-zero divisor. If the intended divisor cell is blank or contains zero by mistake, enter the correct non-zero value. For example, if `=A1/B1` is used and B1 is zero, the formula produces `#DIV/0!`; entering the actual non-zero quantity in B1 removes the cause.

Step 2: Use an IF check where zero is possible When a divisor may legitimately be zero or unavailable, test it before carrying out division. For example, `=IF(B1=0,"",A1/B1)` displays a blank when B1 is zero or blank and otherwise calculates the quotient. A message such as "Not available" may be used instead of the empty string. This prevents an invalid division rather than replacing valid accounting data with an arbitrary number.

Step 3: Indicate unavailable data appropriately If the divisor is not available, entering `#N/A` in the referenced divisor cell changes the displayed result to `#N/A`, indicating that the necessary input is unavailable. This identifies the missing input; it does not provide a numerical quotient. Once the actual divisor is available, enter it and recalculate.

Step 4: Conclusion Correct the cell reference or enter the correct non-zero divisor; use an IF test to avoid division when the divisor is zero. Use `#N/A` when the required divisor is unavailable.

Quick Tip to Solve: Inspect the denominator first: a blank referenced cell can cause the same division error as zero.

32. Explain various 'Data tables' used in 'Pivot Table. [3 marks]

Solution:

Concept:

- A data table shows how changing input values affects a formula result, allowing systematic what-if analysis.
- The two types are one-variable data tables and two-variable data tables, classified by the number of input cells varied.

Step 1: One-variable data table A one-variable data table substitutes a list of possible values into one input cell referred to by a formula. The input values may be arranged down a column or across a row. Excel recalculates the formula for each value and places the results alongside the inputs. For example, with principal and time fixed, different interest rates can be substituted into the rate input cell to compare interest amounts. Only one independent input changes; other inputs remain fixed.

Step 2: Two-variable data table A two-variable data table uses two input cells referred to by a single formula. One list of possible inputs is arranged along a row and the other down a column. Excel substitutes each combination of the two inputs and displays the corresponding formula result at their intersection. For example, with principal fixed, different interest rates and different time periods can be used together to compare the interest amounts for all combinations.

Step 3: Purpose in analysing information These tables help compare alternative outcomes without manually rewriting a formula for every case. The distinction is the number of input cells being varied: one in the first type and two in the second. A Pivot Table provides a rearrangeable cross-tabulated summary of source data, allowing headings to be moved to obtain different views of the information.

Step 4: Conclusion The two types of data tables are the one-variable data table and the two-variable data table, varying one and two input cells respectively.

Quick Tip to Solve: Count the changing input cells, not the number of displayed result rows, to identify the table type.

33(a). List the points of nomenclature used in Excel for charts/graphs. [4 marks]

Solution:

Concept:

- Excel chart nomenclature names the parts used to display and interpret data graphically.
- Chart titles, axes, series, legends and labels together identify what is measured and how values are represented.

Step 1: Name the chart areas and titles 1. Chart area: the entire chart, including its plotted data and associated elements. 2. Plot area: the region bounded by the axes in which the data series are drawn. 3. Chart title: the heading describing the subject of the chart. 4. Axis titles: descriptions of the quantities or categories shown on the respective axes, including units where relevant.

Step 2: Name the axes and data elements 5. Category axis: usually the horizontal or X-axis, showing categories such as months or product names. 6. Value axis: usually the vertical or Y-axis, showing a numerical scale. 7. Data series: a related set of values represented together, such as one year's monthly sales. 8. Data points or data markers: the individual values and their visual representations, such as columns, points or pie slices. A three-dimensional chart may also have a series or depth axis.

Step 3: Name the explanatory elements 9. Legend: the key identifying the colours, patterns or symbols assigned to different series or categories. 10. Data labels: information attached to individual data points, such as their values, names or percentages. 11. Gridlines: reference lines across the plot area that help the reader relate plotted positions to the axis scale. 12. Data table: an optional table displayed with the chart showing the values used to create it. These names allow the required part to be selected and formatted correctly.

Step 4: Conclusion The principal nomenclature comprises chart area, plot area, chart title, axis titles, category and value axes, data series, data points or markers, legend, data labels, gridlines and data table.

Quick Tip to Solve: Distinguish chart area (the whole chart) from plot area (where the data are actually drawn).

OR

33(b). Explain the steps to define 'Print area' using Dialog box. [4 marks]

Solution:

Concept:

- Print area is the cell range selected for printing from the active worksheet. Defining it excludes cells outside that range from the printout.
- The Page Setup dialog box contains a Sheet tab with a Print area field. A range reference, such as $A$1:$F$10, identifies the first and last cells of a rectangular range.

Step 1: Open Page Setup Activate the required worksheet. On the Page Layout tab, click the dialog box launcher in the Page Setup group to open the Page Setup dialog box. This provides the settings for the active sheet, including its print range.

Step 2: Choose the Sheet tab In the Page Setup dialog box, select the Sheet tab. Locate the Print area text box. If it contains an old range, replace that reference with the range now required. Do not use the Rows to repeat at top or Columns to repeat at left fields, which set repeating headings rather than the area to print.

Step 3: Specify the required range Click inside the Print area box. Enter the range reference, for example $A$1:$F$10. Alternatively, use the range-selection button at the right of the box, drag across the cells required on the worksheet, and use the button again to return to the full dialog box. Check that the reference covers all required rows and columns.

Step 4: Confirm and check the printout Click OK to apply the print area. Open File > Print to view the print preview and check that the intended cells appear. If the range is incorrect, return to Page Setup > Sheet and amend the Print area field. Save the workbook to retain the setting.

Step 5: Conclusion The required cell range is now defined in the Print area field of Page Setup > Sheet, and only that area of the worksheet will be printed.

Quick Tip to Solve: Use the Sheet tab of Page Setup; the Print area box accepts an absolute range reference.

34.

	A	B	C	D	E	F
1	S. No		Subjects			
2		Name	Maths	English	Science	Total
3	1	Vipul	38	58	66	162
4	2	Ram	88	92	74	254
5	3	Kiara	57	77	91	225
6	4	Kian	82	56	45	183
7	5	Kabir	55	55	65	175
8	6	Yuvaan	75	51	57	183
9	7	Vishnu	89	78	66	233
10	8	Neha	70	58	84	212

From the given 'VLOOKUP' syntax find out the error and its reason using the worksheet.

(i) = VLOOKUP (B5, C3 : F10, 2, 0)

(ii) = SQRT (VLOOKUP (B3, B3 : F10, 2, 0) - 100)

(iii) = VLOOKUP (B2, B3 : F10, 5, 0)

(iv) = VLOOKUP (B3, B3 : B10, 2, 0)

(v) = VLOOKUP (B6, B3 : F10, 0, 0)

(vi) = VLOOKUP (B6, B3 : F10, 2, 0)/0 [6 marks]

Solution:

Concept:

- VLOOKUP uses the syntax VLOOKUP(lookup value, table array, column index, range lookup). It searches only the first column of table array; a final argument of 0 requires an exact match.
- The column index is counted within table array, beginning at 1. It must be positive and must not exceed the number of columns in that range. SQRT requires a non-negative number, and division requires a non-zero divisor.

Step 1: (i) Error: #N/A B5 contains Kiara, but the table array C3:F10 begins with column C, which contains Maths scores. VLOOKUP therefore searches the values 38, 88, 57, 82, 55, 75, 89 and 70 for the text Kiara. Since no exact match exists, it returns #N/A. Although Kiara is present in B5, column B lies outside this table array and is not searched.

Step 2: (ii) Error: #NUM! B3 contains Vipul. The exact-match lookup in B3:F10 finds Vipul in its first column and returns the second column of that range, namely C3 = 38. Therefore the expression passed to SQRT is $38 - 100 = -62$. The square root of a negative real number cannot be returned by SQRT, so the formula gives #NUM!. The lookup itself succeeds; the error arises in the outer function.

Step 3: (iii) Error: #N/A B2 contains the heading Name. The first column of B3:F10 contains only the eight student names, from Vipul through Neha. The heading Name is not in that search range. With exact matching selected by 0, VLOOKUP cannot find the requested value and returns #N/A. The column index 5 is valid for this five-column range and does not cause the error.

Step 4: (iv) Error: #REF! The table array B3:B10 contains only one column. The requested column index is 2, which refers to a second column within this array. No such column exists, so VLOOKUP

returns #REF!. Vipul is found in B3, but the requested return column lies beyond the supplied array.

Step 5: (v) Error: #VALUE! The requested column index is 0. VLOOKUP numbers the columns of its table array from 1; it has no column numbered 0. A column index less than 1 is invalid and produces #VALUE!. Here the table array B3:F10 is suitable for searching Kian, but the return-column argument is invalid.

Step 6: (vi) Error: #DIV/0! B6 contains Kian. The exact-match lookup in B3:F10 returns its second column, C6 = 82. The rest of the formula attempts to calculate $82/0$, which is undefined. Excel therefore displays #DIV/0!. The student name and return-column index are both valid; the zero divisor causes the error.

Step 7: Conclusion The errors, in order (i) to (vi), are #N/A, #NUM!, #N/A, #REF!, #VALUE! and #DIV/0!, respectively.

Quick Tip to Solve: Check the first lookup column, then the return-column index, then the outer arithmetic operation.