CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-5-2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. 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 have unlimited liability for the debts of the firm.
- If firm assets are insufficient, private assets of partners may be used to discharge firm debts.

Step 1: Judge the Assertion Assertion (A) is true. A partner can be required to contribute from private assets when the partnership cannot pay its creditors from its own assets.

Step 2: Judge the Reason Reason (R) is false because the liability of partners for acts of an ordinary partnership firm is unlimited, rather than limited to their capital contributions.

Step 3: Check the explanatory link A false reason cannot explain a true assertion. 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: Read the liability word carefully: private assets can be reached because liability is unlimited.

2. 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:

- Issue price per share equals face value plus securities premium.
- Number of shares equals purchase consideration divided by issue price per share.

Step 1: Calculate issue price The premium is 10% of Rs 100, namely Rs 10. Thus each fully paid share settles $100 + 10 =$ Rs 110 of the purchase consideration.

Step 2: Calculate and check shares

$$\text{Shares issued} = \frac{28,60,000}{110} = 26,000.$$

Indeed, $26,000 \times 110 = 28,60,000$. Dividing only by face value would give 28,600, which incorrectly ignores premium. Neither 28,000 nor 31,778 shares settles the stated consideration at Rs 110 each.

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

Quick Tip to Solve: Include securities premium in the denominator when shares settle a purchase consideration.

3(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:

- Estimated interim profit is previous annual profit multiplied by the fraction of the year elapsed.
- The deceased partner receives this estimated profit multiplied by the old profit-sharing fraction.

Step 1: Find elapsed period and share The current accounting year begins on 1 April 2023. Death on

30 June 2023 means three months have elapsed. Sukriti's old profit share is $2/(2+2+1) = 2/5$.

Step 2: Compute profit credit

$$4,50,000 \times \frac{3}{12} \times \frac{2}{5} = \text{Rs } 45,000.$$

Rs 1,80,000 is her full-year share, while Rs 1,12,500 is the whole firm's estimated three-month profit. Rs 90,000 does not apply both the correct time fraction and her share.

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

Quick Tip to Solve: Apply both fractions: three months out of twelve and Sukriti's two-fifths profit share.

OR

3(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:

- A partner is credited with the agreed remuneration for conducting dissolution.
- Expenses borne and paid personally by that partner are not reimbursed by the firm.

Step 1: Recognise agreed remuneration Pawan is entitled to Rs 75,000 for conducting dissolution. This amount is charged to Realisation Account and credited to Pawan's Capital Account.

Step 2: Separate personal expenses Pawan agreed to bear the expenses and paid Rs 60,000 himself, so the firm records no additional credit for those expenses. His personal net benefit is Rs 15,000, but that is not the capital credit. Rs 60,000 confuses expenses with remuneration, and Rs 10,000 has no basis in the agreement.

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

Quick Tip to Solve: Distinguish the capital credit for remuneration from the partner's personal net benefit.

4. 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:

- Only share capital received on forfeited shares is credited to Share Forfeiture Account.
- The forfeiture balance attributable to reissued shares, less any reissue discount, is transferred to Capital Reserve.

Step 1: Find capital received Called-up capital is Rs 8 per share. Unpaid allotment of Rs 5 includes Rs 2 premium, leaving Rs 3 unpaid capital. Capital received is therefore $8 - 3 = \text{Rs } 5$ per share.

Step 2: Find gain attributable to reissued shares For the 70 reissued shares, forfeited capital is $70 \times 5 = \text{Rs } 350$. Reissue at Rs 10 as Rs 8 called up involves no discount; the Rs 2 excess is securities premium. Thus Rs 350 is transferred to Capital Reserve. Rs 500 includes all 100 forfeited shares; Rs 400 and Rs 300 do not match the attributable forfeiture balance.

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

Quick Tip to Solve: Apply the forfeited capital received per share only to the 70 shares actually reissued.

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 makes it a charge.
- Insufficient profit is divided in the ratio of interest due, rather than the profit-sharing ratio.

Step 1: Calculate full interest Ridhima: $1,50,000 \times 8/100 =$ Rs $12,000$. Kavita: $2,00,000 \times 8/100 =$ Rs $16,000$. Total interest due is Rs 28,000, exceeding the available profit of Rs 21,000.

Step 2: Restrict interest to available profit The entitlement ratio is $12,000 : 16,000 = 3 : 4$. Therefore Ridhima receives $21,000 \times 3/7 =$ Rs $9,000$, and Kavita receives $21,000 \times 4/7 =$ Rs $12,000$. Option (A) exceeds profit; (B) divides equally; (D) does not follow the interest ratio. Under fixed capitals these appropriations ordinarily pass through 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 due with profit before distributing it in the capital-interest 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 depends on the time each withdrawal remains outstanding.
- Equal drawings at quarter ends have an average outstanding period of 4.5 months.

Step 1: Find average time The four withdrawals remain outstanding for 9, 6, 3 and 0 months respectively. Their average period is $(9 + 6 + 3 + 0)/4 = 4.5$ months, and total drawings are $4 \times 9,000 =$ Rs $36,000$.

Step 2: Calculate interest and eliminate alternatives

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

Rs 2,160 charges all drawings for a full year; Rs 1,080 uses six months instead of 4.5. Rs 540 also fails to use the actual quarter-end outstanding periods.

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

Quick Tip to Solve: For equal quarter-end drawings, use 4.5 months as the average period, not six months.

6. 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:

- The person responsible for an expense determines which account bears its debit.
- Payment by the firm reduces Bank Account even if the expense is the responsibility of a partner.

Step 1: Identify who bears the expense The phrase 'on behalf of a partner' means the partner is responsible for the realisation expenses. The firm is merely making the payment for that partner, so the amount is recoverable through the partner's capital.

Step 2: Identify debit and credit Debit Partner's Capital Account and credit Bank Account. Realisation Account would be debited for expenses borne by the firm itself. Partner's Loan Account is not used for this capital adjustment. Bank Account is credited because cash goes out; it is not the debit account.

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

Quick Tip to Solve: Ask who bears the expense first; then credit Bank for the firm's actual payment.

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7. 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) April, 1: Manish's Capital A/c. Dr. 30,000

To Isha's Capital A/c. 30,000

(B) April, 1: Isha's Capital A/c. Dr. 30,000

To Manish's Capital A/c. 30,000

(C) April, 1: Manish's Capital A/c. Dr. 3,000

To Isha's Capital A/c. 3,000

(D) April, 1: Isha's Capital A/c. Dr. 3,000

To Manish's Capital A/c. 3,000

Correct Answer: (A) April, 1: Manish's Capital A/c. Dr. 30,000

To Isha's Capital A/c. 30,000

Solution:

Concept:

- Sacrifice equals old share minus new share; gain equals new share minus old share.
- A gaining partner compensates a sacrificing partner through capital accounts when goodwill is not raised.

Step 1: Calculate sacrifice and compensation Isha sacrifices $3/5 - 1/2 = 1/10$, while Manish gains $1/2 - 2/5 = 1/10$. Compensation is $3,00,000 \times 1/10 =$ Rs $30,000$. Thus Manish is debited and Isha credited.

Step 2: Record the adjustment Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	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)			

Option (B) reverses the compensation. Options (C) and (D) use Rs 3,000 instead of Rs 30,000, and (D) also reverses the accounts.

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

Quick Tip to Solve: The partner whose profit share increases must compensate the partner whose share decreases.

8(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 any discount on issue plus the premium payable on redemption.
- An issue premium is credited separately to Securities Premium and does not reduce the initial debit to Loss on Issue of Debentures.

Step 1: Compute the redemption premium The face value issued is $10,000 \times$ Rs $100 =$ Rs $10,00,000$. The premium payable on redemption is therefore $10,00,000 \times 10\% =$ Rs $1,00,000$.

Step 2: Determine the debit for loss There is no discount on issue because the debentures are issued at a premium. Thus the initial Loss on Issue debit equals the redemption premium, Rs 1,00,000. Rs 10,00,000 is the face value; Rs 1,50,000 incorrectly adds the issue premium to the loss; Rs 1,05,000 is not the redemption premium.

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

Quick Tip to Solve: Keep the issue premium separate when calculating the initial loss-on-issue debit.

OR

8(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 annual coupon rate.
- The issue premium changes cash received, but it does not change the face value on which interest is payable.

Step 1: Find nominal debenture capital The nominal amount of the debentures is $8,000 \times$ Rs $100 =$ Rs $8,00,000$. The company receives an additional 5% as issue premium, but this premium is excluded from the interest base.

Step 2: Apply the annual rate Interest for one full year is Rs $8,00,000 \times 11/100 =$ Rs $88,000$. Rs 92,400 incorrectly applies interest to the premium-inclusive proceeds; Rs 80,000 uses 10% instead of 11%; Rs 880 understates the nominal amount.

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

Quick Tip to Solve: Multiply the number of debentures by face value before applying the coupon rate.

9(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:

- An existing Workmen Compensation Fund is first used to cover the related claim.
- Only the surplus fund belongs to the old partners and is distributed in their old profit-sharing ratio.

Step 1: Find the distributable surplus After providing for the claim, the surplus fund is Rs $1,50,000 -$ Rs $1,20,000 =$ Rs $30,000$. The claim amount cannot be distributed because it must meet the liability.

Step 2: Allocate Nidhi's share The old ratio is $3 : 2 : 1$, whose total is 6. Nidhi receives Rs $30,000 \times 1/6 =$ Rs $5,000$. Rs 30,000 is the entire surplus, while Rs 10,000 and Rs 15,000 are Hinaś and Kritiś respective shares, not Nidhiś.

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

Quick Tip to Solve: Deduct the compensation claim first, then apply the retiring partner's old share.

OR

9(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:

- A retiring partner is entitled to the adjusted capital balance and the agreed share of goodwill.
- When a settlement exceeds adjusted capital after reserves and revaluation, the excess represents goodwill compensation.

Step 1: Identify the adjusted capital Mohitś capital after reserves and revaluation is Rs 1,80,000.

Since these adjustments have already been made, they must not be added again. The agreed full settlement is Rs 2,00,000.

Step 2: Separate the goodwill compensation Mohitś goodwill share is Rs $2,00,000$ − Rs $1,80,000$ = Rs $20,000$. Rs 1,80,000 is adjusted capital and Rs 2,00,000 is the whole settlement, not goodwill alone. Rs 40,000 is twice the actual excess and has no basis in the given settlement.

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

Quick Tip to Solve: Subtract the already adjusted capital from the agreed final settlement to isolate goodwill.

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10. 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 reserve with legally restricted uses.
- The permitted uses include specified capital purposes, such as issuing fully paid bonus shares and writing off permitted issue expenses.

Step 1: Judge Assertion (A) The assertion is true. A loss on sale of a fixed asset is not one of the specified purposes for which Securities Premium may be used. It cannot be charged to that account merely because the balance is available.

Step 2: Judge Reason (R) The reason is true. Securities Premium can be applied only for the purposes permitted by the Companies Act, 2013; it is not a freely usable reserve.

Step 3: Test the explanatory link The legal restriction directly explains why the fixed-asset disposal loss cannot be written off against Securities Premium. Thus (A) fails because it denies this explanatory link, while (C) and (D) incorrectly deny the truth of the assertion.

Step 4: Conclusion Both statements are true, and the reason correctly explains the assertion. Hence, the correct option is (B).

Quick Tip to Solve: Check whether the proposed use appears among the permitted uses of Securities Premium.

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11. 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:

- Profit is first allocated in the agreed profit-sharing ratio.
- The partner who gives a personal guarantee bears the shortfall between the beneficiary's normal share and the guaranteed amount.

Step 1: Calculate the normal shares The ratio total is $6 + 4 + 1 = 11$. Mahiś normal share is Rs $1,10,000 \times 6/11 =$ Rs $60,000$, and Ginniś normal share is Rs $1,10,000 \times 1/11 =$ Rs $10,000$.

Step 2: Charge the deficiency to Mahi Ginniś deficiency is Rs $50,000 -$ Rs $10,000 =$ Rs $40,000$. Mahi alone bears it, leaving Rs $60,000 -$ Rs $40,000 =$ Rs $20,000$. Rs 60,000 ignores the guarantee, Rs 40,000 is the deficiency, and Rs 10,000 is Ginniś original share.

Step 3: Conclusion Mahiś final profit share is Rs $20,000$. Hence, the correct option is (A).

Quick Tip to Solve: Deduct only the guaranteed partner's deficiency from the guarantor's normal share.

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12. 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 credited profit minus drawings, in the absence of other recorded changes.

- Reverse entries already recorded to find opening capital; omitted interest adjustments have not yet affected the given closing balance.

Step 1: Calculate recorded profit and drawings Keshavś credited profit is Rs $15,000 \times 3/5 =$ Rs $9,000$. His four quarterly drawings total Rs $1,500 \times 4 =$ Rs $6,000$. The stated capital of Rs 55,000 already includes these entries.

Step 2: Reverse the recorded movements Opening capital is Rs $55,000 -$ Rs $9,000 +$ Rs $6,000 =$ Rs $52,000$. Drawings must be added back and profit deducted. Omitted interest is not reversed because it was never recorded; the other options do not reconcile opening capital with both recorded changes.

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

Quick Tip to Solve: Work backwards from closing capital: add drawings and subtract profit already credited.

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13. 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:

- Interest on a single drawing equals amount multiplied by annual rate multiplied by the fraction of the year outstanding.
- The period runs from the actual withdrawal date to the financial year end, rather than using a quarterly average.

Step 1: Determine the interest period Hitesh withdrew Rs 9,000 on 1 November 2022. The financial year ends on 31 March 2023, so the amount remains withdrawn for five months: November, December, January, February and March.

Step 2: Calculate interest on the drawing Interest is Rs $9,000 \times 8/100 \times 5/12 =$ Rs 300. Rs 225 uses an incorrect period or rate; Rs 4,500 is not interest at 8% for five months; Rs 7,200 also fails to apply the stated rate and time correctly. The omitted capital interest does not alter this calculation.

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

Quick Tip to Solve: For a dated single drawing, count months to 31 March instead of using average time.

14. 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:

- For the ordinary partnership covered by the question, the prescribed maximum number of partners is 50.
- The number who may be admitted equals the statutory maximum less the existing number of partners.

Step 1: Identify the applicable ceiling The maximum permitted number is 50 partners. The firm currently has 45 partners. Its wish to admit seven partners does not increase the prescribed limit.

Step 2: Calculate the remaining capacity The firm can admit $50 - 45 = 5$ more partners. Admitting all seven would produce 52 partners and exceed the limit. Six would also exceed it, while one or three would leave unused capacity and therefore do not state 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 the existing membership from 50 to find the available admission capacity.

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15. 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: (C) 21 : 14 : 15 : 10

Solution:

Concept:

- The incoming partner receives his agreed share; the partner retaining his original share keeps that fraction of the total profit.
- The remaining profit is divided between the other old partners in their existing relative ratio unless otherwise stated.

Step 1: Reserve the shares of C and D C retains $1/4$ and D receives $1/6$. The fraction left for A and B

is

$$1 - \frac{1}{4} - \frac{1}{6} = \frac{7}{12}.$$

Step 2: Divide the balance between A and B The relative ratio of A and B is $\frac{1}{2} : \frac{1}{3} = 3 : 2$. Hence

$$A = \frac{7}{12} \times \frac{3}{5} = \frac{7}{20}, \qquad B = \frac{7}{12} \times \frac{2}{5} = \frac{7}{30}.$$

Taking denominator 60 gives $21 : 14 : 15 : 10$. Option (A) changes C's share to $1/6$; (B) changes C's share to $18/65$ and D's to $12/65$; (D) preserves neither A:B nor C's share. Only (C) satisfies all the new-share conditions.

Step 3: Conclusion The new profit-sharing ratio is $21 : 14 : 15 : 10$. Hence, the correct option is (C).

Quick Tip to Solve: Keep C at 1/4 and D at 1/6 first; divide only the remaining 7/12 between A and B in 3:2.

16(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 credit in Share Forfeiture Account represents capital received on shares subsequently forfeited.
- After reissue, subtract any discount allowed on reissue; the remaining balance relating to reissued shares is a capital profit.

Step 1: Identify the nature of the balance Reissue discount, if any, is debited to the Share Forfeiture Account. Once all forfeited shares have been reissued, its remaining credit is a realised capital profit from the forfeiture and reissue transactions.

Step 2: Choose the appropriate reserve This capital profit is transferred to Capital Reserve Account. General Reserve is normally created out of revenue profits, while Securities Premium records premium on securities. The Statement of Profit and Loss records revenue results, so none of these three is the appropriate destination for this balance.

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

Quick Tip to Solve: After all forfeited shares are reissued, transfer the unused forfeiture balance to Capital Reserve.

OR

16(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 maximum discount on reissue equals the amount forfeited towards share capital; securities premium received is excluded.
- Minimum fully-paid reissue price = face value minus capital amount forfeited per share.

Step 1: Find the amount forfeited towards capital The unpaid capital calls are Rs 3 + Rs 1 = Rs 4 per share. Capital already received is therefore Rs 10 − Rs 4 = Rs 6 per share. The issue premium of 20% is separate from share capital and cannot increase the discount permitted on reissue.

Step 2: Compute the lowest permissible price The maximum reissue discount is Rs 6 per share. Thus

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

For 100 shares, Rs 400 cash and Rs 600 forfeiture credit together cover Rs 1,000 share capital. Rs 6, Rs 8 and Rs 10 are permissible prices, but none is the minimum.

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

Quick Tip to Solve: Exclude the premium: unpaid capital is Rs 4, so paid capital is Rs 6 and the minimum reissue price is Rs 4.

17. Asha, Nisha and Hiten were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their fixed capitals were Rs. 2,00,000, Rs. 1,50,000 and Rs. 1,00,000 respectively. The partnership deed provided for interest on capital @ 10% p.a. For the year ended 31st March, 2023, profits of the firm were distributed without providing interest on capital. Pass the necessary adjusting Journal entry to rectify the error. [3 marks]

Solution:

Concept:

- Interest on capital omitted from an already distributed profit requires a net adjustment: credit interest due and debit the consequent reduction in divisible profit.
- With fixed capitals, the adjustment is recorded in the Current Accounts of the partners; the fixed Capital Accounts remain unchanged.

Step 1: Calculate interest and the excess profit credited Interest at 10% is Asha: $2,00,000 \times 10\% =$ Rs $20,000$; Nisha: $1,50,000 \times 10\% =$ Rs $15,000$; Hiten: $1,00,000 \times 10\% =$ Rs $10,000$. Total interest is Rs 45,000. Because it was omitted, distributed profits exceeded the correct divisible profits by Rs 45,000. In the ratio $2:2:1$, the excess credits were Rs 18,000, Rs 18,000 and Rs 9,000 respectively.

Step 2: Determine the net adjustment Asha should receive $20,000 - 18,000 =$ Rs $2,000$. Nisha must give back $18,000 - 15,000 =$ Rs $3,000$. Hiten should receive $10,000 - 9,000 =$ Rs $1,000$. Thus total credits of Rs 3,000 equal the required debit of Rs 3,000.

Step 3: Pass the rectifying entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-03-2023	Nisha's Current A/c Dr.		3,000	
	To Asha's Current A/c			2,000
	To Hiten's Current A/c			1,000
	(Being omitted interest on capital adjusted through partners' Current Accounts)			

The net entry corrects both the omitted interest and the excess profit distribution without reopening the accounts.

Step 4: Conclusion Debit Nisha's Current Account by Rs 3,000; credit Asha's Current Account by Rs 2,000 and Hiten's Current Account by Rs 1,000.

Quick Tip to Solve: For fixed capitals use Current Accounts, and offset each partner's interest against their share of the total omitted interest.

18(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:

- An asset acquired against shares and cash is recorded at its purchase consideration, including the issue premium on shares.
- Credit Equity Share Capital with nominal value, Securities Premium with the excess, and Bank with the cash payment.

Step 1: Calculate the purchase consideration The issue price per share is Rs $10 + 10\% \times$ Rs $10 =$ Rs 11. Value of 10,000 shares issued is $10,000 \times 11 =$ Rs $1,10,000$. Adding the bank draft gives purchase consideration of $1,10,000 + 50,000 =$ Rs $1,60,000$. Share capital is Rs 1,00,000 and securities premium is Rs 10,000.

Step 2: Record acquisition and 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 purchase consideration discharged by 10,000 equity shares of Rs 10 each at 10% premium and a bank draft of Rs 50,000)		1,60,000	 1,00,000 10,000 50,000

The first entry recognises the asset and the liability to the vendor. The second clears that liability: its debit of Rs 1,60,000 equals the three credits together. Premium is separately credited rather than included in nominal share capital.

Step 3: Conclusion Machinery is recorded at Rs 1,60,000; settlement comprises Rs 1,00,000 share capital, Rs 10,000 securities premium and Rs 50,000 bank draft.

Quick Tip to Solve: Value the shares at Rs 11 each to find machinery cost, but credit share capital at only Rs 10 each.

OR

18(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 discount are credited at face value; the difference between face value and cash proceeds is debited as discount on issue.
- Available Securities Premium may be used to write off discount on the issue of debentures. The coupon rate determines interest, not issue proceeds.

Step 1: Calculate face value, discount and cash received Total nominal value is $4,000 \times$ Rs $100 =$ Rs $4,00,000$. Discount is $4,00,000 \times 10\% =$ Rs $40,000$; therefore bank proceeds are $4,00,000 - 40,000 =$ Rs $3,60,000$. The existing Rs 50,000 Securities Premium balance is sufficient to write off the entire Rs 40,000 discount, leaving Rs 10,000.

Step 2: Pass the issue and write-off entries Journal of Ninza Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
01-10-2022	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 10% discount)		3,60,000 40,000	 4,00,000
01-10-2022	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 issue entry balances at Rs 4,00,000, and the write-off entry balances at Rs 40,000. The 8% interest rate does not enter either computation; interest is a separate transaction and is not requested here.

Step 3: Conclusion Record bank proceeds of Rs 3,60,000 and debentures of Rs 4,00,000; write off the Rs 40,000 discount against Securities Premium.

Quick Tip to Solve: Apply 10% to nominal debenture value for discount; use the existing premium balance before any revenue write-off.

19(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:

- Accumulated reserves and losses belong to the partners in their old profit sharing ratio. When their balances remain unchanged, a single capital adjustment compensates the sacrificing partner.
- Net accumulated profit equals General Reserve less the debit balance of Profit and Loss Account. Sacrifice is old share minus new share; a negative result represents gain.

Step 1: Find the net accumulated profit The General Reserve is a credit balance, whereas the debit balance of Profit and Loss Account represents accumulated loss. Therefore, the net amount to be adjusted is

$$\text{Net accumulated profit} = 3,60,000 - 1,80,000 = \text{Rs } 1,80,000.$$

The old ratio is $5 : 3 : 2$, and the new share of each partner is $1/3$.

Step 2: Compute each capital adjustment

$$\text{Mahesh: sacrifice} = \frac{5}{10} - \frac{1}{3} = \frac{1}{6},$$
$$\text{Ramesh: gain} = \frac{1}{3} - \frac{3}{10} = \frac{1}{30},$$
$$\text{Naresh: gain} = \frac{1}{3} - \frac{2}{10} = \frac{2}{15}.$$

Mahesh must receive $1,80,000 \times 1/6 = \text{Rs } 30,000$. Ramesh must pay $1,80,000 \times 1/30 = \text{Rs } 6,000$, and Naresh must pay $1,80,000 \times 2/15 = \text{Rs } 24,000$. These amounts also equal each partner's old entitlement less the entitlement under the equal ratio.

Step 3: Pass the single adjustment entry 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 profit adjusted on change in profit sharing ratio without transferring reserve and loss balances)			
	Total		30,000	30,000

Step 4: Conclusion Ramesh's Capital Account is debited by Rs 6,000 and Naresh's Capital Account by Rs 24,000; Mahesh's Capital Account is credited by Rs 30,000.

Quick Tip to Solve: Net the reserve and accumulated loss first; debit the gaining partners and credit the sacrificing partner for the net profit adjustment.

OR

19(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:

- Without opening Goodwill Account, goodwill is adjusted directly through partners' capital accounts. A gaining partner compensates every partner who sacrifices a share, including the retiring partner.
- Gain equals new share minus old share. The capital adjustment equals the total goodwill of the firm multiplied by the individual gain or sacrifice.

Step 1: Compare old and new shares Old shares of Ravi, Guru, Mani and Sonu are $2/7, 2/7, 2/7, 1/7$,

respectively. After Sonu retires, their new shares are $5/7, 1/7, 1/7, 0$. Hence

$$\text{Ravi: gain} = \frac{5}{7} - \frac{2}{7} = \frac{3}{7},$$
$$\text{Guru: sacrifice} = \frac{2}{7} - \frac{1}{7} = \frac{1}{7},$$
$$\text{Mani: sacrifice} = \frac{2}{7} - \frac{1}{7} = \frac{1}{7},$$
$$\text{Sonu: sacrifice} = \frac{1}{7} - 0 = \frac{1}{7}.$$

Ravi alone gains, and his gain equals the combined sacrifice of the other three partners.

Step 2: Calculate goodwill compensation The goodwill of the firm is Rs 1,40,000. Ravi must bear $1,40,000 \times 3/7 =$ Rs $60,000$. Guru, Mani and Sonu must each receive $1,40,000 \times 1/7 =$ Rs $20,000$. In particular, the continuing partners Guru and Mani also sacrifice; restricting compensation to Sonu would omit their loss of profit share. Total compensation credited is $20,000 + 20,000 + 20,000 =$ Rs $60,000$, equal to Ravi's debit.

Step 3: Record the goodwill adjustment 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 on Sonu's retirement by compensating the sacrificing partners without opening Goodwill Account)			
	Total		60,000	60,000

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

Quick Tip to Solve: Compare every continuing partner's new share with the old share; a continuing partner may sacrifice even when another partner retires.

20. A business earned an average profit of Rs. 4,00,000 during the last few years. The normal rate of profit in the similar type of business is 10%. The value of assets and liabilities of the business were Rs. 20,00,000 and Rs. 5,00,000 respectively. Calculate the value of goodwill of the firm by Super Profits Method if it is valued at 2 years purchase of super profit. [3 marks]

Solution:

Concept:

- Capital employed is the excess of business assets over outside liabilities. Normal profit is the return that a comparable business would earn on this capital at the normal rate.
- Super profit equals average maintainable profit minus normal profit. Under the years purchase method, goodwill equals super profit multiplied by the agreed number of years purchase.

Step 1: Calculate capital employed The given assets are Rs 20,00,000 and the liabilities are Rs 5,00,000. The net investment supporting the business is therefore

$$\begin{aligned}\text{Capital employed} &= \text{Assets} - \text{Liabilities}\\ &= 20,00,000 - 5,00,000\\ &= \text{Rs } 15,00,000.\end{aligned}$$

The normal rate must be applied to this net amount, because outside liabilities do not form part of the owners' capital employed.

Step 2: Find normal profit and super profit The normal rate of return is 10% per year. Thus

$$\text{Normal profit} = 15,00,000 \times \frac{10}{100} = \text{Rs } 1,50,000.$$

The average actual profit is Rs 4,00,000. The excess earned over the normal return is

$$\begin{aligned}\text{Super profit} &= \text{Average profit} - \text{Normal profit}\\ &= 4,00,000 - 1,50,000\\ &= \text{Rs } 2,50,000.\end{aligned}$$

This positive excess, rather than the whole average profit, is the basis for valuing goodwill.

Step 3: Apply two years purchase The agreed valuation is two years purchase of super profit. Therefore

$$\begin{aligned}\text{Goodwill} &= \text{Super profit} \times \text{Years purchase}\\ &= 2,50,000 \times 2\\ &= \boxed{\text{Rs } 5,00,000}.\end{aligned}$$

As a check, the goodwill equals two times the annual earning advantage of Rs 2,50,000; using average profit directly would incorrectly include the normal return on capital.

Step 4: Conclusion The value of goodwill by the Super Profits Method is Rs 5,00,000.

Quick Tip to Solve: Subtract liabilities before calculating the normal return, then multiply only the excess profit by two years purchase.

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:

- A deceased partner's capital account is credited with opening capital, accumulated reserves, goodwill compensation, profit up to death and interest on capital; drawings are debited.
- Purav's old profit share is $1/(3+1+1) = 1/5$. Interest on capital is calculated for the six months from 1st April to 30th September, 2023.

Step 1: Calculate reserve and goodwill entitlements Purav's share of the general reserve existing at the start of the year is Rs $50,000 \times 1/5 =$ Rs $10,000$. This is an accumulated profit and therefore belongs to all old partners, including Purav. Firm's goodwill is Rs $50,000 \times 3 =$ Rs $1,50,000$. Hence Purav's goodwill entitlement is Rs $1,50,000 \times 1/5 =$ Rs $30,000$. The continuing partners compensate this amount through their capital accounts in their gaining ratio.

Step 2: Calculate interest and identify the profit credit Interest on opening capital up to death is

$$\text{Rs } 40,000 \times \frac{12}{100} \times \frac{6}{12} = \text{Rs } 2,400.$$

The question directly gives Purav's share of profit up to death as Rs 3,000. Credit that amount through Profit and Loss Suspense Account; it must not be multiplied by one-fifth again. Drawings of Rs 10,000 reduce the amount payable. No interest on drawings is specified.

Step 3: Prepare the capital account Purav's Capital Account as at 30th September, 2023

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Drawings	10,000	By Balance b/d	40,000	
	To Purav's Executors	75,400	By General Reserve	10,000	
			By Continuing Partners' Capitals	30,000	
			By Profit and Loss Suspense	3,000	
			By Interest on Capital	2,400	
	Total	85,400	Total	85,400	

The debit to Purav's Executors transfers the final amount due to his legal representatives to a separate liability account. Thus the capital account is closed, while the liability remains payable until settlement.

Step 4: Conclusion The amount payable to Purav's legal representatives is $\boxed{\text{Rs } 75,400}$.

Quick Tip to Solve: Credit the given share of profit directly; apply the old ratio only to the reserve and firm goodwill.

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 separates authorised, issued and subscribed capital. An uncalled final call is excluded from called-up capital.
- After forfeiture, the forfeited shares are removed from subscribed capital. The amount already received on them is shown separately as shares forfeited, added to share capital until reissue.

Step 1: Determine the outstanding subscribed shares The company authorised 2,00,000 shares of Rs 10 each, so authorised capital is Rs 20,00,000. It offered 1,80,000 shares of Rs 10 each, making issued capital Rs 18,00,000. Applications were received for only 1,70,000 shares. Shares forfeited are $2,000+4,000=6,000$; therefore the remaining subscribed shares are $1,70,000-6,000=1,64,000$. These shares have Rs 8 per share called and paid, so subscribed but not fully paid capital is $1,64,000\times 8=$ Rs $13,12,000$. The final Rs 2 per share is uncalled; the shares are consequently not fully paid.

Step 2: Calculate the amount retained on forfeited shares Siya and Piya did not pay the first call of Rs 2 per share. Of the Rs 8 called, Rs 6 per share had therefore been received on their shares before

forfeiture. The amount retained in Shares Forfeiture Account is

$$6,000 \times (8-2) = \text{Rs } 36,000.$$

The unpaid first call on these shares, $6,000 \times 2 = \text{Rs } 12,000$, is eliminated on forfeiture and is not shown as calls in arrears against the remaining subscribed shares. Total share capital presented is $\text{Rs } 13,12,000 + \text{Rs } 36,000 = \text{Rs } 13,48,000$.

Step 3: Present the balance sheet extract and note Khyati Ltd. — Balance Sheet (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

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 capital:	
1,64,000 equity shares of Rs 10 each, Rs 8 called and paid	13,12,000
Add: Shares forfeited (amount originally paid on 6,000 shares)	36,000
Total share capital	13,48,000

Step 4: Conclusion The share capital shown under Shareholders' funds is $\boxed{\text{Rs } 13,48,000}$, including Rs 36,000 received on forfeited shares.

Quick Tip to Solve: Remove forfeited shares before valuing subscribed capital; add only the money already received on them.

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:

- Credit share capital only with the nominal value called; securities premium is a separate capital receipt.
- On forfeiture, cancel called capital and unpaid premium, clear arrears and credit the capital already

received to Share Forfeiture.

- On reissue, the discount cannot exceed the amount forfeited on those shares; transfer the remaining forfeiture surplus to Capital Reserve.

Step 1: Calculate the pro-rata adjustment and Sameer's default The allotment ratio is $80,000 : 1,40,000 = 4 : 7$. Therefore Sameer receives $1,400 \times 4/7 = 800$ shares. Total application receipts are $1,40,000 \times 5 =$ Rs $7,00,000$; application capital is $80,000 \times 5 =$ Rs $4,00,000$, leaving Rs 3,00,000 to adjust against allotment. Sameer paid Rs 7,000, of which Rs 4,000 relates to application on his 800 shares. His excess Rs 3,000 is adjusted against allotment capital. His gross allotment is $800 \times 9 =$ Rs $7,200$, leaving calls in arrears of Rs 4,200. This comprises Rs 1,000 unpaid capital and Rs 3,200 unpaid premium; the Rs 3,000 excess is insufficient to cover the capital component of allotment of Rs 4,000.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 1,40,000 shares)		7,00,000	 7,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Being application money adjusted on pro-rata allotment)		7,00,000	 4,00,000 3,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being allotment including premium due on 80,000 shares)		7,20,000	 4,00,000 3,20,000

Step 3: Record receipts, arrears and forfeiture The net cash due on allotment is $7,20,000 - 3,00,000 =$ Rs $4,20,000$. Deducting Sameer's Rs 4,200 default gives bank receipts of Rs 4,15,800. On forfeiture, debit fully called capital of $800 \times 10 =$ Rs $8,000$ and cancel the unreceived premium of Rs 3,200. The amount actually received towards capital, Rs 7,000, is credited to Share Forfeiture. No reissue has been stated, so no capital reserve is created. Journal of Murari Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Calls-in-Arrears A/c Dr. To Share Allotment A/c (Being balance allotment due from Sameer unpaid)		4,200	 4,200
	Bank A/c Dr. To Share Allotment A/c (Being remaining allotment money received)		4,15,800	 4,15,800
	Share Capital A/c Dr. Securities Premium A/c Dr. To Calls-in-Arrears A/c To Share Forfeiture A/c (Being Sameer's 800 fully called shares forfeited)		8,000 3,200	 4,200 7,000

Step 4: Conclusion Sameer's 800 shares are forfeited; calls in arrears are Rs 4,200 and Share

Forfeiture is credited with Rs 7,000.

Quick Tip to Solve: Separate the capital and premium components of every instalment before calculating forfeiture; transfer a surplus to reserve only after reissue.

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:

- Credit share capital only with the nominal value called; securities premium is a separate capital receipt.
- On forfeiture, cancel called capital and unpaid premium, clear arrears and credit the capital already received to Share Forfeiture.
- On reissue, the discount cannot exceed the amount forfeited on those shares; transfer the remaining forfeiture surplus to Capital Reserve.

Step 1: Calculate accepted applications and the final call Application and allotment receipts are $33,000 \times 7 =$ Rs $2,31,000$. Refund $3,000 \times 7 =$ Rs $21,000$, leaving Rs 2,10,000 as share capital on the 30,000 accepted shares. The first and final call of Rs 5 comprises Rs 3 capital and Rs 2 premium. Thus call capital is Rs 90,000 and premium is Rs 60,000. The default on 500 shares is $500 \times 5 =$ Rs $2,500$, comprising Rs 1,500 capital and Rs 1,000 premium.

Step 2: Record application, allotment and call due Journal of Kavya Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application and allotment money received)		2,31,000	 2,31,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Bank A/c (Being 30,000 shares allotted and rejected money refunded)		2,31,000	 2,10,000 21,000
	Share First and Final Call A/c Dr. To Share Capital A/c To Securities Premium A/c (Being first and final call due including premium)		1,50,000	 90,000 60,000

Step 3: Record the call receipts and arrears Cash received on the call is $(30,000 - 500) \times 5 =$ Rs $1,47,500$. Open a separate Calls-in-Arrears Account for the unpaid Rs 2,500 so that the call account is cleared. Journal of Kavya Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (Being call on 500 shares unpaid)		2,500	 2,500
	Bank A/c Dr. To Share First and Final Call A/c (Being call money received on 29,500 shares)		1,47,500	 1,47,500

Step 4: Record forfeiture, reissue and the reserve The forfeited shares were fully called: debit Share Capital by $500 \times 10 =$ Rs $5,000$. Cancel the unpaid premium of Rs 1,000 and credit the Rs 3,500 already received on these shares to Share Forfeiture. Reissue proceeds are $500 \times 8 =$ Rs $4,000$; the Rs 1,000 discount is debited to Share Forfeiture. All forfeited shares have been reissued, so the remaining $3,500 - 1,000 =$ Rs $2,500$ is transferred to Capital Reserve. Journal of Kavya Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. Securities Premium A/c Dr. To Calls-in-Arrears A/c To Share Forfeiture A/c (Being 500 shares forfeited for non-payment of call)		5,000 1,000	 2,500 3,500
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 500 forfeited shares reissued to Kartik at Rs 8 fully paid)		4,000 1,000	 5,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on reissue transferred to capital reserve)		2,500	 2,500

Step 5: Conclusion The 500 shares are forfeited and reissued to Kartik; the capital profit transferred to Capital Reserve is Rs 2,500.

Quick Tip to Solve: Separate the capital and premium components of every instalment before calculating forfeiture; transfer a surplus to reserve only after reissue.

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 are shared in the old profit-sharing ratio, $3:2:1$. An increase in an asset is credited and an increase in a provision is debited to Revaluation Account.
- When no revised ratio is specified, continuing partners retain their relative old shares: Arnav and Bhavi share future profits in $3:2$. Goodwill due to the retiring partner is debited to their capital accounts in the gaining ratio, also $3:2$.
- The retiring partner is paid the balance after all adjustments. Cash introduced by continuing partners must both fund this payment and bring their closing capitals into the new profit-sharing ratio.

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

Revaluation Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Provision for doubtful debts	10,000	By Plant and Machinery	1,30,000
To Arnav's Capital	60,000		
To Bhavi's Capital	40,000		
To Chavi's Capital	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, Rs 30,000, represents accumulated loss. Debit the partners by Rs 15,000, Rs 10,000 and Rs 5,000 in the old ratio. Chavi's own goodwill share is already given as Rs 80,000; it is not multiplied by her profit share again. Arnav and Bhavi bear Rs $80,000 \times 3/5 = 48,000$ and Rs $80,000 \times 2/5 = 32,000$. Credit Chavi by Rs 80,000 without opening Goodwill Account.

Step 3: Find cash introductions and closing capitals After these adjustments, capitals are: Arnav, Rs $1,80,000 + 60,000 - 15,000 - 48,000 = 1,77,000$; Bhavi, Rs $1,60,000 + 40,000 - 10,000 - 32,000 = 1,58,000$; Chavi, Rs $1,00,000 + 20,000 - 5,000 + 80,000 = 1,95,000$.

The continuing partners bring the full Rs 1,95,000 payable to Chavi. Therefore their combined closing capital is Rs $1,77,000 + 1,58,000 + 1,95,000 = 5,30,000$. Capitals in $3 : 2$ are Rs 3,18,000 and Rs 2,12,000. Arnav brings Rs $3,18,000 - 1,77,000 = 1,41,000$, and Bhavi brings Rs $2,12,000 - 1,58,000 = 54,000$.

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

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	15,000	By Balance b/d	1,80,000
To Chavi's Capital	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.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	10,000	By Balance b/d	1,60,000
To Chavi's Capital	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.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
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	48,000
		By Bhavi's Capital	32,000
Total	2,00,000	Total	2,00,000

Step 5: Conclusion Revaluation profit is Rs 1,20,000. Chavi receives Rs 1,95,000. Arnav and Bhavi

introduce Rs 1,41,000 and Rs 54,000 respectively; their closing capitals are Rs 3,18,000 and Rs 2,12,000.

Quick Tip to Solve: First adjust all three capitals, then add the full retirement payment to the continuing partners' combined capital before dividing in 3:2.

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 profit belong to Divya and Ekta in their old ratio, $3:1$. Sona receives no share of these past profits.
- In the absence of another arrangement, the old partners sacrifice in their old ratio. Their remaining combined share is $3/4$, giving the new ratio $9:3:4$. Cash premium for goodwill is credited to sacrificing partners.
- Capital corresponding to Sona's one-fourth share determines the total capital. Surplus adjusted capitals of existing partners are transferred to current accounts, rather than withdrawn in cash.

Step 1: Determine ratios and goodwill premium Divya's new share is $(3/4)(3/4) = 9/16$, Ekta's is

$(1/4)(3/4) = 3/16$, and Sona's is $1/4 = 4/16$. Thus the new ratio is $9 : 3 : 4$, and the sacrificing ratio is $3 : 1$. Sona brings goodwill premium of Rs $2,40,000 \times 1/4 = 60,000$, credited as Rs 45,000 to Divya and Rs 15,000 to Ekta. Her total cash contribution is Rs 4,60,000, including capital of Rs 4,00,000.

Step 2: Prepare Revaluation Account Land and Building appreciates by Rs $7,12,000 - 5,00,000 = 2,12,000$. The excess provision of Rs 8,000 and the liability no longer expected to arise of Rs 20,000 are also gains. Total revaluation profit is Rs $2,12,000 + 8,000 + 20,000 = 2,40,000$, shared Rs 1,80,000 and Rs 60,000. The revised provision is Rs 22,000, and revised creditors are Rs 5,20,000.

Revaluation Account

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

Step 3: Adjust capitals through current accounts Distribute General Reserve of Rs 3,20,000: Divya receives Rs 2,40,000 and Ekta Rs 80,000. Their adjusted capitals are Rs $10,00,000 + 2,40,000 + 1,80,000 + 45,000 = 14,65,000$ and Rs $7,00,000 + 80,000 + 60,000 + 15,000 = 8,55,000$.

Total capital based on Sona is Rs $4,00,000 \div (1/4) = 16,00,000$. Required capitals in $9 : 3 : 4$ are Rs 9,00,000, Rs 3,00,000 and Rs 4,00,000. Transfer the surpluses, Rs $14,65,000 - 9,00,000 = 5,65,000$ and Rs $8,55,000 - 3,00,000 = 5,55,000$, from capital to the credit of Divya's and Ekta's current accounts respectively.

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

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

Ekta's Capital Account

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

Sona's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
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. Closing capitals of Divya, Ekta and Sona are Rs 9,00,000, Rs 3,00,000 and Rs 4,00,000. Divya and Ekta have current-account credit balances of Rs 5,65,000 and Rs 5,55,000.

Quick Tip to Solve: Use Sona's capital alone to infer total capital; her goodwill premium is separate and must not be included in that base.

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

(i) Abhay took over stock worth Rs. 67,000 at Rs. 56,000.

(ii) There was an old computer which had been written off completely from the books. It was estimated to realise Rs. 4,000. It was taken away by Mansi at the estimated price less 10%.

(iii) Unrecorded liabilities of Rs. 7.500 were settled at Rs. 5,000.

(iv) Realisation expenses amounting to Rs. 8,000 were paid by Abhay.

(v) Investment, whose face value was Rs. 15,000, was realized at 40%.

(vi) Profit on realisation Rs. 24,000 was to be distributed between Abhay and Mansi in their profit sharing ratio which was 2 : 1. [6 marks]

Solution:

Concept:

- After assets and third-party liabilities have been transferred, their settlement is recorded through Realisation Account. A partner taking an asset is debited in the capital account with the agreed takeover value.
- An unrecorded liability paid and realisation expenses are debited to Realisation Account. A partner paying expenses for the firm receives a credit to the capital account.
- Profit on realisation is debited to Realisation Account and credited to partners in their profit-sharing ratio.

Step 1: Calculate settlement and takeover amounts The stock is taken over for Rs 56,000; its former book value of Rs 67,000 is not recorded again. The computer has no book balance, but its agreed takeover value is $4,000 \times 90/100 = \text{Rs } 3,600$. The unrecorded liability is recorded at the actual payment of Rs 5,000, with no separate entry for the difference from Rs 7,500. Abhay is reimbursable for the Rs 8,000 expenses paid personally. Investment proceeds are $15,000 \times 40/100 = \text{Rs } 6,000$.

Step 2: Record the dissolution transactions

Journal of Abhay and Mansi

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Abhay's Capital A/c Dr.		56,000	
	To Realisation A/c			56,000
	(Being stock taken over by Abhay at the agreed value)			
	Mansi's Capital A/c Dr.		3,600	
	To Realisation A/c			3,600
	(Being unrecorded computer taken over by Mansi at a discount of 10 percent on Rs 4,000)			
	Realisation A/c Dr.		5,000	
	To Bank A/c			5,000
	(Being unrecorded liability settled for Rs 5,000)			
	Realisation A/c Dr.		8,000	
	To Abhay's Capital A/c			8,000
	(Being realisation expenses paid by Abhay on behalf of the firm)			
	Bank A/c Dr.		6,000	
	To Realisation A/c			6,000
	(Being investment realised at 40 percent of Rs 15,000)			
	Realisation A/c Dr.		24,000	
	To Abhay's Capital A/c			16,000
	To Mansi's Capital A/c			8,000
	(Being realisation profit distributed in the ratio 2:1)			

Step 3: Allocate the realisation profit The total ratio is $2 + 1 = 3$. Abhay receives $24,000 \times 2/3 =$ Rs $16,000$, and Mansi receives $24,000 \times 1/3 =$ Rs $8,000$. These credits increase their capital balances and close the realisation profit. The two credits total Rs 24,000, exactly matching the debit to Realisation Account.

Step 4: Conclusion The journal records stock at Rs 56,000, computer at Rs 3,600, liability settlement at Rs 5,000, expenses at Rs 8,000, investment proceeds at Rs 6,000, and profit credits of Rs 16,000 and Rs 8,000 to Abhay and Mansi respectively.

Quick Tip to Solve: For assets taken over by a partner, use the agreed takeover price and debit the partner; do not repeat the original asset transfer.

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

(i) Issued 50,000, 9% Debentures of Rs. 100 each at a discount of 10%, redeemable at par.

(ii) Issued 6,000, 9% Debentures of Rs. 100 each at a premium of 5%, redeemable at a premium of 10%.

(iii) Issued 4,000, 10% Debentures of Rs. 100 each at par, redeemable at a premium of 5%. [6 marks]

Solution:

Concept:

- Debentures Account is credited with nominal value: number of debentures multiplied by face value. Bank is debited with actual issue proceeds.
- Issue premium is credited to Securities Premium Account. Discount on issue and premium payable on redemption are debited to Loss on Issue of Debentures Account.
- Premium on redemption is credited separately as an obligation payable at redemption. The coupon rate identifies the debentures and does not determine issue proceeds.

Step 1: Case (i): issue at discount, redemption at par Face value is $50,000 \times 100 =$ Rs $50,00,000$. Discount is $50,00,000 \times 10/100 =$ Rs $5,00,000$; bank receives Rs 45,00,000. Redemption is at par, so no redemption premium liability arises.

Journal of Star Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		45,00,000	
	Loss on Issue of Debentures A/c Dr.		5,00,000	
	To 9% Debentures A/c			50,00,000
	(Being debentures issued on the stated issue and redemption terms)			

Step 2: Case (ii): issue and redemption at premium Face value is $6,000 \times 100 =$ Rs $6,00,000$. The issue premium is 5 percent, or Rs 30,000, so bank receives Rs 6,30,000. Redemption premium is 10 percent of face value, or Rs 60,000, recognised as a liability and an equal loss on issue.

Journal of Star Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,30,000	
	Loss on Issue of Debentures A/c Dr.		60,000	
	To 9% Debentures A/c			6,00,000
	To Securities Premium A/c			30,000
	To Premium on Redemption of Debentures A/c			60,000
	(Being debentures issued on the stated issue and redemption terms)			

Step 3: Case (iii): issue at par, redemption at premium Face value and bank proceeds are $4,000 \times 100 =$ Rs $4,00,000$. Redemption premium is $4,00,000 \times 5/100 =$ Rs $20,000$. This future obligation is recognised at issue by debiting Loss on Issue of Debentures Account.

Journal of Star Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		4,00,000	
	Loss on Issue of Debentures A/c Dr.		20,000	
	To 10% Debentures A/c			4,00,000
	To Premium on Redemption of Debentures A/c			20,000
	(Being debentures issued on the stated issue and redemption terms)			

Step 4: Conclusion The losses on issue are Rs 5,00,000, Rs 60,000 and Rs 20,000 respectively. Case (ii) additionally credits Securities Premium Account with Rs 30,000; redemption-premium liabilities are Rs 60,000 in case (ii) and Rs 20,000 in case (iii).

Quick Tip to Solve: Calculate issue premium and redemption premium separately on face value: they belong to different accounts, even when both occur in the same case.

Part B (20 marks)

OPTION - I (Analysis of Financial Statements)

27. 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 changes the total of cash and cash equivalents. A movement between cash in hand and a bank balance merely changes their composition.
- Non-cash acquisition of an asset or conversion of one financing instrument into another is excluded from cash flows.

Step 1: Check the cash transactions In (A), withdrawing Rs 71,000 increases cash in hand and decreases the bank balance by the same amount. There is no net change in cash and cash equivalents. In (C), collection of Rs 74,000 from debtors brings cash into the business and reduces receivables; total cash and cash equivalents increase.

Step 2: Check the non-cash alternatives In (B), debentures are issued directly to machinery vendors. Machinery and the debenture liability increase without any cash receipt or payment. In (D), debentures are redeemed through conversion into equity shares, so one form of capital is replaced by another without a cash outflow. Thus neither transaction creates a cash flow.

Step 3: Conclusion Receipt of Rs 74,000 from debtors results in an inflow of cash. Hence, the correct option is (C).

Quick Tip to Solve: Ask whether total cash plus bank changes; transfers within those balances do not create cash flow.

28(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:

- For a financing company, lending and borrowing form part of its principal revenue-producing operations.
- Interest paid by a financial enterprise is classified as an operating cash outflow under AS 3.

Step 1: Identify the nature of the company Shyam Sunder Ltd. is explicitly a financing company. Interest on its loans is therefore connected with the ordinary financial business carried on by the enterprise.

Step 2: Apply the cash flow classification The interest payment is an operating cash outflow. Financing classification applies to interest paid by a non-financial enterprise in the standard CBSE treatment; investing relates to investment transactions. The same payment cannot be reported in both operating and financing activities.

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

Quick Tip to Solve: First underline financing company: its interest payments belong to operating activities.

OR

28(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 tax expense charged during the year is the provision created during that year, not simply the closing provision balance.
- Closing provision = Opening provision + Current-year provision - Tax paid.

Step 1: Reconcile the provision for tax Let the current-year provision be P. The opening provision is Rs 10,000, tax paid is Rs 15,000 and the closing provision is Rs 25,000. Hence

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

Step 2: Find the amount to add back Therefore

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

This is the tax expense added back to net profit after tax to obtain profit before tax. Rs 25,000 is only the closing liability, Rs 10,000 the opening liability and Rs 15,000 the cash tax payment.

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

Quick Tip to Solve: Compute the provision created as closing provision plus tax paid minus opening provision.

29. 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 the accounting information to be analysed.
- Tools of analysis process that information to study relationships, changes and cash movements.

Step 1: Distinguish the source statement from an analytical tool The Statement of Profit and Loss is a basic financial statement reporting income, expenses and the resulting profit or loss. It supplies data for financial analysis rather than constituting a tool of that analysis.

Step 2: Test the other options Ratio analysis studies relationships between accounting figures; comparative statements compare figures across periods; and cash flow statements analyse operating, investing and financing cash movements. Thus all three are recognised tools of financial statement analysis.

Step 3: Conclusion The Statement of Profit and Loss is not a tool of analysis. The correct option is (C).

Quick Tip to Solve: Separate the basic financial statements supplying data from the methods used to analyse those data.

30(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 assets equal total assets less non-current assets.
- Use the accounting equation to find current liabilities; current ratio is current assets divided by current liabilities.

Step 1: Calculate current assets

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

The entire asset total cannot be used as the numerator because it includes non-current assets.

Step 2: Calculate current liabilities and the ratio

$$\begin{aligned}\text{Current liabilities} &= 3,00,000 - 2,00,000 - 80,000 \\ &= \text{Rs } 20,000, \\ \text{Current ratio} &= 40,000 : 20,000 = 2 : 1.\end{aligned}$$

The inverse, 0.5:1, reverses assets and liabilities. Neither 1.5:1 nor 1:1 follows from these balances.

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

Quick Tip to Solve: Find both current balances by subtraction before dividing; do not use total assets in the ratio.

OR

30(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 = Current assets/Current liabilities.
- Quick ratio = Quick assets/Current liabilities; inventory is the non-quick component given here.

Step 1: Find current liabilities Given current assets of Rs 60,000 and a current ratio of 4:1,

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

Step 2: Determine quick assets and inventory

$$\text{Quick assets} = 2.5 \times 15,000 = \text{Rs } 37,500,$$
$$\text{Inventory} = 60,000 - 37,500 = \text{Rs } 22,500.$$

Rs 37,500 is quick assets and Rs 15,000 is current liabilities, so neither is inventory. Rs 25,000 does not reconcile the two given ratios.

Step 3: Conclusion Inventory amounts to Rs 22,500. The correct option is (A).

Quick Tip to Solve: Multiply the difference between current and quick ratios, 1.5, by current liabilities of Rs 15,000.

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) Computer Software

(ii) Unclaimed dividend

(iii) Loose Tools [3 marks]

Solution:

Concept:

- Schedule III classifies assets and liabilities under major heads and then under appropriate sub-heads.
- The economic nature of the item determines classification: software is intangible, an unpaid dividend is a liability, and loose tools are inventory.

Step 1: Classify computer software Computer software is an identifiable resource without physical substance used by the company in its business. It is shown under the major head Non-current Assets and the sub-head Fixed Assets – Intangible Assets. It is not classified as tangible plant merely because it is used on a computer.

Step 2: Classify unclaimed dividend An unclaimed dividend is a dividend payable to shareholders which they have not collected. The company still owes this amount; it is therefore shown under the major head Current Liabilities and the sub-head Other Current Liabilities. Declaration of the dividend creates a payable, rather than an addition to share capital or reserves.

Step 3: Classify loose tools Loose tools are small tools held for use in the operating process and are included in inventories under the prescribed CBSE classification. They are shown under the major head Current Assets and the sub-head Inventories. Their description as tools does not require them to be classified with non-current machinery.

Step 4: Conclusion

Item	Major head	Sub-head
Computer software	Non-current Assets	Fixed Assets: Intangible Assets
Unclaimed dividend	Current Liabilities	Other Current Liabilities
Loose tools	Current Assets	Inventories

Quick Tip to Solve: Remember software as intangible, unpaid dividends as a current payable, and loose tools as inventory.

32. Calculate current ratio from the following information :

Particulars	Rs.
Equity share capital	**8,00,000**
Inventories	**1,00,000**
Trade Receivables	**1,20,000**
Advance Tax	**24,000**
Cash and Cash equivalents	**56,000**
Trade Payables	**60,000**
Short term borrowings (Bank overdraft)	**40,000**
10% Investments	**80,000**

[3 marks]

Solution:

Concept:

- Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$. It measures short-term payment capacity.
- Include inventories, trade receivables, advance tax and cash in current assets; include trade payables and bank overdraft in current liabilities.

Step 1: Identify and total current assets The current assets given are inventories of Rs 1,00,000, trade

receivables of Rs 1,20,000, advance tax of Rs 24,000 and cash and cash equivalents of Rs 56,000. Advance tax is included as an other current asset for this calculation. Thus

$$\begin{aligned}\text{Current assets} &= 1,00,000 + 1,20,000 + 24,000 + 56,000\\ &= \text{Rs } 3,00,000.\end{aligned}$$

Equity share capital is shareholders' funds, not an asset. The 10% investments are not stated to be current investments and are treated as non-current investments, so Rs 80,000 is excluded.

Step 2: Identify and total current liabilities Trade payables and short-term borrowings are due in the short term. The bank overdraft is therefore included in current liabilities, even though it relates to a bank account.

$$\text{Current liabilities} = 60,000 + 40,000 = \text{Rs } 1,00,000.$$

Share capital is an ownership fund and does not form part of current liabilities.

Step 3: Substitute in the current ratio formula Use the current balances rather than total assets or total funds:

$$\text{Current ratio} = \frac{3,00,000}{1,00,000} = 3:1.$$

Thus the company has Rs 3 of current assets for each Rs 1 of current liabilities. The overdraft is included in the denominator rather than deducted from the positive cash balance.

Step 4: Conclusion The current ratio is 3:1.

Quick Tip to Solve: Include advance tax among current assets and bank overdraft among current liabilities before totalling.

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 shows the previous year, current year, absolute change and percentage change for each income and expense item.
- Absolute change = Current-year amount minus Previous-year amount. Percentage change = Absolute change divided by Previous-year amount, multiplied by 100.

- Profit before tax equals revenue less total expenses; profit after tax equals profit before tax less tax. Tax is calculated at the given rate of 50%.

Step 1: Calculate expenses, profit and tax For 2021-22, total expenses are $6,00,000 + 4,00,000 =$ Rs $10,00,000$. Therefore, profit before tax is $20,00,000 - 10,00,000 =$ Rs $10,00,000$, tax is $10,00,000 \times 50\% =$ Rs $5,00,000$, and profit after tax is Rs 5,00,000.

For 2022-23, total expenses are $9,60,000 + 6,40,000 =$ Rs $16,00,000$. Thus profit before tax is $32,00,000 - 16,00,000 =$ Rs $16,00,000$, tax is $16,00,000 \times 50\% =$ Rs $8,00,000$, and profit after tax is 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	Change %
Revenue from operations	20,00,000	32,00,000	12,00,000	60
Total revenue	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 increase in revenue is Rs 12,00,000 and its percentage is $12,00,000 \div 20,00,000 \times 100 = 60\%$. Each other row uses its own previous-year amount as the denominator.

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

Quick Tip to Solve: Put 2021-22 first as the base year, and calculate each percentage increase using that same row's 2021-22 amount.

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:

- A common size statement of profit and loss expresses each item as a percentage of revenue from operations, which is taken as 100% for each company.
- Common size percentage = Item amount divided by Revenue from operations, multiplied by 100. Total revenue includes other income.
- Tax is 40% of profit before tax. The tax percentage in the common size statement is subsequently calculated using revenue from operations as its denominator.

Step 1: Calculate profits and tax for both companies 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 $5,04,000$, giving profit after tax of $12,60,000 - 5,04,000 =$ 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 $2,40,000$, giving profit after tax of 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	B Ltd. Rs	A Ltd. %	B Ltd. %
Revenue from operations	20,00,000	10,00,000	100.0	100.0
Other income	3,00,000	80,000	15.0	8.0
Total revenue	23,00,000	10,80,000	115.0	108.0
Less: Expenses	10,40,000	4,80,000	52.0	48.0
Profit before tax	12,60,000	6,00,000	63.0	60.0
Less: Tax at 40%	5,04,000	2,40,000	25.2	24.0
Profit after tax	7,56,000	3,60,000	37.8	36.0

For example, A Ltd.'s expenses are $10,40,000 \div 20,00,000 \times 100 = 52\%$, and B Ltd.'s other income is $80,000 \div 10,00,000 \times 100 = 8\%$. The same company-specific base is used throughout each percentage column.

Step 3: Conclusion A Ltd. earns profit after tax equal to 37.8% of revenue from operations, compared with 36% for B Ltd. Total revenue is 115% and 108% respectively.

Quick Tip to Solve: Use revenue from operations as 100% for each company; do not divide common size amounts by total revenue including other income.

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 No.	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
		2,00,000	1,00,000
2.	Long term borrowings		
	10% Bank Loan	1,50,000	2,20,000
		1,50,000	2,20,000
3.	Short term borrowings		
	Bank Overdraft	1,00,000	-
		1,00,000	-
4.	Short term provisions		
	Provision for tax	50,000	30,000
		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)
		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 cash received on its sale. Purchase of plant is found from its gross cost movement, excluding depreciation.
- Financing activities include issue of shares, repayment of borrowings and interest paid by a non-financial enterprise. Bank overdraft is treated as short-term borrowing.

Step 1: Calculate the purchase of plant and machinery The gross cost of plant was Rs 4,70,000 at the beginning and Rs 7,90,000 at the end. The machinery sold had an original cost of Rs 60,000. Thus:

$$\begin{aligned}\text{Purchases} &= \text{Closing cost} + \text{Cost sold} - \text{Opening cost} \\ &= 7,90,000 + 60,000 - 4,70,000 = \text{Rs } 3,80,000.\end{aligned}$$

The sale proceeds are Rs 42,000; the book value of Rs 45,000 is not the cash received. The loss of Rs 3,000 belongs to the adjustment of operating profit and is not a separate investing payment. Depreciation is a non-cash charge and is excluded from investing cash flows. The stated depreciation figures do not reconcile: opening accumulated depreciation of Rs 70,000 plus Rs 50,000 charged, less

Rs 15,000 on the asset sold, gives Rs 1,05,000, against the stated closing Rs 90,000. The purchase calculation therefore uses the independently given gross costs.

Step 2: Prepare cash flows from investing activities Yogita Ltd.: Cash Flows from Investing Activities for the year ended 31st March, 2023

Particulars	Amount (Rs)
Purchase of plant and machinery	(3,80,000)
Sale of plant and machinery	42,000
Net cash used in investing activities	(3,38,000)

Only the actual purchase payment and sale receipt are included in this section.

Step 3: Determine financing receipts and payments Share capital increased from Rs 2,00,000 to Rs 4,00,000, giving cash proceeds of Rs 2,00,000. Bank loan fell by Rs 70,000, from Rs 2,20,000 to Rs 1,50,000. The repayment occurred on 1st April, 2022, so interest for the whole year is computed on the remaining loan:

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

Bank overdraft increased from nil to Rs 1,00,000, giving a financing inflow. The increase in reserves is not an issue of capital; transfers between reserves do not themselves produce financing cash flows. No dividend payment is stated.

Step 4: Prepare cash flows from financing activities Yogita Ltd.: Cash Flows from Financing Activities for the year ended 31st March, 2023

Particulars	Amount (Rs)
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 financing subtotal is Rs 3,00,000 of receipts less Rs 85,000 of payments. Tax provisions, inventories and trade balances are not included in these two requested sections.

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

Quick Tip to Solve: Use gross plant cost to find purchases; a loan repaid on the first day reduces the interest base for the whole year.

OPTION - II (Computerised Accounting)

27(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:

- A computerised accounting system allocates information processing to specialised components and controls.
- Select the option matching the precise function or purpose stated in the question.

Step 1: Identify the relevant feature The fixed assets sub-system maintains asset-wise cost, acquisition dates, useful lives and depreciation methods. Depreciation is calculated from these asset records.

Step 2: Compare the alternatives Tax accounting deals with tax obligations, expense accounting records general expenses, and final accounts summarise balances. Although depreciation appears in expenses and final accounts, those sub-systems are not the originating source of its calculation.

Step 3: Conclusion Depreciation is generated by the fixed assets accounting sub-system. Hence, the correct option is (D).

Quick Tip to Solve: For a generated figure, identify which sub-system holds the underlying detailed records.

OR

27(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:

- A computerised accounting system allocates information processing to specialised components and controls.
- Select the option matching the precise function or purpose stated in the question.

Step 1: Identify the relevant feature A generic or ready-to-use accounting package suits an organisa-

tion with a very low volume of transactions. It provides standard accounting facilities without the cost of building a special system.

Step 2: Compare the alternatives High adaptability means the organisation can readily adapt its procedures to the standard package. Specific or tailored software caters to special requirements; ERP integrates many organisational functions and is excessive for the stated transaction volume.

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

Quick Tip to Solve: High adaptability to standard procedures with low transaction volume points to generic software.

28. "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 computerised accounting system allocates information processing to specialised components and controls.
- Select the option matching the precise function or purpose stated in the question.

Step 1: Identify the relevant feature A cell is the basic unit in a spreadsheet, located at the intersection of a row and a column. A user enters a value or an expression in an individual cell; a formula can also contain a function.

Step 2: Compare the alternatives A row is a horizontal collection of cells and a column is a vertical collection. A range is a group of selected cells. These identify collections or positions, whereas the actual value or formula is recorded in a cell.

Step 3: Conclusion The blank is filled by Cell. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish the individual storage location, a cell, from groups of cells such as a range.

29(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 allocates information processing to specialised components and controls.
- Select the option matching the precise function or purpose stated in the question.

Step 1: Identify the relevant feature Computerised accounting can restrict access through passwords, user permissions and authorisation. Therefore, the system does not inherently make accounting data available to everybody. Access can be limited to authorised users.

Step 2: Compare the alternatives Power interruptions can damage or lose data, hacking poses a security risk, and a system cannot automatically produce reports outside its programmed facilities. These are limitations described by the other three options. The question asks for the statement that is not a limitation.

Step 3: Conclusion Data is made available to everybody is not an inherent limitation. Hence, the correct option is (C).

Quick Tip to Solve: Underline not in this question and select the claim contradicted by access controls.

OR

29(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:

- A computerised accounting system allocates information processing to specialised components and controls.
- Select the option matching the precise function or purpose stated in the question.

Step 1: Identify the relevant feature Internal controls are procedures and checks established by management to safeguard assets, promote reliable records and improve efficient use of resources. They address both protection and effective operation.

Step 2: Compare the alternatives Merely earning revenue does not prevent misuse of resources. Accuracy in records alone does not safeguard all assets, while asset protection alone does not ensure optimum resource use. Each alternative containing only is narrower than the combined purpose given in the question.

Step 3: Conclusion A business keeps internal controls. Hence, the correct option is (C).

Quick Tip to Solve: When both asset security and efficient resource use appear, look for internal controls.

30. 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:

- An axis provides a reference direction for locating values or categories on a chart.
- A three-dimensional chart adds a depth direction to the horizontal and vertical directions.

Step 1: Identify the additional axis A 2D chart represents information along two directions, conventionally the horizontal and vertical axes. A 3D chart can display a third direction, called the depth or series axis, which separates the data series in depth.

Step 2: Check all four alternatives Option (A), a 2D chart, has no depth dimension. Option (B), a 3D chart, is the chart with a depth axis. A radar chart in option (C) uses axes radiating from a centre, while a doughnut chart in option (D) displays values as sectors of rings; neither supplies the required depth axis.

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

Quick Tip to Solve: Associate the word depth with the third dimension: choose the 3D chart.

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

Solution:

Concept:

- A data table is a range of cells displaying the results obtained by substituting alternative input values into a formula.
- The two types are one-variable and two-variable data tables; a Pivot Table summarises data held in a list or database.

Step 1: One-variable data table This table examines the effect of changing one input variable. Its

formula refers to one input cell, and the alternative values are arranged either down a column or across a row. Excel substitutes each value into the same input cell and records the corresponding result. For example, if a budget increase equals the original budget multiplied by an increase rate, different rates can be tested while the original budget remains fixed.

Step 2: Two-variable data table This table examines the combined effect of changing two input variables on one formula. The formula must refer to two different input cells. One list of trial values is placed along a row and the other down a column. Each intersection gives the result for that pair of inputs. For example, a multiplication table can be generated from two input cells: each interior cell shows the product of its row and column values.

Step 3: Relate the tables to reporting These tables allow comparison of alternative outcomes without rewriting the formula for each case. A one-variable table changes one input at a time; a two-variable table evaluates combinations of two inputs. In the reporting context, the Pivot Table itself uses a list data table, whose field headings identify the categories and values to be summarised.

Step 4: Conclusion The two types of data tables are one-variable data tables and two-variable data tables.

Quick Tip to Solve: Count the changing input cells: one input gives a one-variable table; two inputs give a two-variable table.

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

Solution:

Concept:

- The spreadsheet error `#DIV/0!` arises when a formula divides a number by zero or by a reference to an empty cell.
- Trace the denominator and correct its value or cell reference; a genuine zero denominator requires a conditional check.

Step 1: Locate the cause Select the cell displaying `#DIV/0!` and examine its formula. Identify the divisor, including any formula that calculates it. For example, in `=A2/B2`, the error appears if `B2` is zero or blank. Check whether the formula refers to the intended cell and whether the required data have been entered.

Step 2: Correct the data or reference If the divisor is missing, enter the correct non-zero value. If a wrong reference has been used, edit it to refer to the correct denominator. Correct an upstream calculation if it has incorrectly produced zero. For example, if `A2` contains 100 and `B2` should contain 5, entering 5 produces $100/5 = 20$. Do not insert an arbitrary non-zero number merely to remove the error.

Step 3: Handle a legitimate zero denominator If zero or an empty divisor is a valid possibility, test it before division, for example `=IF(B2=0,"",A2/B2)`. This displays a blank when division cannot be performed and calculates the quotient otherwise. Alternatively, `=IFERROR(A2/B2,"")` can display a chosen alternative for errors, after checking their cause. An undefined quotient must not be presented as a valid numerical answer.

Step 4: Conclusion Correct the zero/blank divisor or wrong reference; where zero is legitimate, use a conditional formula to avoid the invalid division.

Quick Tip to Solve: Inspect the cell after the division sign first; correcting the denominator removes the underlying error.

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

Solution:

Concept:

- Chart nomenclature means the standard names given to the parts of an Excel chart.
- A chart contains an overall area, a plotting region, axes and visual representations of the source values.

Step 1: Name the chart areas and title Chart area: the complete chart, including the plotting region, title and legend. Plot area: the region in which the actual data series are drawn; it lies within the chart area. Chart title: the heading that identifies the subject of the chart, such as monthly sales. These names distinguish the whole chart from the region carrying the plotted information.

Step 2: Name the axes and their supporting elements Category axis: usually the horizontal or X-axis, displaying category labels such as months. Value axis: usually the vertical or Y-axis, displaying the numerical scale. Axis titles: descriptions stating what each axis measures, including units where necessary. Gridlines: reference lines extending across the plot area from the axis scale to help read and compare values. A 3D chart may also have a series or depth axis.

Step 3: Name the plotted data and identifying elements Data series: a related set of values plotted together, such as the sales of one product over several months. Data point: one individual value in a series; its visible representation, such as a column, point or sector, is a data marker. Data labels: the displayed values or identifying text associated with individual data points. Legend: the key that identifies the series by their colours, patterns or symbols. A data table, when displayed beneath a chart, shows its underlying numerical values.

Step 4: Conclusion Excel chart nomenclature includes chart area, plot area, chart title, category and value axes, axis titles, gridlines, data series, data points/markers, data labels, legend and, where applicable, a depth axis or data table.

Quick Tip to Solve: Distinguish chart area from plot area, and use the legend to identify a series rather than a single value.

OR

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

Solution:

Concept:

- A print area is the selected cell range that Excel sends to the printer. Defining it prevents unrelated worksheet cells from being printed.
- The Page Setup dialog box provides a Sheet tab with a Print area field. A cell range is entered using the first and last cell references, separated by a colon.

Step 1: Open the Page Setup dialog box Activate the worksheet whose print area is to be defined. On the Page Layout tab, locate the Page Setup group and click its dialog box launcher (the small arrow at the lower-right corner). Excel opens the Page Setup dialog box, where print settings for the active worksheet can be specified.

Step 2: Choose the Sheet tab and enter the range Click the Sheet tab. Click in the Print area box and type the required cell range. For example, to print cells A1 through F10, enter $A$1:$F$10. Alternatively, click the range-selection button beside the Print area box, select the required cells on the worksheet, and then click the button again to restore the dialog box. The selected range appears in the box.

Step 3: Apply and check the print area Check that the range begins and ends at the intended cells, then click OK to save the setting. Open File, Print to view the print preview and confirm that the selected range contains the required headings and data. If necessary, return to the Sheet tab and correct the Print area reference before printing.

Step 4: Conclusion Thus, use Page Layout, Page Setup dialog box, Sheet tab, Print area; specify the required range and click OK.

Quick Tip to Solve: Use the range-selection button beside Print area to select the cells directly and avoid mistyping their references.

34.

	A	B	C	D	E	F
1	S. No		Subjects			
2		Name	Maths	English	Science	Total
3	1	Ramandeep	57	50	66	173
4	2	Sahil	88	85	65	238
5	3	Tarannum	38	64	88	190
6	4	Josheph	55	48	56	159
7	5	Joanna	82	55	65	202
8	6	Vikram	75	51	49	175
9	7	Iqbal	60	75	59	194
10	8	Heena	70	45	79	194

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 searches only the first column of its table range. With the final argument 0, it requires an exact match; the column index is counted from 1 within that range.
- An unsuccessful exact lookup returns #N/A. An unavailable return column produces #REF!, whereas a column index below 1 produces #VALUE!.
- SQRT requires a non-negative argument and gives #NUM! for a negative number. Division by zero produces #DIV/0!.

Step 1: (i) Lookup value is outside the first-column data type B5 contains Tarannum, but the table range C3:F10 starts with column C, containing Maths scores. VLOOKUP searches that first column for the name Tarannum, rather than searching column B outside the specified range. No exact match exists, so the result is $\boxed{\#N/A}$. The second-column index is valid; the error arises from the lookup range.

Step 2: (ii) Square root of a negative number B3 contains Ramandeep, which is found in the first row of B3:F10. The second column of this range is C, so the lookup returns the Maths score 57. The expression inside SQRT is therefore $57 - 100 = -43$. Excel cannot return a real square root of this negative number, so the formula gives $\boxed{\#NUM!}$. The lookup itself succeeds.

Step 3: (iii) Column heading is not present in the lookup data B2 contains the heading Name. The lookup range begins at row 3, and its first column B3:B10 contains student names, not the heading Name. With exact matching, no matching row is found, giving $\boxed{\#N/A}$. The column index 5 is within the five-column range B:F, so it is not the cause of this error.

Step 4: (iv) Return column is outside the table range B3:B10 is a one-column range. Although Ramandeep is present in this range, the formula asks for column 2 of that same range. There is no second column in the specified table, so the result is $\boxed{\#\text{REF!}}$. The table range must include the intended return column.

Step 5: (v) Column index cannot be zero B6 contains Josheph and is present in the lookup column. However, the third argument is 0. VLOOKUP numbers the columns of the table from 1, so a zero column index is invalid and gives $\boxed{\#\text{VALUE!}}$. This zero must not be confused with the final argument 0, which correctly requests an exact match.

Step 6: (vi) Valid lookup followed by division by zero The lookup finds Josheph in B6. Column 2 of B3:F10 is column C, so VLOOKUP returns 55. The complete expression becomes $55/0$. Division by zero is undefined, and Excel displays $\boxed{\#\text{DIV/0!}}$. Here both the lookup range and the column index are valid.

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

Quick Tip to Solve: Check the first lookup column, then count the return columns, and finally inspect any arithmetic performed on the lookup result.