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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). Renu, Trilok and Mansi were partners in a firm sharing profits and losses in the ratio of 9 : 6 : 5. Hina was admitted as a partner for 1/10th share in the profits which she acquired equally from Renu and Trilok. The new profit sharing ratio after Hina's admission will be : [1 mark]

(A) 5 : 5 : 2 : 8

(B) 5 : 5 : 8 : 2

(C) 8 : 2 : 5 : 5

(D) 8 : 5 : 5 : 2

Correct Answer: (D) 8 : 5 : 5 : 2

Solution:

Concept:

- New share equals old share less the share sacrificed by that partner.
- An equal sacrifice means an equal fraction of total profits, not the same fraction of each old share.

Step 1: Find the sacrifice Hina acquires $1/10$ equally from Renu and Trilok, so each gives up $(1/10)/2 = 1/20$. Mansi gives up nothing.

Step 2: Calculate the revised shares The old shares are $9/20, 6/20, 5/20$. Thus the new shares are $8/20, 5/20, 5/20, 2/20$, whose sum is one. Options (A), (B) and (C) assign at least one partner an incorrect share; in particular, Hina must receive the last share of $2/20$.

Step 3: Conclusion The new ratio is $8 : 5 : 5 : 2$. Hence, the correct option is (D).

Quick Tip to Solve: Convert the incoming share to the same denominator as the old shares before subtracting.

OR

1(b). Ashu and Ria were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted Nitu for a 3/7th share in the profits of the firm, which she took 2/7th from Ashu and 1/7th from Ria. The new profit sharing ratio between Ashu, Ria and Nitu will be : [1 mark]

(A) 4 : 3 : 3

(B) 2 : 1 : 3

(C) 2 : 2 : 3

(D) 4 : 3 : 2

Correct Answer: (C) 2 : 2 : 3

Solution:

Concept:

- A partner retains the old share less the explicitly stated sacrifice.
- All new profit shares must total one.

Step 1: Subtract the stated sacrifices Ashu retains $4/7 - 2/7 = 2/7$, while Ria retains $3/7 - 1/7 = 2/7$. The sacrifices need not follow the old ratio when the question specifies them.

Step 2: Include the new partner Nitu receives $2/7 + 1/7 = 3/7$. The three shares therefore total $2/7 + 2/7 + 3/7 = 1$. The other ratios do not give both old partners equal remaining shares with Nitu holding exactly $3/7$.

Step 3: Conclusion The new ratio is $2 : 2 : 3$. Hence, the correct option is (C).

Quick Tip to Solve: Use the specified sacrifice of each partner rather than dividing the new share in the old ratio.

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2. Nikhil and Sharat were partners in a firm sharing profits and losses in the ratio of 4 : 3. Nikhil withdrew Rs. 6,000 on the first day of every quarter for the year ended 31st March, 2023. Interest on drawings is to be charged @ 5% p.a. Interest on Nikhil's drawings will be calculated for : [1 mark]

(A) 6 months

(B) 4.5 months

(C) 7.5 months

(D) 3 months

Correct Answer: (C) 7.5 months

Solution:

Concept:

- Equal periodic drawings allow interest to be calculated using their average outstanding period.
- Average period equals the sum of the individual periods divided by the number of drawings.

Step 1: Identify the outstanding periods The drawings occur on 1 April, 1 July, 1 October and 1 January. Up to 31 March they remain outstanding for $12, 9, 6, 3$ months respectively.

Step 2: Take the average As all four drawings are Rs 6,000 each, the average period is

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

Six months is not the beginning-of-quarter average; 4.5 months corresponds to end-of-quarter drawings, and 3 months is only the shortest individual period.

Step 3: Conclusion Interest is calculated for 7.5 months. Hence, the correct option is (C).

Quick Tip to Solve: For equal quarterly drawings at the beginning, average the first 12-month and last 3-month periods.

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3. Pawan, Kavita and Gaurav were partners in a firm. The firm was dissolved. Creditors took over furniture of book value of Rs. 60,000 at 10% less than the book value in part settlement of their amount of Rs. 60,000. The balance amount was paid to them through cheque. The amount paid through cheque will be : [1 mark]

(A) Rs. 5,000

(B) Rs. 6,000

(C) Rs. 54,000

(D) Nil

Correct Answer: (B) Rs. 6,000

Solution:

Concept:

- An asset taken over by creditors settles their claim at its agreed takeover value.
- The cheque equals creditors due less the value of the asset accepted.

Step 1: Calculate the agreed value The furniture is accepted at 10% below its book value. Its settlement value is

$$60,000(1 - 10/100) = \text{Rs } 54,000.$$

Step 2: Find the balance payable Creditors were owed Rs 60,000. After accepting furniture worth Rs 54,000, the unpaid balance is $60,000 - 54,000 = \text{Rs } 6,000$. Rs 54,000 is the non-cash settlement, not the cheque. Nil ignores the discount, while Rs 5,000 does not follow from the stated figures.

Step 3: Conclusion The cheque is for Rs $6,000$. Hence, the correct option is (B).

Quick Tip to Solve: Deduct the agreed takeover value, rather than book value, from the creditors balance.

4. Kamini, Lata and Meera were partners in a firm sharing profits and losses equally. Neel was admitted as a new partner for an equal share in the profits of the firm. Neel brought his share of capital and premium for goodwill in cash. On the date of admission of Neel, goodwill appeared in the books at Rs. 1,20,000. The existing goodwill is to be written off among : [1 mark]

(A) Old partners in old ratio.

(B) New partners in new ratio.

(C) Sacrificing partners in sacrificing ratio.

(D) Old partners in sacrificing ratio.

Correct Answer: (A) Old partners in old ratio.

Solution:

Concept:

- Goodwill already appearing in the books belongs to the partners before admission.
- Existing goodwill is written off by debiting old partners in their old profit-sharing ratio.

Step 1: Identify whose goodwill is written off The Rs 1,20,000 goodwill existed before Neel joined.

Its removal therefore concerns Kamini, Lata and Meera alone, in their old ratio of $1:1:1$. Each bears $1,20,000/3 = \text{Rs } 40,000$.

Step 2: Distinguish the premium adjustment Neelś cash premium is a separate adjustment credited to sacrificing partners in their sacrificing ratio. That rule does not determine the write-off of existing goodwill. The new ratio would wrongly include Neel in a pre-admission adjustment; the sacrificing-ratio options state the wrong general basis even if ratios happen to coincide here.

Step 3: Conclusion Existing goodwill is written off among old partners in the old ratio. Hence, the correct option is (A).

Quick Tip to Solve: Separate the write-off of old book goodwill from the distribution of the incoming partner premium.

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5. Arjun, Babita and Charlie were partners in a firm sharing profits in the ratio of 2 : 2 : 1. They admitted Dheeraj for 1/5th share in the profits of the firm. He has to contribute proportionate capital to acquire 1/5th share in future profits. On the date of admission, the capitals after all adjustments relating to goodwill and revaluation of assets and liabilities, were : Arjun Rs. 62,000, Babita Rs. 52,000 and Charlie Rs. 36,000. The capital brought by Dheeraj will be : [1 mark]

(A) Rs. 37,500

(B) Rs. 30,000

(C) Rs. 32,500

(D) Rs. 35,000

Correct Answer: (A) Rs. 37,500

Solution:

Concept:

- When capitals are proportionate, capital contributions follow the new profit shares.
- The adjusted capitals of old partners represent their combined remaining share.

Step 1: Relate old capitals to the remaining share The adjusted old capitals total $62,000 + 52,000 + 36,000 = \text{Rs } 1,50,000$. Since Dheeraj receives $1/5$, this total represents $4/5$ of the combined capital.

Step 2: Calculate the incoming capital Total capital is $1,50,000 \times 5/4 = \text{Rs } 1,87,500$. Dheeraj brings $1,87,500/5 = \text{Rs } 37,500$. Rs 30,000 incorrectly takes one-fifth of old capital; Rs 32,500 and Rs 35,000 do not maintain the required one-to-four relationship with the old partners combined.

Step 3: Conclusion Dheeraj brings Rs $37,500$. Hence, the correct option is (A).

Quick Tip to Solve: Divide the old partners combined adjusted capital by four when the incoming partner receives one-fifth.

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6. There are two statements Assertion (A) and Reason (R) :

Assertion (A) : The maximum number of partners in a partnership firm are 50.

Reason (R) : The maximum number of partners are prescribed by the Partnership Act, 1932.

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

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

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

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

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

Correct Answer: (C) Assertion (A) is correct, but Reason (R) is incorrect.

Solution:

Concept:

- The general maximum number of partners is 50 under the prescribed company-law rules.
- The Indian Partnership Act, 1932 does not prescribe this maximum.

Step 1: Judge the assertion The assertion states the general maximum number of partners as 50. Under the standard rule applicable to this question, this statement is correct.

Step 2: Judge the reason The reason attributes the maximum to the Partnership Act, 1932. This is incorrect: the limit of 50 is prescribed under the Companies Act, 2013 read with Rule 10 of the Companies (Miscellaneous) Rules, 2014.

Step 3: Check the explanatory relationship An incorrect statutory attribution cannot explain the correct numerical limit. Both options claiming that both statements are correct must be rejected, and the option calling the assertion incorrect also fails.

Step 4: Conclusion The assertion is correct, but the reason is incorrect. Hence, the correct option is (C).

Quick Tip to Solve: Remember both the limit of 50 and its company-law source when testing the two statements separately.

7. Daksh and Ekansh are partners in a firm sharing profits and losses in the ratio of 3 : 1. Their capitals were Rs. 1,60,000 and Rs. 1,00,000 respectively. As per partnership deed, they were entitled to interest on capital @ 10% p.a.. The firm earned a profit of Rs. 13,000 for the year ended 31st March, 2023.

Daksh's interest on capital will be : [1 mark]

(A) Rs. 5,000

(B) Rs. 8,000

(C) Rs. 16,000

(D) Rs. 10,000

Correct Answer: (B) Rs. 8,000

Solution:

Concept:

- Interest on capital is an appropriation of available profit unless the deed makes it a charge.
- When profit is insufficient, distribute it in the ratio of interest entitlements.

Step 1: Find full interest entitlements Dakshś interest is $1,60,000 \times 10/100 =$ Rs $16,000$; Ekanshś is $1,00,000 \times 10/100 =$ Rs $10,000$. Total entitlement is Rs 26,000, in the ratio $8:5$.

Step 2: Restrict interest to the available profit The profit of Rs 13,000 is only half of total entitlement. Daksh therefore receives $13,000 \times 16,000/26,000 =$ Rs $8,000$. Rs 16,000 ignores the shortfall, Rs 10,000 is Ekanshś full entitlement, and Rs 5,000 is Ekanshś restricted interest. The profit-sharing ratio is not used here.

Step 3: Conclusion Daksh receives interest on capital of Rs $8,000$. Hence, the correct option is (B).

Quick Tip to Solve: When available profit is half the total capital interest, halve each partner interest entitlement.

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8. Daksh and Ekansh are partners in a firm sharing profits and losses in the ratio of 3 : 1. Their capitals were Rs. 1,60,000 and Rs. 1,00,000 respectively. As per partnership deed, they were entitled to interest on capital @ 10% p.a.. The firm earned a profit of Rs. 13,000 for the year ended 31st March, 2023.

Ekansh's share of profit/loss will be : [1 mark]

(A) Nil

(B) Rs. 9,750 (Loss)

(C) Rs. 3,250 (Loss)

(D) Rs. 9,750 (Profit)

Correct Answer: (A) Nil

Solution:

Concept:

- Interest on capital is restricted to available profit unless expressly treated as a charge.

- Only the profit remaining after appropriations is divided in the profit-sharing ratio.

Step 1: Allocate available profit as capital interest Full interest entitlements are Rs 16,000 for Daksh and Rs 10,000 for Ekansh. Against the total Rs 26,000, only Rs 13,000 profit is available. Interest is therefore reduced proportionately to Rs 8,000 and Rs 5,000.

Step 2: Find residual profit or loss The residual is $13,000 - 8,000 - 5,000 = 0$. Thus no profit or loss remains to distribute in the $3:1$ ratio. Charging the full interest would incorrectly create a loss; dividing the original profit directly would incorrectly ignore interest on capital. Ekanshś Rs 5,000 interest is separate from his residual share of profit.

Step 3: Conclusion Ekanshś share of residual profit/loss is Nil. Hence, the correct option is (A).

Quick Tip to Solve: Deduct only the admissible capital interest before dividing any residual profit in the old ratio.

9. Beeta Ltd. offered for subscription 1,00,000 equity shares of Rs. 10 each at a premium of 100% payable entirely on application. Applications were received for 5,00,000 equity shares. The company decided to allot the shares on pro-rata basis to all the applicants. The amount received by the company on application was : [1 mark]

(A) Rs. 1,00,00,000

(B) Rs. 20,00,000

(C) Rs. 1,20,00,000

(D) Rs. 80,00,000

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

Solution:

Concept:

- Application receipts depend on the number of shares applied for, not the number eventually allotted.
- Issue price equals face value plus securities premium.

Step 1: Find application money per share The premium is 100% of the face value of Rs 10, i.e. Rs 10. Hence the whole issue price payable on application is $10 + 10 =$ Rs 20 per share.

Step 2: Use all applications received Applications were received for 5,00,000 shares. Therefore, application receipts are $5,00,000 \times 20 =$ Rs $1,00,00,000$. Rs 20,00,000 is the amount ultimately retained against allotted shares, while Rs 80,00,000 is the excess; neither is the gross receipt. Rs 1,20,00,000 has no basis in these terms.

Step 3: Conclusion The amount received on application was Rs 1,00,00,000. The correct option is (A).

Quick Tip to Solve: For gross application receipts, multiply applications received by the full application amount before considering refunds.

10. The amount of share capital which a company is authorised to issue by its Memorandum of Association is called : [1 mark]

(A) Issued capital

(B) Subscribed capital

(C) Reserve capital

(D) Nominal capital

Correct Answer: (D) Nominal capital

Solution:

Concept:

- Authorised or nominal capital is the maximum share capital permitted by the Memorandum of Association.
- Issued capital is the portion offered for subscription; subscribed capital is the portion subscribed by investors.

Step 1: Identify the defining document The question specifies the capital which the Memorandum of Association authorises the company to issue. This is the definition of nominal capital, also called authorised or registered capital.

Step 2: Eliminate the other terms Issued and subscribed capital describe later stages of raising capital and can be below the authorised limit. Reserve capital is the portion of uncalled subscribed capital which the company resolves to call only on winding up; it is not the authorised ceiling.

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

Quick Tip to Solve: The words Memorandum of Association and authorised limit point directly to nominal capital.

11. Sinoy Ltd. issued 20,000 shares of Rs. 10 each at a premium of Rs. 6. The amount was payable as follows :

On Application - Rs. 7 per share (Including Premium Rs. 1 per share)

On Allotment - Rs. 5 per share (Including Premium Rs. 2 per share)

On First and Final call - Balance

The issue was fully subscribed. All the money was duly received except the allotment and first and final call on 1,000 shares. These shares were forfeited. On forfeiture of these shares, the 'Securities Premium Account' will be debited by : [1 mark]

(A) Rs. 2,000

(B) Rs. 3,000

(C) Rs. 5,000

(D) Rs. 20,000

Correct Answer: (C) Rs. 5,000

Solution:

Concept:

- On forfeiture, securities premium already credited but not received is reversed by debiting Securities Premium Account.
- Premium actually received is retained and is not reversed on forfeiture.

Step 1: Separate received and unpaid premium Total premium is Rs 6 per share. Application includes Rs 1, which has been received. Allotment includes Rs 2, which is unpaid. The balance premium in the final call is $6 - 1 - 2 =$ Rs 3 per share, also unpaid.

Step 2: Reverse the unpaid premium Unpaid premium per forfeited share is $2 + 3 =$ Rs 5. For 1,000 shares, Securities Premium Account is debited by $1,000 \times 5 =$ Rs $5,000$. Rs 2,000 and Rs 3,000 each omit one unpaid instalment; Rs 20,000 incorrectly uses the total issue quantity.

Step 3: Conclusion Securities Premium Account will be debited by Rs 5,000. The correct option is (C).

Quick Tip to Solve: Split each instalment into capital and premium; reverse only premium due but still unpaid on the forfeited shares.

12. There are two statements Assertion (A) and Reason (R) :

Assertion (A) : Court does not intervene in case of dissolution of partnership.

Reason (R) : Dissolution of partnership takes place by mutual agreement among partners.

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

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

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

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

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

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

Solution:

Concept:

- Dissolution of partnership changes the existing relationship among partners; the firm may continue in reconstituted form.
- In the textbook distinction, dissolution of partnership occurs by mutual agreement; dissolution of the firm may also be ordered by a court.

Step 1: Judge Assertion (A) Assertion (A) is correct in the stated distinction between dissolution of partnership and dissolution of the firm. Dissolution of partnership is a reconstitution of the partners' relationship, rather than a court-ordered closure of the firm.

Step 2: Judge Reason (R) Reason (R) is correct: partners mutually agree to change their existing relationship, bringing the earlier partnership arrangement to an end while business may continue under a new arrangement.

Step 3: Test the explanation The mutual agreement described in Reason (R) explains why court intervention is not involved in this dissolution of partnership. Therefore both statements are correct and the reason explains the assertion. Option (A) denies this explanatory link; (C) and (D) incorrectly reject one statement.

Step 4: Conclusion The correct option is (B).

Quick Tip to Solve: Distinguish a change in partnership relations from dissolution of the firm before judging the court-intervention statement.

13(a). Money not received from shareholders on allotment or calls is : [1 mark]

(A) debited to calls in advance account.

(B) credited to calls in advance account.

(C) debited to calls in arrears account.

(D) credited to calls in arrears account.

Correct Answer: (C) debited to calls in arrears account.

Solution:

Concept:

- Calls in arrears means money called up on shares but not received by its due date.
- An unpaid amount due from a shareholder has a debit balance; money received before being called is calls in advance.

Step 1: Identify the outstanding amount The amount on allotment or calls has already become due, but the shareholder has not paid it. It is therefore calls in arrears, rather than calls in advance.

Step 2: Determine the side of the account When a separate Calls in Arrears Account is maintained, the unpaid amount is debited to it and the relevant Allotment or Call Account is credited. Thus (C) gives both the correct account and side. Options (A) and (B) use advances; (D) reverses the normal debit treatment of an amount receivable.

Step 3: Conclusion The correct option is (C): debited to Calls in Arrears Account.

Quick Tip to Solve: Unpaid after the due date means arrears and a debit; paid before the due date means advance and a credit.

OR

13(b). Those debentures where a charge is created on the assets of the company for the purpose of payment in case of default are known as : [1 mark]

(A) Secured Debentures

(B) Registered Debentures

(C) Specific Coupon Rate Debentures

(D) Redeemable Debentures

Correct Answer: (A) Secured Debentures

Solution:

Concept:

- Secured debentures carry a charge on specified assets or on the assets of the company.
- Debenture classifications use different bases: security, registration, coupon terms and redemption.

Step 1: Identify the security feature The defining information is the charge created on company assets to protect debentureholders in case of default. Such debentures are secured debentures.

Step 2: Compare all choices Registered debentures concern registration of holders and transfer, not security. Specific coupon rate debentures describe the interest terms. Redeemable debentures describe repayment on an agreed date or terms. Only secured debentures identify the asset charge stated in the question.

Step 3: Conclusion The correct option is (A): Secured Debentures.

Quick Tip to Solve: Look for a charge on assets: it classifies a debenture by security, regardless of its coupon rate or repayment date.

14(a). Nagar Ltd. issued 6,000, 11% Debentures of Rs. 100 each at a discount of 10% redeemable at a premium. 'Discount on issue of debentures' and 'Premium on redemption of debentures' were accounted for through 'Loss on issue of debentures account'. If the amount of 'Loss on issue of debentures' was Rs. 90,000, then the amount of premium on redemption of debentures was : [1 mark]

(A) Rs. 60,000

(B) Rs. 90,000

(C) Rs. 1,20,000

(D) Rs. 30,000

Correct Answer: (D) Rs. 30,000

Solution:

Concept:

- Loss on issue of debentures includes discount on issue plus premium payable on redemption.
- Discount is calculated on the total face value, not the interest rate.

Step 1: Calculate issue discount Total face value is $6,000 \times 100 = \text{Rs } 6,00,000$. Discount on issue is

$6,00,000 \times 10/100 =$ Rs $60,000$. The 11% coupon is not relevant to this calculation.

Step 2: Find redemption premium Loss on issue is Rs 90,000. Hence redemption premium is $90,000 - 60,000 =$ Rs $30,000$. Rs 60,000 is only the issue discount; Rs 90,000 is the combined loss. Rs 1,20,000 is inconsistent with the given combined amount.

Step 3: Conclusion Premium on redemption is Rs 30,000. The correct option is (D).

Quick Tip to Solve: Subtract the known issue discount from the combined loss to isolate the premium payable on redemption.

OR

14(b). On 1st April, 2022 Surya Ltd. issued 10,000, 12% Debentures of Rs. 100 each at a premium of 5%. The total amount of interest on debentures for the year ended 31st March, 2023 will be : [1 mark]

(A) Rs. 1,20,000

(B) Rs. 50,000

(C) Rs. 1,00,000

(D) Rs. 1,26,000

Correct Answer: (A) Rs. 1,20,000

Solution:

Concept:

- Debenture interest is calculated on nominal value, using the stated annual coupon rate.
- Issue premium increases proceeds but does not increase the face value on which interest is payable.

Step 1: Determine principal and time The nominal value is $10,000 \times 100 =$ Rs $10,00,000$. From 1 April 2022 to 31 March 2023 is one complete financial year, so the full annual interest is payable.

Step 2: Calculate annual interest Interest is $10,00,000 \times 12/100 =$ Rs $1,20,000$. The Rs 50,000 issue premium is not annual interest. Rs 1,00,000 uses the wrong rate, while Rs 1,26,000 incorrectly applies 12% to proceeds of Rs 10,50,000.

Step 3: Conclusion Total interest is Rs 1,20,000. The correct option is (A).

Quick Tip to Solve: Always apply the coupon rate to face value; exclude issue premium or discount from the interest base.

15(a). **Deepa, Elton and Frank were partners in a firm sharing profits in the ratio of 2 : 2 : 1. With effect from 1st April, 2023 they decided to change their profit sharing ratio as 1 : 2 : 2. There existed a Debit Balance of Profit and Loss Account of Rs. 50,000 in the books of the firm on the date of change in profit sharing ratio. The partners decided to retain the Debit Balance of Profit and Loss Account in the books. The adjustment entry will be :** [1 mark]

(A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Deepa's Capital A/c Dr.	10,000	
To Frank's Capital A/c		10,000

(B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Deepa's Capital A/c Dr.	5,000	
To Frank's Capital A/c		5,000

(C)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Frank's Capital A/c Dr.	10,000	
To Deepa's Capital A/c		10,000

(D)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Frank's Capital A/c Dr.	5,000	
To Deepa's Capital A/c		5,000

Correct Answer: (A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Deepa's Capital A/c Dr.	10,000	
To Frank's Capital A/c		10,000

Solution:

Concept:

- Accumulated losses belong to partners in the old profit-sharing ratio.
- If a debit balance is retained, adjust capitals so that its eventual charge in the new ratio does not shift the old loss between partners.

Step 1: Compare the loss burdens On Rs 50,000, the old-ratio burdens of Deepa, Elton and Frank are Rs 20,000, Rs 20,000 and Rs 10,000. If retained, the new-ratio burdens are Rs 10,000, Rs 20,000 and Rs 20,000. Deepa therefore needs an additional debit of Rs 10,000 and Frank an equal credit; Elton needs no adjustment.

Step 2: Record the adjustment Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Deepa's Capital A/c Dr.		10,000	
	To Frank's Capital A/c			10,000
	(Being adjustment of retained accumulated loss on change in ratio)			

Options (B) and (D) use Rs 5,000 instead of Rs 10,000. Option (C) reverses the required debit and credit.

Step 3: Conclusion Debit Deepa's Capital Account and credit Frank's Capital Account by Rs 10,000. The correct option is (A).

Quick Tip to Solve: For a retained debit balance, compare old loss shares with new loss shares; debit the partner whose burden would otherwise fall.

OR

15(b). Som, Pam and Ron were partners in a firm sharing profits in the ratio of 7 : 2 : 1. With effect from 1st April, 2023 they decided to change their profit sharing ratio to 1 : 2 : 7. There existed a Credit Balance in the Profit and Loss Account of Rs. 1,00,000 on the date of change in profit sharing ratio in the books of the firm. The partners decided to retain the Credit Balance in Profit and Loss Account in the books. The adjustment entry will be : [1 mark]

(A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Ron's Capital A/c Dr.	20,000	
To Som's Capital A/c		20,000

(B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Ron's Capital A/c Dr.	60,000	
To Som's Capital A/c		60,000

(C)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Som's Capital A/c Dr.	20,000	
To Ron's Capital A/c		20,000

(D)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Som's Capital A/c Dr.	60,000	
To Ron's Capital A/c		60,000

Correct Answer: (B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Ron's Capital A/c Dr.	60,000	
To Som's Capital A/c		60,000

Solution:

Concept:

- A retained credit balance of Profit and Loss Account belongs to partners in the old ratio. Adjustment equals old entitlement minus new entitlement.
- The gaining partner is debited and the sacrificing partner credited; the retained Profit and Loss balance is not transferred.

Step 1: Compare entitlements Som would receive $1,00,000 \times 7/10 = \text{Rs } 70,000$ in the old ratio, but only Rs 10,000 in the new ratio. He must therefore be credited with Rs 60,000. Pam has an unchanged share of $2/10$, so no adjustment is required for her.

Step 2: Identify the gaining partner Ron's entitlement rises from Rs 10,000 to Rs 70,000, a gain of Rs 60,000. Debit Ron and credit Som by this amount. Options (A) and (C) use Rs 20,000, which does not equal the change in entitlement; (D) reverses the required debit and credit.

Step 3: Conclusion Ron's Capital A/c is debited and Som's Capital A/c credited by Rs 60,000. Hence, the correct option is (B).

Quick Tip to Solve: Compare old and new entitlements to the retained balance before deciding the debit.

16(a). Anu, Bina and Roy were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Roy retired and his share was acquired by Anu. The new profit sharing ratio between Anu and Bina after Roy's retirement will be : [1 mark]

(A) 3 : 2

(B) 3 : 1

(C) 1 : 1

(D) 2 : 1

Correct Answer: (D) 2 : 1

Solution:

Concept:

- A continuing partner adds only the fraction of the retiring partnerś share that is actually acquired.
- Convert the original ratio into fractions of total profit before adding shares.

Step 1: Find the original shares The total of the ratio terms is $3 + 2 + 1 = 6$. Thus Anu, Bina and Roy hold $3/6,\ 2/6,\ 1/6$, respectively. Since Anu alone acquires Royś share, Bina retains her existing $2/6$.

Step 2: Calculate the new ratio Anu now holds $3/6 + 1/6 = 4/6$. Therefore Anu : Bina $= 4/6 : 2/6 = 2 : 1$. The fractions sum to one. Option (A) merely removes Roy without allocating his share. Options (B) and (C) would change Binaś share and therefore contradict the stated acquisition.

Step 3: Conclusion The new profit-sharing ratio of Anu and Bina is $2 : 1$. Hence, the correct option is (D).

Quick Tip to Solve: When one partner acquires the entire retiring share, keep the other continuing share unchanged.

OR

16(b). Asha, Yug and Zubin were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Zubin retired. Zubin's share was acquired equally by Asha and Yug. The new profit sharing ratio between Asha and Yug after Zubin's retirement was : [1 mark]

(A) 3 : 2

(B) 5 : 4

(C) 4 : 3

(D) 2 : 1

Correct Answer: (B) 5 : 4

Solution:

Concept:

- New share equals old share plus the share acquired from the retiring partner.
- Equal acquisition means equal additions to the old shares, not equal final shares.

Step 1: Divide the retiring share The original total is $4+3+2=9$, so Zubin holds $2/9$. Asha and Yug acquire half each: $(2/9)/2 = 1/9$. Their old shares are $4/9$ and $3/9$.

Step 2: Add the acquired fractions Asha's new share is $4/9 + 1/9 = 5/9$; Yug's is $3/9 + 1/9 = 4/9$. These add to one and give $5 : 4$. Option (C) preserves the old relative ratio without making the stated equal additions. Options (A) and (D) also fail to preserve the required new fractions.

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

Quick Tip to Solve: With a common denominator, add one ratio unit to each continuing partner for this equal acquisition.

17. Gita, Hina and Isha were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 2. Gita died. Hina and Isha decided to share profits and losses in the future, equally. On the day of Gita's death, goodwill of the firm was valued at Rs. 8,00,000. Calculate gaining ratio and pass necessary journal entry to record treatment of goodwill on Gita's death. [3 marks]

Solution:

Concept:

- Gaining share is new share minus old share. The continuing partners compensate the deceased partner in their gaining ratio.
- The deceased partner's goodwill entitlement equals firm goodwill multiplied by the deceased partner's old profit share.

Step 1: Calculate each gain The old shares of Gita, Hina and Isha are $3/8,\ 3/8,\ 2/8$. The new shares of Hina and Isha are $1/2 = 4/8$ each. Thus Hina gains $4/8 - 3/8 = 1/8$, and Isha gains $4/8 - 2/8 = 2/8$. Their gaining ratio is therefore $1 : 2$. The total gain $3/8$ equals Gita's former share.

Step 2: Calculate the compensation Gita's share of goodwill is $8,00,000 \times 3/8 =$ Rs $3,00,000$. Hina

bears $3,00,000 \times 1/3 = \text{Rs } 1,00,000$, and Isha bears $3,00,000 \times 2/3 = \text{Rs } 2,00,000$. Their capital accounts are debited because they receive the future benefit formerly belonging to Gita.

Step 3: Record the journal entry Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Hina's Capital A/c Dr. Isha's Capital A/c Dr. To Gita's Capital A/c (Being Gita's share of goodwill adjusted through gaining partners' capital accounts in the ratio $1:2$)		1,00,000 2,00,000	 3,00,000

Gita's Capital Account is credited with the amount due to her estate. No Goodwill Account is raised because the entitlement is adjusted directly through capital accounts.

Step 4: Conclusion The gaining ratio is $1:2$. Debit Hina and Isha by Rs 1,00,000 and Rs 2,00,000 respectively, and credit Gita by Rs 3,00,000.

Quick Tip to Solve: First verify that the total gaining fraction equals the deceased partner's old share.

18. Asha and Babita were partners in a firm. Their capitals were Rs. 15,00,000 and Rs. 10,00,000 respectively. The normal rate of return was 15%.

The profits of the last four years were :

Year	Rs.
2019 - 20	**2,50,000**
2020 - 21	**(50,000)**
2021 - 22	**8,00,000**
2022 - 23	**5,00,000**

The closing stock for the year 2022 - 23 was undervalued by Rs. 1,00,000. Goodwill is to be valued at two years purchase of the last four years' average super profits. Calculate the value of goodwill.

[3 marks]

Solution:

Concept:

- Normal profit is capital employed multiplied by the normal rate of return.
- Average super profit equals adjusted average actual profit minus normal profit. Goodwill equals average super profit multiplied by years of purchase.

Step 1: Correct the understated profit Undervaluation of closing stock understates the current years profit by the same amount. Therefore adjusted profit for 2022–23 is $5,00,000 + 1,00,000 = \text{Rs } 6,00,000$. The loss in 2020–21 must be deducted, not added as a positive profit. The correction relates to the last year, so no later opening-stock correction is needed within these four years.

Step 2: Find average actual profit

$$\text{Average profit} = \frac{2,50,000 - 50,000 + 8,00,000 + 6,00,000}{4} = \frac{16,00,000}{4} = \text{Rs } 4,00,000.$$

Each of the four years receives equal weight, as the question asks for the four-year average.

Step 3: Find normal profit and goodwill Total capital employed is $15,00,000 + 10,00,000 =$ Rs $25,00,000$. Hence normal profit is $25,00,000 \times 15/100 =$ Rs $3,75,000$. Average super profit is $4,00,000 - 3,75,000 =$ Rs $25,000$. Goodwill at two years' purchase is $25,000 \times 2 =$ Rs $50,000$. Only the earnings above the normal return are capitalised by this method.

Step 4: Conclusion The value of goodwill is $\boxed{\text{Rs } 50,000}$.

Quick Tip to Solve: Add closing-stock undervaluation to that year's profit before averaging, and retain the loss sign.

19(a). Sheetal Ltd. purchased building worth Rs. 2,50,000, plant and machinery worth Rs. 2,00,000, furniture worth Rs. 40,000 and took over liabilities of Rs. 30,000 from Poonam Ltd. for a purchase consideration of Rs. 4,40,000. The purchase consideration was paid by issuing 12% Debentures of Rs. 100 each at a premium of 10%.

Pass the necessary journal entries in books of Sheetal Ltd. to record the above transactions. [3 marks]

Solution:

Concept:

- Credit the vendor with agreed purchase consideration; excess net assets over consideration is Capital Reserve.
- Debentures issued at a premium settle the vendor at issue price, while Debentures Account is credited with nominal value.

Step 1: Determine capital reserve Assets acquired total $2,50,000 + 2,00,000 + 40,000 =$ Rs $4,90,000$. Net assets are $4,90,000 - 30,000 =$ Rs $4,60,000$. Since purchase consideration is Rs 4,40,000, Capital Reserve is $4,60,000 - 4,40,000 =$ Rs $20,000$. This is a capital gain on acquisition, not revenue income.

Step 2: Calculate the debenture issue Premium per debenture is $100 \times 10/100 =$ Rs 10, so issue price is Rs 110. Number issued $= 4,40,000/110 = 4,000$. Nominal value is $4,000 \times 100 =$ Rs $4,00,000$, and premium is $4,000 \times 10 =$ Rs $40,000$. The 12% rate governs interest and does not determine the issue price.

Step 3: Pass the journal entries Journal of Sheetal Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Building A/c Dr.		2,50,000	
	Plant and Machinery A/c Dr.		2,00,000	
	Furniture A/c Dr.		40,000	
	To Liabilities A/c			30,000
	To Poonam Ltd.			4,40,000
	To Capital Reserve A/c			20,000
	(Being assets and liabilities taken over for agreed purchase consideration)			
	Poonam Ltd. Dr.		4,40,000	
	To 12% Debentures A/c			4,00,000
	To Securities Premium A/c			40,000
	(Being 4,000 debentures of Rs 100 each issued at 10% premium to settle purchase consideration)			

The first entry balances at Rs 4,90,000 and the settlement entry balances at Rs 4,40,000.

Step 4: Conclusion Capital Reserve is Rs 20,000; 4,000 debentures are issued, crediting 12% Debentures by Rs 4,00,000 and Securities Premium by Rs 40,000.

Quick Tip to Solve: Divide consideration by Rs 110, the issue price, rather than by the Rs 100 face value.

OR

19(b). On 1st April, 2023, Simple Ltd. took over assets of Rs. 5,00,000 and liabilities of Rs. 1,00,000 from Temur Ltd. at an agreed value of Rs. 16,00,000. Simple Ltd. paid the amount to Temur Ltd. as follows :

(i) Issued a bank draft of Rs. 1,00,000.

(ii) Issued 8% Debentures of Rs. 100 each at a premium of 50% in satisfaction of the balance amount of purchase consideration.

Pass the necessary journal entries in the books of Simple Ltd. to record the above transactions.

[3 marks]

Solution:

Concept:

- Purchase consideration is the agreed payment to the vendor. Goodwill equals purchase consideration less the net identifiable assets acquired.
- Debentures issued at a premium settle the vendor at their issue price: face value plus premium. Securities Premium Reserve records the premium separately.

Step 1: Calculate goodwill and the debenture issue The net assets taken over are Rs $5,00,000$ − Rs $1,00,000$ = Rs $4,00,000$. Thus,

$$\text{Goodwill} = 16,00,000 - 4,00,000 = \text{Rs } 12,00,000.$$

After the bank draft, the consideration outstanding is $16,00,000 - 1,00,000 =$ Rs $15,00,000$. Each debenture settles $100 + 50 =$ Rs 150, so $15,00,000/150 = 10,000$ debentures are issued. Their face value is Rs 10,00,000 and the premium is Rs 5,00,000. The 8% rate is the interest rate; it does not determine the issue price.

Step 2: Record the acquisition and payment Journal of Simple Ltd. (Amounts in Rs)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	Assets A/c Dr. Goodwill A/c Dr. To Liabilities A/c To Temur Ltd. (Being assets and liabilities taken over at agreed consideration, with goodwill recognised)		5,00,000 12,00,000	 1,00,000 16,00,000
1 Apr 2023	Temur Ltd. Dr. To Bank A/c To 8% Debentures A/c To Securities Premium Reserve A/c (Being consideration discharged by bank draft and 10,000 debentures issued at 50% premium)		16,00,000	 1,00,000 10,00,000 5,00,000

Step 3: Conclusion Goodwill is Rs 12,00,000; 10,000 debentures of Rs 100 each are issued at Rs 150, creating Securities Premium Reserve of Rs 5,00,000.

Quick Tip to Solve: Deduct the bank payment first, then divide the balance by Rs 150, not by the Rs 100 face value.

20(a). Jatin, Keshav and Lalit were partners in a firm with fixed capitals of Rs. 1,20,000, Rs. 1,00,000 and Rs. 80,000 respectively. As per the partnership deed, there was a provision for allowing interest on capitals @ 10% p.a., but entries for the same had not been made for the last two years.

The profit sharing ratio during the last two years was as follows :

Year	Jatin	Keshav	Lalit
2021 - 22	5	3	2
2022 - 23	1	1	1

Pass an adjustment entry of the beginning of the third year, i.e., on 1st April, 2023. [3 marks]

Solution:

Concept:

- Interest on capital is an appropriation of profit. Restore the interest credits and reverse the excess profit already distributed in each year's profit-sharing ratio.
- With fixed capitals, past adjustments are made through partners' current accounts; fixed capital balances remain unchanged.

Step 1: Calculate interest omitted in each year Annual interest at 10% is: Jatin $1,20,000 \times 10\% =$ Rs $12,000$; Keshav $1,00,000 \times 10\% =$ Rs $10,000$; Lalit $80,000 \times 10\% =$ Rs $8,000$. The total is Rs

30,000 per year. Since the capitals are fixed, these interest amounts apply in both years. However, the corresponding reduction in divisible profit must follow each year's own ratio.

Step 2: Find the net adjustment for both years Positive amounts below are credits due to the partners; negative amounts are debits due.

Particulars (Rs)	Jatin	Keshav	Lalit
2021–22: Interest due	12,000	10,000	8,000
Less: excess profit in 5:3:2	15,000	9,000	6,000
Net adjustment for 2021–22	-3,000	1,000	2,000
2022–23: Interest due	12,000	10,000	8,000
Less: excess profit in 1:1:1	10,000	10,000	10,000
Net adjustment for 2022–23	2,000	0	-2,000
Combined adjustment	-1,000	1,000	0

The combined debits and credits agree: Jatin must surrender Rs 1,000 to Keshav, while Lalit's adjustments cancel.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	Jatin's Current A/c Dr. To Keshav's Current A/c (Being omitted interest on fixed capitals for two years adjusted after correcting profit distributions)		1,000	1,000

Step 4: Conclusion Debit Jatin's Current Account and credit Keshav's Current Account by Rs 1,000 each; no entry is required for Lalit.

Quick Tip to Solve: Use the profit-sharing ratio of each separate year before combining the two net adjustments.

OR

20(b). Meera, Neena and Ojas were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The partnership deed provided for charging interest on drawings @ 10% p.a. The drawings of Meera, Neena and Ojas during the year ended 31st March, 2023 amounted to Rs. 60,000, Rs. 50,000 and Rs. 40,000 respectively. After the final accounts had been prepared, it was discovered that interest on drawings had not been taking into consideration.

Pass the necessary adjustment entry. [3 marks]

Solution:

Concept:

- When dates of drawings are unspecified, drawings made during the year are treated as spread evenly, giving an average period of six months.
- Interest on drawings is charged to partners and increases divisible profit. Adjust each partner by the difference between their share of that increase and their own interest charge.

Step 1: Compute the omitted interest on drawings Since no drawing dates are supplied, take the

usual average period of six months for each partner. Interest is calculated as drawings multiplied by the annual rate and the fraction of the year:

$$\text{Meera} = 60,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 3,000,$$
$$\text{Neena} = 50,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 2,500,$$
$$\text{Ojas} = 40,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 2,000.$$

Total interest omitted is Rs 7,500. Charging a full year's interest would overstate the charge when drawings are spread over the year.

Step 2: Allocate the additional profit and find net effects The extra divisible profit of Rs 7,500 belongs to the partners in the ratio 5:3:2. Their respective shares are Rs 3,750, Rs 2,250 and Rs 1,500.

Particulars (Rs)	Meera	Neena	Ojas
Credit: share of extra profit	3,750	2,250	1,500
Debit: interest on drawings	3,000	2,500	2,000
Net credit/(debit)	750	(250)	(500)

Thus Meera was undercredited by Rs 750, whereas Neena and Ojas were overcredited by Rs 250 and Rs 500 respectively. The total debit equals the total credit.

Step 3: Pass the adjustment entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar 2023	Neena's Capital A/c Dr.		250	
	Ojas's Capital A/c Dr.		500	
	To Meera's Capital A/c			750
	(Being omitted interest on drawings and its effect on profit sharing adjusted)			

Step 4: Conclusion Debit Neena's Capital Account by Rs 250 and Ojas's Capital Account by Rs 500; credit Meera's Capital Account by Rs 750.

Quick Tip to Solve: After charging drawings interest, distribute the same total as extra profit before finding each net adjustment.

21. Shringar Ltd. was registered with an authorised capital of Rs. 5,00,000 divided into equity shares of Rs. 10 each. The company issued a prospectus inviting applications for 20,000 equity shares. The amount was payable as follows :

On Application - Rs. 3 per share

On Allotment - Rs. 5 per share

On First and Final call - Balance

Applications were received for 19,000 equity shares and allotment was made to all the applicants. All the amounts were duly received except the first and final call on 5,000 shares.

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

Solution:

Concept:

- Authorised capital is the maximum nominal capital permitted by the memorandum. Issued capital is the nominal value offered for subscription; subscribed capital covers only shares actually allotted.
- Called-up capital is the amount demanded on allotted shares. Calls-in-arrears are deducted to obtain paid-up capital. Shares on which calls remain unpaid are disclosed separately from fully paid shares.

Step 1: Determine the capital categories The authorised number of equity shares is $5,00,000/10 = 50,000$. The company offered 20,000 shares, so issued capital is $20,000 \times 10 =$ Rs $2,00,000$. Only 19,000 shares were applied for and allotted; therefore subscribed nominal capital is $19,000 \times 10 =$ Rs $1,90,000$. The remaining 1,000 issued shares were not subscribed and do not form part of subscribed capital.

Step 2: Calculate the call and paid-up capital The first and final call per share is $10 - 3 - 5 =$ Rs 2. As the full face value has been called, subscribed and called-up capital is Rs 1,90,000. Calls-in-arrears on 5,000 shares are $5,000 \times 2 =$ Rs $10,000$. Hence paid-up capital is $1,90,000 - 10,000 =$ Rs $1,80,000$. There are $19,000 - 5,000 = 14,000$ fully paid shares; the other 5,000 shares have Rs 8 paid per share.

Step 3: Present the Balance Sheet extract and note Balance Sheet of Shringar Ltd. (Extract)

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	1,80,000

Notes to Accounts: Note 1 – Share Capital

Particulars	Amount (Rs)
Authorised capital: 50,000 equity shares of Rs 10 each	5,00,000
Issued capital: 20,000 equity shares of Rs 10 each	2,00,000
Subscribed and fully paid-up: 14,000 equity shares of Rs 10 each	1,40,000
Subscribed but not fully paid-up: 5,000 equity shares of Rs 10 each	50,000
Less: Calls-in-arrears on these 5,000 shares at Rs 2 each	(10,000)
Total subscribed and paid-up share capital	1,80,000

The partially paid shares contribute Rs 40,000 after deducting their arrears; together with Rs 1,40,000

on fully paid shares this reconciles to the Balance Sheet amount.

Step 4: Conclusion Share Capital is shown at $\boxed{\text{Rs } 1,80,000}$, with calls-in-arrears of Rs 10,000 disclosed in Note 1.

Quick Tip to Solve: Find the unpaid call per share first, then separate fully paid shares from the shares with calls-in-arrears.

22. Sonia and Rohit were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2023 their Balance Sheet was as follows :

Balance Sheet of Sonia and Rohit as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals :		Building	2,00,000
Sonia 70,000		Machinery	1,40,000
Rohit 90,000	1,60,000	Furniture	80,000
General Reserve	80,000	Debtors	1,20,000
Sonia's Loan	1,30,000	Stock	60,000
Bank Loan	2,20,000	Cash at Bank	60,000
Creditors	70,000		
	6,60,000		6,60,000

The firm was dissolved on the above date on the following terms :

(i) Building, machinery and furniture realised Rs. 3,44,000.

(ii) Debtors realised 90% only.

(iii) Creditors took away half of the stock in full settlement of their account.

(iv) Remaining stock realised Rs. 72,000.

(v) Realisation expenses amounting to Rs. 14,000 were paid by Rohit.

Prepare Realisation Account. [4 marks]

Solution:

Concept:

- Realisation Account is debited with non-cash assets at book value and credited with external liabilities transferred. Cash at bank, reserves, partners' capitals and a partner's loan are excluded from these transfers.
- Asset proceeds are credited; external liabilities paid and realisation expenses are debited. The resulting profit or loss is transferred to partners in their profit-sharing ratio.

Step 1: Compute assets realised and liabilities settled Non-cash assets transferred total $2,00,000 + 1,40,000 + 80,000 + 1,20,000 + 60,000 = \text{Rs } 6,00,000$. Building, machinery and furniture together realise Rs 3,44,000; debtors realise $1,20,000 \times 90\% = \text{Rs } 1,08,000$; remaining stock realises Rs 72,000. Thus bank receipts from assets total Rs 5,24,000. Creditors of Rs 70,000 take half the stock in full settlement. Both creditors and the entire stock are already transferred; no further entry is made for this settlement. Bank loan of Rs 2,20,000 is paid at its book value, since no different settlement is

given.

Step 2: Prepare Realisation Account Realisation Account of Sonia and Rohit as at 31st March, 2023

Dr. Particulars	Amount (Rs)	Particulars	Cr. (Rs)
To Building	2,00,000	By Bank Loan	2,20,000
To Machinery	1,40,000	By Creditors	70,000
To Furniture	80,000	By Bank (assets realised):	
To Debtors	1,20,000	Building, machinery, furniture	3,44,000
To Stock	60,000	Debtors	1,08,000
To Bank (bank loan paid)	2,20,000	Remaining stock	72,000
To Rohit's Capital (expenses)	14,000	By Loss transferred to:	
		Sonia's Capital	12,000
		Rohit's Capital	8,000
Total	8,34,000	Total	8,34,000

Realisation is a nominal account closed by transferring its loss; no balance is carried forward. Rohit personally pays the expenses, so his Capital Account is credited through the debit to Realisation rather than recording a payment out of the firm's bank.

Step 3: Verify and distribute the loss Before transferring the loss, debit entries total $6,00,000 + 2,20,000 + 14,000 = \text{Rs } 8,34,000$; credit entries total $2,20,000 + 70,000 + 5,24,000 = \text{Rs } 8,14,000$. The excess debit is a loss of Rs 20,000. Sonia bears $20,000 \times 3/5 = \text{Rs } 12,000$, and Rohit bears $20,000 \times 2/5 = \text{Rs } 8,000$. These amounts are credited to Realisation and debited to their respective Capital Accounts. Sonia's loan of Rs 1,30,000 is settled separately and never transferred to Realisation.

Step 4: Conclusion Realisation loss is $\boxed{\text{Rs } 20,000}$, borne by Sonia and Rohit as Rs 12,000 and Rs 8,000 respectively.

Quick Tip to Solve: When creditors accept stock in full settlement, transfer both book balances but do not record another stock-sale or creditor-payment entry.

23. Pankaj, Rajat and Samay were partners in a firm sharing profits and losses in the ratio of 7 : 2 : 1. Their Balance Sheet as at 31st March, 2023 was as follows :

Balance Sheet of Pankaj, Rajat and Samay as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals :		Machinery	2,10,000
Pankaj 3,00,000		Furniture	1,00,000
Rajat 2,00,000		Stock	1,50,000
Samay 1,00,000	6,00,000	Debtors	1,60,000
General Reserve	1,00,000	Bank	2,50,000
Creditors	1,70,000		
	8,70,000		8,70,000

Rajat died on 30th June, 2023. It was agreed between his executors and remaining partners that :

(i) Goodwill be valued at two years purchase of average profits of the previous four years which were Rs. 5,00,000.

(ii) Share of profit up to the date of death will be on the calculated on the basis of average profits of the past four years. Rajat's share of profit amounted to Rs. 25,000.

(iii) Interest on capital is to be provided @ 10% p.a.

(iv) Half the amount due to Rajat is to be paid immediately.

Prepare Rajat's Capital Account and Rajat's Executor's Account as on 30th June, 2023. [6 marks]

Solution:

Concept:

- A deceased partner is entitled to opening capital, his share of accumulated reserves, goodwill, profit up to death and interest on capital up to death.
- Goodwill equals average annual profit multiplied by years purchase. The deceased partner receives his old profit-sharing fraction of goodwill; the continuing partners bear it in their gaining ratio.
- The total amount due is transferred from the deceased partner's capital account to his executor's account. Immediate payment reduces the executor liability; its unpaid balance is carried forward.

Step 1: Calculate goodwill and reserve Rajat's old share is $2/10$. The stated average annual profit is Rs 5,00,000. This interpretation also agrees with the separately supplied profit up to death: $5,00,000 \times 2/10 \times 3/12 = \text{Rs } 25,000$.

$$\text{Firm's goodwill} = 5,00,000 \times 2 = \text{Rs } 10,00,000,$$
$$\text{Rajat's goodwill share} = 10,00,000 \times 2/10 = \text{Rs } 2,00,000,$$
$$\text{Rajat's reserve share} = 1,00,000 \times 2/10 = \text{Rs } 20,000.$$

With no revised ratio stated, Pankaj and Samay continue in their relative old ratio, $7 : 1$, which is also their gaining ratio. They bear goodwill of Rs 1,75,000 and Rs 25,000 respectively. No goodwill asset is raised.

Step 2: Calculate interest and total entitlement Rajat died three months after the balance sheet date.

Interest is therefore allowed for April, May and June only:

$$\text{Interest} = 2,00,000 \times \frac{10}{100} \times \frac{3}{12} = \text{Rs } 5,000.$$

The profit entitlement of Rs 25,000 is credited through Profit and Loss Suspense Account because the final annual profit has not yet been determined. The amount due is

$$2,00,000 + 20,000 + 2,00,000 + 25,000 + 5,000 = \text{Rs } 4,50,000.$$

Half is payable immediately: $4,50,000/2 = \text{Rs } 2,25,000$. There are no drawings or other deductions specified.

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

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Rajat's Executor A/c	4,50,000	By Balance b/d	2,00,000
		By General Reserve A/c	20,000
		By Pankaj's Capital A/c	1,75,000
		By Samay's Capital A/c	25,000
		By Profit and Loss Suspense A/c	25,000
		By Interest on Capital A/c	5,000
Total	4,50,000	Total	4,50,000

The capital account closes on transferring the full entitlement to the executor; no capital balance remains to be carried down.

Step 4: Prepare the executor account Rajat's Executor's Account as at 30th June, 2023

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Bank A/c	2,25,000	By Rajat's Capital A/c	4,50,000
To Balance c/d	2,25,000		
Total	4,50,000	Total	4,50,000
		By Balance b/d	2,25,000

The credit balance brought down represents the amount still owed to Rajat's executor after the immediate payment.

Step 5: Conclusion Rajat's total entitlement is Rs 4,50,000. Rs 2,25,000 is paid immediately, leaving Rs 2,25,000 as the credit balance in Rajat's Executor's Account.

Quick Tip to Solve: Apply Rajat's 2/10 share to reserves and goodwill, but calculate interest on his own capital for only three months.

24. On 1st April, 2022, Ardhaan Ltd. issued 10,000, 9% Debentures of Rs. 100 each at a discount of 5%, redeemable at a premium of 10% after five years. The company had a balance of Rs. 80,000 in Securities Premium Account.

(a) Pass necessary journal entries for issue of debentures and for writing off 'Loss on Issue of Debentures' utilising Securities Premium Account at the end of first year itself.

(b) Prepare 'Loss on Issue of Debentures Account' for the year ended 31st March, 2023. [6 marks]

Solution:

Concept:

- Debentures are credited at face value. Cash received equals face value less issue discount, while the premium payable on redemption creates a separate liability.
- Loss on issue equals issue discount plus premium on redemption. Available Securities Premium is used first; the remaining loss is charged to Statement of Profit and Loss when the entire loss is written off in the first year.

Step 1: Calculate issue proceeds and loss The nominal value of 10,000 debentures of Rs 100 each is Rs 10,00,000. The 9% rate describes interest and does not determine either the issue proceeds or the capital loss.

$$\text{Issue discount} = 10,00,000 \times 5/100 = \text{Rs } 50,000,$$
$$\text{Bank receipt} = 10,00,000 - 50,000 = \text{Rs } 9,50,000,$$
$$\text{Redemption premium} = 10,00,000 \times 10/100 = \text{Rs } 1,00,000,$$
$$\text{Loss on issue} = 50,000 + 1,00,000 = \text{Rs } 1,50,000.$$

Although redemption occurs after five years, its premium is recognised at issue. The instruction requires the complete loss to be written off at the end of the first year, so it is not spread over five years.

Step 2: Pass the journal entries: part (a) Journal of Ardhaan Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2022	Bank A/c Dr.		9,50,000	
	Loss on Issue of Debentures A/c Dr.		1,50,000	
	To 9% Debentures A/c			10,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(Being 10,000 debentures issued at 5% discount, redeemable at 10% premium)			
31 Mar 2023	Securities Premium A/c Dr.		80,000	
	Statement of Profit and Loss Dr.		70,000	
	To Loss on Issue of Debentures A/c			1,50,000
	(Being full loss written off using available securities premium and charging the balance to profit and loss)			

Securities Premium has an available credit balance of only Rs 80,000. Thus the amount charged to Statement of Profit and Loss is $1,50,000 - 80,000 = \text{Rs } 70,000$. The issue entry balances at Rs 11,00,000 on each side. The redemption premium liability remains outstanding; writing off the loss does not extinguish it.

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

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To 9% Debentures A/c (discount)	50,000	By Securities Premium A/c	80,000
To Premium on Redemption of Debentures A/c	1,00,000	By Statement of Profit and Loss	70,000
Total	1,50,000	Total	1,50,000

The two debit components together constitute the loss recognised in the compound issue entry. Both are fully written off by 31st March, 2023, leaving no balance to carry down in this account. Debenture interest is a separate finance cost and is not part of the loss on issue requested here.

Step 4: Conclusion Loss on issue is Rs 1,50,000: Rs 80,000 is written off against Securities Premium and Rs 70,000 against Statement of Profit and Loss. The Loss on Issue of Debentures Account closes with nil balance.

Quick Tip to Solve: Add the issue discount and redemption premium to find the loss; subtract available Securities Premium before charging profit and loss.

25(a). Diamond Ltd. issued a prospectus inviting applications for 20,000 shares of Rs. 10 each. The amount was payable as follows :

On Application - Rs. 4 per share

On Allotment - Rs. 4 per share

On First and Final call - Balance

Applications for 45,000 shares were received and allotment was made as follows :

Category (i) - Applicants for 35,000 shares were allotted 15,000 shares.

Category (ii) - Applicants for 10,000 shares were allotted 5,000 shares.

It was decided that excess money received on application be adjusted towards sum due on allotment and calls.

Amar, an applicant of Category (ii), who was allotted 500 shares, failed to pay the first and final call. His shares were forfeited and subsequently reissued at Rs. 2 per share as fully paid up.

Pass necessary journal entries to record the above transactions in the books of Diamond Ltd. [6 marks]

Solution:

Concept:

- Application money is credited to share capital only for allotted shares. Excess application money is adjusted against allotment and then calls in advance.
- On forfeiture, debit the called-up capital and credit unpaid calls and the capital already received. Reissue discount cannot exceed the amount forfeited on those shares.

Step 1: Work out category-wise adjustments Category (i): application money is $35,000 \times 4 =$ Rs $1,40,000$. Capital on application is $15,000 \times 4 =$ Rs $60,000$; excess is Rs 80,000. Of this, Rs 60,000 settles allotment and Rs 20,000 is calls in advance. Category (ii): application money is Rs 40,000, of

which Rs 20,000 is application capital and Rs 20,000 settles allotment. Thus the entire allotment of Rs 80,000 is adjusted, with no further cash receipt.

Step 2: Record application and allotment Journal of Diamond Ltd. (continued below)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 45,000 shares)		1,80,000	 1,80,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c (Being application money adjusted against capital, allotment and call)		1,80,000	 80,000 80,000 20,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment money due on 20,000 shares)		80,000	 80,000

Step 3: Calculate final call, forfeiture and reissue The final call is $10-4-4=$ Rs 2 per share, totalling Rs 40,000. Category (i) pays Rs 10,000 after adjusting Rs 20,000 advance. Category (ii) owes Rs 10,000, but Amar defaults on $500\times 2=$ Rs $1,000$; cash received from this category is Rs 9,000. Total bank receipt is Rs 19,000. Amar has paid Rs 8 per share, so forfeiture is Rs 4,000. Reissue discount is $500(10-2)=$ Rs $4,000$, exactly exhausting the forfeiture credit.

Step 4: Record the call and subsequent transactions Journal of Diamond Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being final call of Rs 2 per share made)		40,000	 40,000
	Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrears A/c Dr. To Share First and Final Call A/c (Being call settled by advance and receipt, except Amar's arrears)		19,000 20,000 1,000	 40,000
	Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being Amar's 500 fully called shares forfeited)		5,000	 1,000 4,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 500 shares reissued at Rs 2 each as fully paid)		1,000 4,000	 5,000

Step 5: Conclusion The shares are reissued as fully paid. The entire Rs 4,000 forfeiture credit is absorbed by the reissue discount; no amount is transferred to Capital Reserve.

Quick Tip to Solve: Separate the two pro-rata categories before using excess application money: only category (i) creates a call advance.

OR

25(b). Pearl Ltd. issued a prospectus inviting applications for 40,000 shares of Rs. 10 each at a premium of 20%. The amount was payable as follows :

On Application - Rs. 5 per share

On Allotment - Rs. 5 per share (Including Premium)

On First and Final call - Balance

Applications for 60,000 shares were received and allotment was made on a pro-rata basis to all the applicants. Excess money received on application was adjusted towards the amount due on allotment.

Sameer who had applied for 1,200 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. All the forfeited shares were reissued at Rs. 7 per share as Rs. 8 paid up. First and final call was not yet made.

Pass necessary journal entries to record the above transactions in the book of Pearl Ltd. Open 'Calls in Arrears Account' wherever necessary. [6 marks]

Solution:

Concept:

- Allot shares in the ratio of shares offered to shares applied for. Separate the securities premium from the nominal share capital.
- Apply excess application money to the allotment premium first; only the remaining receipt represents share capital. Forfeit only the called-up nominal capital and transfer the reissue surplus to capital reserve.

Step 1: Compute pro-rata allotment and Sameer's arrears The allotment ratio is $40,000 : 60,000 = 2 : 3$. Sameer receives $1,200 \times 2/3 = 800$ shares. He pays $1,200 \times 5 =$ Rs $6,000$ on application. Application capital is $800 \times 5 =$ Rs $4,000$, leaving Rs 2,000 excess for allotment. His allotment due is $800 \times 5 =$ Rs $4,000$, including premium of $800 \times 2 =$ Rs $1,600$. The excess first covers this premium and Rs 400 of allotment capital; the remaining Rs 2,000 is capital in arrears. Thus no securities premium is reversed on forfeiture.

Step 2: Record application and allotment Journal of Pearl Ltd. (continued below)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 60,000 shares)		3,00,000	 3,00,000

	Share Application A/c Dr.
	  To Share Capital A/c
	  To Share Allotment A/c
	(Being application money transferred and excess adjusted)
			3,00,000	
				2,00,000
				1,00,000

	Share Allotment A/c Dr.
	  To Share Capital A/c
	  To Securities Premium A/c
	(Being allotment of Rs 5 per share due, including Rs 2 premium)
			2,00,000	
				1,20,000
				80,000

	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c (Being allotment balance received except Sameer's arrears)		98,000 2,000	 1,00,000

Step 3: Determine forfeiture and reissue amounts Capital called per share is $5 + (5 - 2) = \text{Rs } 8$; the final Rs 2 call has not been made. Debit capital on forfeiture by $800 \times 8 = \text{Rs } 6,400$. Capital received is $6,000 - 1,600 = \text{Rs } 4,400$, credited to forfeiture. On reissue, bank receives $800 \times 7 = \text{Rs } 5,600$, and share capital is credited by Rs 6,400 because the shares are Rs 8 paid up. The discount is therefore Rs 800. All forfeited shares are reissued, so the full remaining balance, $4,400 - 800 = \text{Rs } 3,600$, becomes capital reserve.

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

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

	Share Capital A/c Dr.
	  To Calls in Arrears A/c
	  To Share Forfeiture A/c
	(Being 800 shares forfeited with capital called at Rs 8 per share)
			6,400	
				2,000
				4,400

	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 800 shares reissued at Rs 7 as Rs 8 paid up)		5,600 800	 6,400
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on reissue transferred to capital reserve)		3,600	 3,600

Step 5: Conclusion Sameer is allotted 800 shares. Calls in Arrears is Rs 2,000; Share Forfeiture is credited with Rs 4,400, reissue discount is Rs 800 and Capital Reserve is Rs 3,600.

Quick Tip to Solve: The shares are only Rs 8 called up: do not debit Rs 10 per share on forfeiture or record a final call that has not been made.

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

Balance Sheet of Anshu and Vihu as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	80,000	Cash	40,000
General Reserve	50,000	Debtors 36,000	
Investment Fluctuation Fund	10,000	Less Provision for Doubtful debts 2,000	34,000
Capitals :		Stock	30,000
Anshu 1,44,000		Investments	40,000
Vihu 80,000	2,24,000	Plant and Machinery	2,20,000
	3,64,000		3,64,000

On 1st April, 2023, Mani was admitted into partnership for 1/5th share in the profits of the firm on the following terms :

(i) Mani brought Rs. 20,000 as her share of goodwill and proportionate capital.

(ii) Provision for doubtful debts was to be maintained at 10% on debtors.

(iii) Market value of investments was Rs. 35,000.

(iv) The value of Plant and Machinery be increased by Rs. 6,600.

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

Solution:

Concept:

- On admission, accumulated reserves and revaluation profit belong to the old partners in their old profit-sharing ratio, here $3 : 2$.
- Investment Fluctuation Fund first absorbs the fall in investment value; only its surplus is distributed. Proportionate capital is determined from the adjusted capitals of the old partners.
- In the absence of a stated change between the old partners, their sacrifice is in the old ratio. Maniś goodwill premium is therefore credited in $3 : 2$.

Step 1: Determine revaluation and reserves Required provision on debtors $= 36,000 \times 10\% =$ Rs $3,600$. Additional provision $= 3,600 - 2,000 =$ Rs $1,600$. The investment fall is $40,000 - 35,000 =$ Rs $5,000$, absorbed by the Investment Fluctuation Fund of Rs 10,000. Its remaining Rs 5,000 goes to Anshu and Vihu in 3:2: Rs 3,000 and Rs 2,000. Hence the investment fall is not charged again to revaluation. General Reserve of Rs 50,000 is distributed as Rs 30,000 and Rs 20,000.

Step 2: Prepare Revaluation Account Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Provision for doubtful debts	1,600	By Plant and Machinery	6,600
To Anshu's Capital (profit)	3,000		
To Vihu's Capital (profit)	2,000		
Total	6,600	Total	6,600

Revaluation profit is Rs 5,000, allocated to Anshu and Vihu in 3:2. Since it is transferred completely to capitals, the account closes without a balance.

Step 3: Calculate proportionate capital Mani's premium of Rs 20,000 is credited as Rs 12,000 to Anshu and Rs 8,000 to Vihu.

$$\begin{aligned}\text{Anshu's adjusted capital} &= 1,44,000 + 30,000 + 3,000 + 3,000 + 12,000\\ &= \text{Rs } 1,92,000,\\ \text{Vihu's adjusted capital} &= 80,000 + 20,000 + 2,000 + 2,000 + 8,000\\ &= \text{Rs } 1,12,000.\end{aligned}$$

Their combined Rs 3,04,000 represents the remaining $4/5$ share. Thus Mani's capital is $3,04,000 \times (1/5)/(4/5) = \text{Rs } 76,000$. Her total cash contribution is Rs 96,000, including the separately treated goodwill premium.

Step 4: Prepare Partners Capital Accounts Partners' Capital Accounts

Dr.							Cr.
Particulars	Anshu Rs	Vihu Rs	Mani Rs	Particulars	Anshu Rs	Vihu Rs	Mani Rs
To Balance c/d	1,92,000	1,12,000	76,000	By Balance b/d	1,44,000	80,000	—
				By General Reserve	30,000	20,000	—
				By Investment Fund	3,000	2,000	—
				By Revaluation	3,000	2,000	—
				By Premium	12,000	8,000	—
				By Cash	—	—	76,000
Total	1,92,000	1,12,000	76,000	Total	1,92,000	1,12,000	76,000

Step 5: Conclusion Revaluation profit is Rs 5,000. Closing capitals: Anshu Rs 1,92,000, Vihu Rs 1,12,000 and Mani Rs 76,000.

Quick Tip to Solve: Absorb the investment fall in its fund first, and calculate incoming capital only after all old-partner adjustments.

OR

26(b). Trisha, Urvi and Varsha were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Their Balance Sheet as at 31st March, 2023 was as follows :

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

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals :		Fixed Assets	4,00,000
Trisha 2,00,000		Stock	1,00,000
Urvi 1,30,000		Debtors	1,50,000
Varsha 1,00,000	4,30,000	Cash	2,00,000
General Reserve	1,50,000		
Creditors	2,70,000		
	8,50,000		8,50,000

Trisha retired on 1st April, 2023 and the partners agreed to the following terms :

(i) Fixed Assets were found overvalued by Rs. 80,000.

(ii) Stock was taken over by Trisha at Rs. 80,000.

(iii) Goodwill of the firm was valued at Rs. 1,00,000 on Trisha's retirement and Trisha's share by goodwill was adjusted through the Capital Accounts of remaining partners.

(iv) New profit sharing ratio between the remaining partners was agreed at 2 : 3.

(v) Trisha was paid Rs. 50,000 on retirement and the balance was transferred to her loan account.

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

Solution:

Concept:

- General Reserve and revaluation loss are shared in the old ratio $5:4:1$. Assets taken by the retiring partner debit her capital at the agreed takeover value.
- Goodwill compensation is borne in the gaining ratio: new share minus old share. A retiring partner's unpaid entitlement is transferred to a loan account.

Step 1: Work out goodwill adjustment Urvi's gain is $2/5 - 4/10 = 0$; Varsha's gain is $3/5 - 1/10 = 1/2$. Thus Varsha alone compensates Trisha. Trisha's goodwill share is $1,00,000 \times 5/10 =$ Rs $50,000$. No goodwill account is opened because the adjustment is through partners' capitals. General Reserve of Rs 1,50,000 is allocated as Rs 75,000, Rs 60,000 and Rs 15,000 respectively.

Step 2: Record reserve and asset revaluation Journal of the Firm (1 April 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr	General Reserve A/c Dr.		1,50,000	
	To Trisha's Capital A/c			75,000
	To Urvi's Capital A/c			60,000
	To Varsha's Capital A/c			15,000
	(Being reserve distributed in old ratio)			
	Revaluation A/c Dr.		80,000	
	To Fixed Assets A/c			80,000
	(Being overvaluation of fixed assets corrected)			
	Revaluation A/c Dr.		20,000	
	To Stock A/c			20,000
	(Being stock reduced to takeover value)			
	Trisha's Capital A/c Dr.		80,000	
	To Stock A/c			80,000
	(Being stock taken over by Trisha)			

Step 3: Transfer revaluation loss and goodwill The loss is Rs 80,000 on fixed assets plus Rs 20,000 on stock, totalling Rs 1,00,000. Its old-ratio shares are Rs 50,000, Rs 40,000 and Rs 10,000. The stock account is fully cleared by the reduction and takeover together.

Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr	Trisha's Capital A/c Dr.		50,000	
	Urvi's Capital A/c Dr.		40,000	
	Varsha's Capital A/c Dr.		10,000	
	To Revaluation A/c			1,00,000
	(Being revaluation loss transferred in old ratio)			
	Varsha's Capital A/c Dr.		50,000	
	To Trisha's Capital A/c			50,000
	(Being Trisha's goodwill share adjusted against the sole gaining partner)			

Step 4: Settle Trisha capital Trisha's entitlement after taking stock is

$$2,00,000 + 75,000 - 50,000 + 50,000 - 80,000 = \text{Rs } 1,95,000.$$

After payment of Rs 50,000, the outstanding balance is Rs 1,45,000. Transfer this to her loan account so that her capital account is closed completely.

Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr	Trisha's Capital A/c Dr.		1,95,000	
	To Cash A/c			50,000
	To Trisha's Loan A/c			1,45,000
	(Being cash paid and balance transferred to loan on retirement)			

Step 5: Conclusion Trisha receives stock of Rs 80,000 and cash of Rs 50,000; Rs 1,45,000 is transferred to her loan. Varsha alone bears the Rs 50,000 goodwill adjustment.

Quick Tip to Solve: Compute each remaining partnerś gain separately: Urvi has no gain despite continuing in the firm.

Part B (20 marks)

Option – I

(Analysis of Financial Statements)

27. The Quick Ratio of a company is 1 : 1. Which of the following transactions will result in increase of this ratio ? [1 mark]

(A) Purchase of inventory Rs. 1,50,000 through cheque

(B) Sold inventory on credit Rs. 50,000

(C) Outstanding expenses of Rs. 40,000 paid

(D) Machinery purchased for cash Rs. 50,000

Correct Answer: (B) Sold inventory on credit Rs. 50,000

Solution:

Concept:

- Quick ratio equals quick assets divided by current liabilities. Quick assets exclude inventory and prepaid expenses.
- When the starting ratio is $1:1$, quick assets equal current liabilities; equal reductions in both preserve the ratio.

Step 1: Test credit sale and inventory purchase A credit sale of inventory for Rs 50,000 increases debtors, a quick asset, by Rs 50,000 without increasing current liabilities. Inventory removed was already excluded from quick assets. Thus option (B) increases the ratio. In (A), paying Rs 1,50,000 by cheque reduces bank balance and quick assets, while the inventory acquired is excluded; the ratio falls.

Step 2: Test liability payment and machinery purchase In (C), payment of outstanding expenses reduces quick assets and current liabilities by the same Rs 40,000. If both originally equal x, the new ratio is $(x-40,000)/(x-40,000)=1$, provided a positive liability balance remains. Thus it does not increase. In (D), cash falls by Rs 50,000 while machinery is a non-current asset, so quick assets fall with current liabilities unchanged; the ratio decreases.

Step 3: Conclusion The correct option is (B): Sold inventory on credit Rs 50,000.

Quick Tip to Solve: For a credit sale, count the new debtor as quick but do not subtract inventory from quick assets.

28. Which of the following transactions will result in cash outflow from operating activities ? [1 mark]

(A) Payment to creditors

(B) Proceeds from sale of investments

(C) Dividend received by a non-finance company

(D) Depreciation charged on furniture

Correct Answer: (A) Payment to creditors

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of an enterprise.
- Payments to suppliers and trade creditors for goods and services are operating cash outflows.

Step 1: Identify the nature of the payment Payment to creditors settles liabilities arising from purchases in the ordinary course of business. Cash decreases on making the payment, so this transaction is an operating cash outflow.

Step 2: Check the other transactions Proceeds from sale of investments are an investing inflow. Dividend received by a non-finance company is also an investing inflow. Depreciation charged on furniture is a non-cash expense and does not itself cause any cash outflow.

Step 3: Conclusion Payment to creditors results in cash outflow from operating activities. Hence, the correct option is (A).

Quick Tip to Solve: First check whether cash moves, then classify the underlying activity.

29(a). Which of the following is not a limitation of 'Analysis of Financial Statements' ? [1 mark]

(A) It is just a study of the reports of the company.

(B) It does not consider price level changes.

(C) It ascertains the relative importance of different components of the financial position of the firm.

(D) It may be misleading without the knowledge of the changes in accounting procedures followed by a firm.

Correct Answer: (C) It ascertains the relative importance of different components of the financial position of the firm.

Solution:

Concept:

- Financial statement analysis helps assess the significance and relationships of financial figures.
- A benefit of analysis is distinct from limitations caused by historical information and accounting policies.

Step 1: Identify the benefit Ascertaining the relative importance of different components of the financial position is a purpose and benefit of financial statement analysis. It helps interpret the composition of assets, liabilities and other financial figures.

Step 2: Check why the other statements are limitations Analysis is confined to the information

contained in company reports. It generally ignores price level changes, and comparisons may mislead if changes in accounting procedures are not understood. Therefore statements (A), (B) and (D) describe limitations.

Step 3: Conclusion Ascertaining the relative importance of different components is not a limitation. Hence, the correct option is (C).

Quick Tip to Solve: For a negative question, select the benefit after eliminating the genuine limitations.

OR

29(b). Ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources are known as : [1 mark]

(A) Liquidity ratios

(B) Turnover ratios

(C) Solvency ratios

(D) Profitability ratios

Correct Answer: (B) Turnover ratios

Solution:

Concept:

- Turnover or activity ratios measure how efficiently an enterprise uses its resources.
- These ratios relate business activity, such as sales or cost of revenue, to the resources employed.

Step 1: Match the definition The question emphasises efficiency of operations through effective utilisation of resources. This is measured by turnover ratios, such as inventory turnover and trade receivables turnover, which indicate how effectively assets support business activity.

Step 2: Distinguish the other groups Liquidity ratios assess ability to meet short-term obligations. Solvency ratios assess long-term financial stability and debt-paying capacity. Profitability ratios measure earning capacity. None of these is the specific group defined by efficiency of resource utilisation.

Step 3: Conclusion The ratios are turnover ratios. Hence, the correct option is (B).

Quick Tip to Solve: Link the phrase utilisation of resources with turnover or activity ratios.

30(a). Sale of patents of Rs. 50,00,000 will result in : [1 mark]

(A) Cash inflow of Rs. 50,00,000 from financing activities

(B) Cash outflow of Rs. 50,00,000 from financing activities

(C) Cash outflow of Rs. 50,00,000 from investing activities

(D) Cash inflow of Rs. 50,00,000 from investing activities

Correct Answer: (D) Cash inflow of Rs. 50,00,000 from investing activities

Solution:

Concept:

- Investing activities include acquisition and disposal of long-term assets, including intangible assets.
- A sale for cash causes an inflow; purchase or payment causes an outflow.

Step 1: Classify the asset disposal A patent is an intangible non-current asset. Cash proceeds from its disposal are classified under investing activities, because the transaction concerns the sale of a long-term asset.

Step 2: Determine the direction and amount Sale of patents brings cash into the company. Therefore the amount is an investing cash inflow of Rs 50,00,000. Financing activities concern changes in owners' capital and borrowings, so (A) and (B) are incorrect; (C) incorrectly describes the sale as an outflow.

Step 3: Conclusion Sale of patents gives a cash inflow of Rs 50,00,000 from investing activities. Hence, the correct option is (D).

Quick Tip to Solve: For disposal of a long-term asset, combine investing activity with cash inflow.

OR

30(b). Income tax paid is classified under : [1 mark]

(A) Operating activities

(B) Investing activities

(C) Financing activities

(D) Cash and cash equivalents

Correct Answer: (A) Operating activities

Solution:

Concept:

- Cash flows arising from income taxes are generally classified as operating activities.
- A tax payment reduces cash; cash and cash equivalents are the balance reconciled by the statement, not an activity category.

Step 1: Apply the classification rule Income tax paid is normally classified as a cash outflow from operating activities. The question gives no information identifying the tax payment specifically with an investing or financing transaction.

Step 2: Eliminate the remaining choices Investing activities concern long-term assets and investments, while financing activities concern capital and borrowings. Neither is indicated here. Cash and cash equivalents is not one of the three activity classifications, so (D) cannot classify this payment.

Step 3: Conclusion Income tax paid is classified under operating activities. Hence, the correct option is (A).

Quick Tip to Solve: Classify ordinary income tax payments as operating unless specifically linked to another activity.

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

(a) Copyrights

(b) Interest Accrued on investments

(c) Long-term investment in shares [3 marks]

Solution:

Concept:

- Schedule III groups assets into non-current assets and current assets according to their nature and expected realisation.
- Intangible assets are identifiable assets without physical substance; accrued income is an amount earned but not yet received.

Step 1: Classify copyrights Copyrights give an enforceable right over intellectual work and do not have physical substance. They are therefore shown under the major head Non-current assets, within Fixed assets, as Intangible assets. Their lack of physical form does not prevent recognition as an asset.

Step 2: Classify interest accrued on investments Interest accrued is interest already earned but not yet received. It is presented separately from the investment that earns it. Under the standard Schedule III classification used here, it is shown under the major head Current assets and the sub-head Other current assets.

Step 3: Classify the long-term investment in shares The shares are expressly held as a long-term investment, rather than as an investment for short-term realisation. They are therefore shown under the major head Non-current assets and sub-head Non-current investments. The classification follows the stated long-term nature of the holding.

Step 4: Conclusion The classifications in the Balance Sheet are:

Item	Major head	Sub-head
Copyrights	Non-current assets	Fixed assets: Intangible assets
Interest accrued on investments	Current assets	Other current assets
Long-term investment in shares	Non-current assets	Non-current investments

Quick Tip to Solve: Separate accrued interest from the investment itself; classify the receivable independently.

32. X Ltd. has a Current ratio of 3.5 : 1 and Quick ratio of 2 : 1. If excess of Current Assets over Quick Assets is represented by inventories of Rs. 16,000 and prepaid expenses of Rs. 8,000, calculate :

(a) Current Liabilities

(b) Current Assets

(c) Quick Assets [3 marks]

Solution:

Concept:

- Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$.
- Quick ratio $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$, where quick assets exclude inventories and prepaid expenses from current assets.

Step 1: Express both asset totals using current liabilities Let current liabilities be L. The given ratios imply

$$\text{Current assets} = 3.5L, \qquad \text{Quick assets} = 2L.$$

Both ratios have the same denominator, current liabilities. Hence subtracting their asset expressions isolates the items excluded from quick assets.

Step 2: Calculate current liabilities The excess of current assets over quick assets is inventories plus prepaid expenses:

$$\begin{aligned} \text{Current assets} - \text{Quick assets} &= 16,000 + 8,000 \\ &= 24,000. \\ 3.5L - 2L &= 24,000, \\ 1.5L &= 24,000, \\ L &= \text{Rs } 16,000. \end{aligned}$$

Thus current liabilities are Rs 16,000.

Step 3: Calculate current assets and quick assets Using the two ratios:

$$\begin{aligned} \text{Current assets} &= 3.5 \times 16,000 = \text{Rs } 56,000, \\ \text{Quick assets} &= 2 \times 16,000 = \text{Rs } 32,000. \end{aligned}$$

Check: Rs 56,000 less inventories of Rs 16,000 and prepaid expenses of Rs 8,000 equals Rs 32,000. Also, $56,000/16,000 = 3.5$ and $32,000/16,000 = 2$, satisfying both given ratios.

Step 4: Conclusion (a) Current liabilities = Rs 16,000; (b) Current assets = Rs 56,000; (c) Quick assets = Rs 32,000.

Quick Tip to Solve: Divide inventories plus prepaid expenses by the difference between the two ratios to find current liabilities.

33(a). From the given Balance Sheet of Moonlight Ltd., prepare a Common Size Balance Sheet :

Balance Sheet of Moonlight Ltd. as at 31st March, 2023

Particulars	31.03.2023 (Rs.)	31.03.2022 (Rs.)
I - Equity and Liabilities :		
1. Shareholders' Funds		
(a) Share Capital	12,00,000	5,00,000
2. Non-Current Liabilities		
(a) Long-term Borrowings	2,00,000	3,00,000
3. Current Liabilities		
(a) Trade Payables	6,00,000	2,00,000
Total	20,00,000	10,00,000
II - Assets :		
1. Non-Current Assets		
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets	14,00,000	7,00,000
2. Current Assets		
(a) Trade Receivables	4,00,000	2,50,000
(b) Inventories	2,00,000	50,000
Total	20,00,000	10,00,000

[4 marks]

Solution:

Concept:

- A common size balance sheet expresses each balance sheet item as a percentage of the total of its own side. Total assets and total equity and liabilities are each taken as 100%.
- For each year separately, Percentage $= \dfrac{\text{Item amount}}{\text{Balance sheet total}} \times 100$. The totals here are Rs 20,00,000 for 2023 and Rs 10,00,000 for 2022.

Step 1: Calculate the percentages for each year For 2023, share capital is $12,00,000/20,00,000 \times 100 = 60\%$, long-term borrowings are 10%, and trade payables are 30%. On the assets side, fixed assets are 70%, trade receivables are 20%, and inventories are 10%. For 2022, divide by Rs 10,00,000: share capital is 50%, long-term borrowings 30%, and trade payables 20%. Fixed assets are 70%, trade receivables 25%, and inventories 5%. Each side therefore totals 100% in each year.

Step 2: Prepare the common size balance sheet Common Size Balance Sheet of Moonlight Ltd. as at 31st March, 2023

Particulars	Amount (Rs)		Percentage	
	2023	2022	2023	2022
I. Equity and Liabilities				
1. Shareholders' Funds				
Share Capital	12,00,000	5,00,000	60	50
2. Non-Current Liabilities				
Long-term Borrowings	2,00,000	3,00,000	10	30
3. Current Liabilities				
Trade Payables	6,00,000	2,00,000	30	20
Total	20,00,000	10,00,000	100	100
II. Assets				
1. Non-Current Assets				
Fixed Assets/Property, Plant and Equipment and Intangible Assets	14,00,000	7,00,000	70	70
2. Current Assets				
Trade Receivables	4,00,000	2,50,000	20	25
Inventories	2,00,000	50,000	10	5
Total	20,00,000	10,00,000	100	100

Step 3: Conclusion The common size balance sheet above totals 100% on both sides for each year. Share capital increased from 50% to 60% of total financing, while fixed assets remained at 70% of total assets.

Quick Tip to Solve: Use each year's own balance sheet total as the denominator; never divide the 2022 amounts by the 2023 total.

OR

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

Particulars	Note No.	2022 - 23 (Rs.)	2021 - 22 (Rs.)
Revenue from operations		**25,00,000**	**20,00,000**
Employee benefit expenses		**5,00,000**	**4,00,000**
Other expenses		**2,50,000**	**2,00,000**
Tax rate 50%			

[4 marks]

Solution:

Concept:

- A comparative statement presents previous-year and current-year amounts together with their absolute and percentage changes. Absolute change = Current year − Previous year.
- Percentage change $= \dfrac{\text{Absolute change}}{\text{Previous-year amount}} \times 100$. Profit before tax equals revenue less expenses;

tax is 50% of profit before tax.

Step 1: Calculate expenses, profit and tax For 2021–22, total expenses are $4,00,000 + 2,00,000 =$ Rs $6,00,000$. Profit before tax is $20,00,000 - 6,00,000 =$ Rs $14,00,000$. Tax at 50% is Rs 7,00,000, leaving profit after tax of Rs 7,00,000. For 2022–23, total expenses are $5,00,000 + 2,50,000 =$ Rs $7,50,000$. Profit before tax is $25,00,000 - 7,50,000 =$ Rs $17,50,000$. Tax at 50% is Rs 8,75,000, leaving profit after tax of Rs 8,75,000.

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

Particulars	2021–22 (Rs)	2022–23 (Rs)	Increase (Rs)	Change (%)
I. Revenue from operations	20,00,000	25,00,000	5,00,000	25
II. Total revenue	20,00,000	25,00,000	5,00,000	25
III. Expenses:				
Employee benefit expenses	4,00,000	5,00,000	1,00,000	25
Other expenses	2,00,000	2,50,000	50,000	25
Total expenses	6,00,000	7,50,000	1,50,000	25
IV. Profit before tax (II–III)	14,00,000	17,50,000	3,50,000	25
V. Tax expense (50%)	7,00,000	8,75,000	1,75,000	25
VI. Profit after tax (IV–V)	7,00,000	8,75,000	1,75,000	25

For example, the percentage increase in profit after tax is $1,75,000/7,00,000 \times 100 = 25\%$. All the other rows also increase by one-fourth of their respective previous-year amounts. Revenue and expenses grow at the same rate, so the profit margin remains unchanged.

Step 3: Conclusion Profit after tax rose from Rs 7,00,000 to Rs 8,75,000, an increase of Rs 1,75,000 or 25%. The comparative statement shows a 25% increase in revenue, total expenses, profit before tax and tax expense as well.

Quick Tip to Solve: Compute tax separately for each year after finding profit before tax, then use the previous year as the base for every percentage change.

34. From the following particulars of Ruparel Ltd., calculate 'Cash Flow from Investing Activities'. Show your working clearly.

Particulars	31.03.2023 (Rs.)	31.03.2022 (Rs.)
Goodwill	3,00,000	1,00,000
Patents	1,60,000	2,80,000
Machinery	12,40,000	10,20,000
10% Investments	1,60,000	60,000

Additional Information :

(i) Patents of Rs. 1,20,000 were sold at book value.

(ii) Depreciation charged during the year on machinery was Rs. 1,40,000. A machine having a book value of Rs. 80,000 was sold for Rs. 50,000.

(iii) On 31.03.2023, 10% investments were purchased for Rs. 1,80,000 and some investments were sold at a profit of Rs. 20,000.

Interest received on investments was Rs. 6,000. [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire long-term assets and investments and cash received on their disposal. Interest received is an investing inflow for a non-financial enterprise.
- For a depreciable asset, closing carrying amount equals opening carrying amount plus purchases less carrying amount sold less depreciation. Depreciation and loss on sale are not themselves investing cash flows.

Step 1: Calculate goodwill purchased The goodwill balance rises from Rs 1,00,000 to Rs 3,00,000. With no other goodwill adjustment stated, cash paid for goodwill is

$$3,00,000 - 1,00,000 = \text{Rs } 2,00,000.$$

This is an investing outflow.

Step 2: Find proceeds from patents Patents costing Rs 1,20,000 at book value were sold for the same amount. The balance reconciliation is

$$2,80,000 - 1,20,000 = 1,60,000,$$

exactly the closing balance. Therefore no patent purchase is required, and the cash inflow from sale is Rs 1,20,000.

Step 3: Calculate machinery purchased Let machinery purchases be P. Use the carrying amount of the machine sold, not its sale proceeds, in the asset reconciliation:

$$12,40,000 = 10,20,000 + P - 80,000 - 1,40,000,$$
$$P = \text{Rs } 4,40,000.$$

Thus machinery purchase is an outflow of Rs 4,40,000 and machinery sale is an inflow of Rs 50,000.

The loss of Rs 30,000 is not a separate investing payment.

Step 4: Calculate proceeds from investments The book value of investments sold is

$$60,000 + 1,80,000 - 1,60,000 = \text{Rs } 80,000.$$

Adding the stated profit gives sale proceeds of

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

Purchase of investments is an outflow of Rs 1,80,000. Interest actually received, Rs 6,000, is recorded separately as an investing inflow; the closing purchase date does not change the stated receipt.

Step 5: Prepare the investing activities statement Ruparel Ltd. — Cash Flow from Investing Activities for the year ended 31 March 2023

Particulars	Amount (Rs)
Sale of patents	1,20,000
Sale of machinery	50,000
Sale of investments	1,00,000
Interest received	6,000
Total cash inflows	2,76,000
Purchase of goodwill	(2,00,000)
Purchase of machinery	(4,40,000)
Purchase of investments	(1,80,000)
Total cash outflows	(8,20,000)
Net cash used in investing activities	(5,44,000)

Parentheses indicate cash outflows. The net is obtained by subtracting Rs 8,20,000 from Rs 2,76,000.

Step 6: Conclusion Net cash flow from investing activities is $\boxed{-\text{Rs } 5,44,000}$, i.e. cash used in investing activities of Rs 5,44,000.

Quick Tip to Solve: Reconcile assets at book value first; use actual sale proceeds only in the cash flow statement.

OPTION – II (Computerised Accounting)

27. Which of the following is not an advantage of computerised accounting system ? [1 mark]

(A) Timely generation of reports in desired format

(B) Ensures effective control over the system

(C) Faster obsolescence of technology

(D) Confidentiality of data is maintained

Correct Answer: (C) Faster obsolescence of technology

Solution:

Concept:

- An advantage is a beneficial feature of a system; technological obsolescence is the risk that equipment or software becomes outdated.
- Computerised accounting can provide timely reports, access controls and protected data when

appropriately configured.

Step 1: Identify the adverse feature Faster obsolescence forces the business to upgrade software, hardware and employee skills more frequently. It raises maintenance and replacement requirements, so it is a limitation rather than a benefit.

Step 2: Check the remaining choices Timely generation of reports in the desired format is a benefit of automated processing. Effective system control and maintenance of data confidentiality are also intended advantages of computerised accounting through controls and authorised access. Thus (A), (B) and (D) do not answer the negative wording.

Step 3: Conclusion Faster obsolescence of technology is not an advantage. Hence, the correct option is (C).

Quick Tip to Solve: Underline "not an advantage" and choose the feature that creates a cost or limitation.

28(a). A 'legend' can be repositioned on the chart : [1 mark]

(A) On the right side only

(B) On the left side only

(C) On the bottom of x-axis

(D) Anywhere

Correct Answer: (D) Anywhere

Solution:

Concept:

- A legend identifies data series using their colours, patterns or symbols. Its position is a chart formatting choice.
- A legend can be placed at different locations to improve readability without changing the underlying data.

Step 1: Apply the positioning facility A chart legend is not fixed to one edge. It may be repositioned to the right, left, top or bottom, and moved as the chart layout requires. Therefore the general freedom to position it is the relevant feature.

Step 2: Compare all options Options (A) and (B) incorrectly restrict the legend to one side by saying "only". Option (C) names a possible location but does not describe the full range of allowed positions. Option (D), "Anywhere", captures the ability to reposition the legend on the chart.

Step 3: Conclusion The legend can be repositioned anywhere on the chart. Hence, the correct option is (D).

Quick Tip to Solve: A legend explains series; choose the option describing its full positioning flexibility.

OR

28(b). The need for codification is for : [1 mark]

(A) the generation of mnemonic codes

(B) securing the accounting reports

(C) easy processing of data and keeping records

(D) the encryption of data

Correct Answer: (C) easy processing of data and keeping records

Solution:

Concept:

- Codification assigns systematic symbols, numbers or letters to accounts and records for identification and classification.
- Its purpose is efficient recording, sorting, retrieval and processing of accounting data.

Step 1: Identify the purpose Codes give each account or record a convenient identifier, reducing repeated writing of long descriptions. They help the computer group similar transactions, locate records and process accounting information consistently.

Step 2: Eliminate the other purposes Mnemonic codes in (A) are one possible type of code, rather than the general need for codification. Securing accounting reports in (B) concerns access controls. Encryption in (D) protects data by transforming it into unreadable form. Ordinary account coding does not by itself provide either security function.

Step 3: Conclusion Codification is needed for easy processing of data and keeping records. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish account identification codes from passwords and encryption used for data security.

29. To see all available shape styles of a chart, which of the following buttons is clicked ? [1 mark]

(A) More

(B) Chart tool

(C) Picture

(D) Custom

Correct Answer: (A) More

Solution:

Concept:

- Shape styles are predefined formatting combinations for a selected chart element.
- A gallery may initially show only some styles; its More button expands the available choices.

Step 1: Identify the gallery control To see all available shape styles, expand the style gallery by clicking its More button. This exposes the styles that are not visible in the compact gallery so that an

appropriate style can be selected.

Step 2: Check the alternatives Chart tools in (B) provide contextual chart commands but are not the specific button used to expand the shape styles gallery. Picture in (C) concerns image-related commands, while Custom in (D) is not the gallery expansion button asked for. Therefore only More directly satisfies the stated action.

Step 3: Conclusion Click the More button. Hence, the correct option is (A).

Quick Tip to Solve: When a question asks to see every gallery style, look for the gallery expansion button, More.

30(a). A sequential code refers to code applied to some documents where : [1 mark]

(A) Account heads are assigned to documents

(B) Numbers and letters are assigned in consecutive order

(C) Special names are given to accounts

(D) Documents are arranged in special sequence

Correct Answer: (B) Numbers and letters are assigned in consecutive order

Solution:

Concept:

- Sequential coding assigns numbers or letters to documents or records consecutively in a defined order.
- The sequence supplies a unique identifier and helps locate missing or duplicated document numbers.

Step 1: Apply the definition In sequential coding, successive documents receive successive identifiers, for example 101, 102 and 103. The defining action is assigning numbers or letters in consecutive order, as stated in option (B).

Step 2: Distinguish the distractors Assigning account heads in (A) is classification of transactions rather than the definition of a sequential code. Special account names in (C) suggest descriptive or mnemonic identification. Arranging documents in a special sequence in (D) refers to filing or ordering them, without necessarily assigning consecutive codes.

Step 3: Conclusion Numbers and letters are assigned in consecutive order. Hence, the correct option is (B).

Quick Tip to Solve: Sequential means consecutive identifiers; do not confuse coding documents with merely filing them.

OR

30(b). Name the Accounting information sub-system which is linked with other sub-systems for obtaining information about cost and expenses : [1 mark]

(A) Cash and Bank sub-system

(B) Costing sub-system

(C) Expense accounting sub-system

(D) Final accounts sub-system

Correct Answer: (B) Costing sub-system

Solution:

Concept:

- An accounting information system contains interrelated sub-systems that exchange accounting data.
- The costing sub-system collects cost and expense information from other sub-systems to determine and analyse costs.

Step 1: Identify the information required The question asks for the sub-system that obtains information on costs and expenses from other sub-systems. This is the costing sub-system, which brings together information about materials, labour and other expenses for costing purposes.

Step 2: Check the alternatives Cash and Bank deals principally with receipts, payments and balances. Expense accounting records expenses, while Final accounts prepares final financial statements. The integrating function of obtaining cost information from these sources belongs to the costing sub-system.

Step 3: Conclusion The correct option is (B): Costing sub-system.

Quick Tip to Solve: Link the words cost and interlinked sub-systems with the costing sub-system.

31. Explain the following two features of computerised accounting system :

(a) Accuracy and speed

(b) Scalability [3 marks]

Solution:

Concept:

- A computerised accounting system processes accounting data using programmed instructions and an accounting database.
- Accuracy and speed concern reliable, rapid processing; scalability concerns adapting processing capacity as the business grows.

Step 1: (a) Accuracy and speed A computerised accounting system carries out calculations and processes a large number of transactions much faster than a manual system. Once a transaction is entered, the software can update the relevant ledgers and generate balances and reports quickly. Repetitive calculations, such as totals and balances, are performed accurately according to the

programmed instructions. For example, a sales entry can immediately update the customer account and the related reports. However, the accuracy of the output depends on correct input data and correct software instructions; an incorrectly entered amount can still produce an incorrect report.

Step 2: (b) Scalability Scalability means the ability of the computerised accounting system to handle an increase in the volume of transactions and in the number of users as the organisation expands. Suitable software can be extended or upgraded, and hardware or storage capacity can be increased when necessary. Thus, the system can support additional customers, branches or accounting records without requiring a completely different accounting procedure. For example, a growing enterprise can expand the system to process more invoices and provide access to more authorised users.

Step 3: Conclusion Accuracy and speed enable rapid, accurate processing of correctly entered data; scalability enables the system to accommodate growth in transactions and users.

Quick Tip to Solve: Explain scalability through increased transactions or users, rather than merely faster calculations.

32. Give the meaning of 'Labels' and 'Formulas' as used in spreadsheet. [3 marks]

Solution:

Concept:

- A spreadsheet stores information in cells identified by a column letter and a row number.
- Labels identify and describe information, whereas formulas instruct the spreadsheet to calculate a result.

Step 1: Meaning of Labels Labels are text entries used to identify, describe or explain the data in a spreadsheet. They commonly appear as worksheet titles, column headings, row headings or descriptions. For example, Sales, Purchases, Employee Name and Total Expenses are labels. Their purpose is to make the worksheet understandable and show what the corresponding figures represent. A label is not itself an instruction to perform a calculation; the numbers associated with a heading are entered separately in the relevant cells.

Step 2: Meaning of Formulas Formulas are expressions entered in spreadsheet cells to calculate results using numbers, cell references, operators and, where required, functions. A formula normally begins with the equals sign (=). For example, entering =B2+C2 adds the values in cells B2 and C2, while =SUM(B2:B6) adds the values in that range. The cell displays the calculated result, and the spreadsheet recalculates that result when the referenced values change. Thus, a formula is different from a fixed numerical entry: it expresses the relationship used to obtain the answer.

Step 3: Conclusion Labels describe spreadsheet data; formulas calculate results from specified values or cell references.

Quick Tip to Solve: Use a text heading as the label example and an expression beginning with = as the formula example.

33(a). State steps to be taken in preparation of a chart. [4 marks]

Solution:

Concept:

- A chart presents worksheet data graphically so that comparisons, trends and relationships are easier to see.
- A meaningful chart requires the correct data range, a suitable chart type and clear titles, axes and legends.

Step 1: Prepare and select the source data Enter and arrange the data in worksheet rows or columns, including clear category headings and series names. Select the complete range to be represented, including the relevant headings. For example, for monthly sales, select both the month names and the corresponding sales figures so that the chart has category labels as well as values.

Step 2: Insert a suitable chart Choose the chart command from the Insert menu or toolbar to start the chart wizard or chart insertion facility. Select an appropriate chart type and subtype, such as a column chart for comparing categories, a line chart for showing changes over time, or a pie chart for showing parts of a whole. Confirm the choice and proceed to the data settings.

Step 3: Specify the data range and chart options Check the selected data range and specify whether the data series are arranged in rows or columns. Verify the series names and category labels. Enter a suitable chart title and, where applicable, titles for the horizontal and vertical axes. Set the required legend, gridlines and data labels so that a reader can identify the series and interpret the figures clearly.

Step 4: Choose the location and finish Choose whether the chart should be placed as an object in the existing worksheet or on a separate chart sheet. Finish the wizard or confirm the insertion. Review the completed chart against the worksheet data, and adjust its size, position and formatting where necessary so that labels are readable and the graphical presentation accurately represents the selected values.

Step 5: Conclusion Select the data, choose the chart type, verify the data series, set chart options, choose the location and finish the chart.

Quick Tip to Solve: Remember the sequence: data range, chart type, series, titles and legend, location, finish.

OR

33(b). What are the uses of 'Error Alert tab' ? [4 marks]

Solution:

Concept:

- Data validation restricts entries in spreadsheet cells to specified conditions, such as whole numbers in a given range.
- The Error Alert tab in the Data Validation dialog determines the response when a user directly types data that violates the validation rule.

Step 1: Enable the error alert Select Show error alert after invalid data is entered to display a message when an entry violates the rule. This gives immediate feedback at the point of entry and helps the operator correct an accidental mistake. The validation condition is set on the Settings tab; the Error Alert tab controls the response to a violation.

Step 2: Choose the alert style The Style box offers Stop, Warning and Information. Stop prevents the invalid entry from being accepted and lets the user retry or cancel. Warning warns the user but permits the invalid entry if the user confirms it. Information displays an informational message and also permits the entry to be accepted. The choice therefore determines whether the restriction is compulsory or whether an exception may be accepted.

Step 3: Customise the message The Title box gives a short heading to the alert, while the Error message box explains the permitted entry or the corrective action. For example, for a percentage restricted to 0 through 100, the title may be Invalid percentage and the message may say Enter a number between 0 and 100. Typing 125 then triggers this alert. A meaningful message helps users understand the error and reduces repeated mistakes in accounting data entry.

Step 4: Conclusion The Error Alert tab enables the invalid-entry alert, selects its severity through Stop, Warning or Information, and customises the title and error message.

Quick Tip to Solve: Remember four controls: enable the alert, select its style, enter a title and write a useful message.

34. What is meant by 'Merging a range of cells' ? How is it done ? State the steps to split a merged cell. [6 marks]

Solution:

Concept:

- Merging a range of cells combines adjacent cells into one larger cell spanning the selected rows or columns. It is commonly used to place a single heading across several columns.
- Splitting a merged cell means undoing the merge so that the original grid of separate cells is restored. It does not divide the text automatically among those cells.

Step 1: Meaning and example of merging For example, selecting cells A1 through D1 and merging them creates one cell extending across the width of four columns. A heading such as Income and Expenditure Account can then be displayed across that width. Merge and Center also centres the heading horizontally; ordinary Merge Cells combines the cells without necessarily centring the content.

Step 2: Prepare the range Enter the heading in the upper-left cell of the intended range and select the complete adjacent range to be combined, for example A1:D1. Check the other selected cells before proceeding: when several selected cells contain data, merging retains only the upper-left cell content and may discard the other contents after a warning. Move any required data elsewhere before accepting that warning.

Step 3: Merge the selected cells In Excel, open the Home tab and locate the Alignment group. Click Merge and Center to combine the selected range and centre its heading. Alternatively, open its drop-down menu and choose Merge Cells if centring is not wanted. The same basic operation is

available by opening Format Cells, choosing the Alignment tab, selecting Merge cells and clicking OK. The selected range now behaves as one merged cell.

Step 4: Split the merged cell Select the merged cell to be split. On the Home tab, in the Alignment group, open the Merge and Center drop-down and select Unmerge Cells. Alternatively, open Format Cells, select the Alignment tab, clear the Merge cells check box and click OK. The original individual cells reappear. The existing content remains in the upper-left cell, while the other restored cells are blank; contents discarded during the original merge are not recovered by unmerging.

Step 5: Conclusion Merging combines an adjacent range into one cell. Select the range and use Merge and Center or Merge Cells; to split it again, select the merged cell and use Unmerge Cells or clear Merge cells in Format Cells.

Quick Tip to Solve: Keep the heading in the upper-left cell before merging; unmerging restores cells but does not restore discarded data.