CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-S-2 - 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. 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 to profit shares, capital per unit of profit share is equal for all partners.
- The adjusted combined capital of the old partners represents their combined share after admission.

Step 1: Identify the capital represented by the old partners The adjusted old capitals total $62,000 + 52,000 + 36,000 = \text{Rs } 1,50,000$. Dheeraj receives $1/5$, leaving $4/5$ of the future profits with the old partners.

Step 2: Calculate the capital for the new share Total capital of the reconstituted firm is

$$\frac{1,50,000}{4/5} = \text{Rs } 1,87,500.$$

Thus, capital for Dheeraj's $1/5$ share is $1,87,500 \times 1/5 = \text{Rs } 37,500$. Rs 30,000 incorrectly treats the old partners' capital as the total capital; Rs 32,500 and Rs 35,000 do not preserve proportionality.

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

Quick Tip to Solve: Divide the old partners' combined capital by their retained share before multiplying by the incoming partner's share.

2. 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 prescribed maximum number of partners in an ordinary partnership firm is 50.
- The limit follows the rules under the Companies Act, 2013; the Indian Partnership Act, 1932 does not prescribe that maximum.

Step 1: Judge the assertion Assertion (A) states that the maximum number of partners is 50. This is the prescribed limit relevant to the question, so the assertion is correct.

Step 2: Judge the reason Reason (R) attributes that maximum to the Partnership Act, 1932. The limit of 50 is prescribed by Rule 10 of the Companies (Miscellaneous) Rules, 2014 under Section 464 of the Companies Act, 2013. The reason is therefore incorrect.

Step 3: Check the explanatory relationship and options An incorrect reason cannot explain a correct assertion. Options (A) and (B) incorrectly treat the reason as correct; option (D) incorrectly rejects the assertion. Only the option describing a correct assertion and an incorrect reason fits.

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

Quick Tip to Solve: Distinguish the Act governing partnership relations from the Companies Act rules prescribing the maximum size.

3. 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:

- Existing goodwill is an asset belonging to the old partners; its write-off is borne in their old profit-sharing ratio.
- The incoming partner's premium compensates sacrificing partners and is treated separately from existing goodwill.

Step 1: Identify who bears the write-off Goodwill of Rs 1,20,000 already stands in the books before Neel's admission. It must be eliminated against the capital accounts of Kamini, Lata and Meera, the old partners. Neel does not bear this pre-admission write-off.

Step 2: Apply the old sharing ratio The old partners share equally, so each is charged $1,20,000 \times 1/3 =$ Rs $40,000$. The relevant rule is old partners in their old ratio. Options referring to the sacrificing ratio confuse writing off the existing asset with distributing a fresh goodwill premium; the option involving the new partners is also incorrect.

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

Quick Tip to Solve: For goodwill already in the books use the old ratio; for premium brought by a new partner use the sacrificing ratio.

4(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:

- A continuing partner's new share equals the old share less the share sacrificed.

- An incoming share acquired equally from two partners reduces each of their shares by half of the incoming share.

Step 1: Find the individual sacrifices Old shares of Renu, Trilok and Mansi are $9/20, 6/20, 5/20$. Hina acquires $1/10 = 2/20$ equally from Renu and Trilok, so each sacrifices $1/20$. Mansi sacrifices nothing.

Step 2: Calculate and compare the new shares Renu retains $9/20 - 1/20 = 8/20$, Trilok retains $6/20 - 1/20 = 5/20$, and Mansi retains $5/20$. Hina receives $2/20$. In the stated partner order, the shares sum to $20/20$. Options (A) and (B) give Renu the wrong share, while option (C) gives Trilok and Hina the wrong shares.

Step 3: Conclusion The new ratio Renu : Trilok : Mansi : Hina is $\boxed{8:5:5:2}$. Hence, the correct option is (D).

Quick Tip to Solve: Write all shares over 20 and deduct 1 from each of the two sacrificing partners' numerators.

OR

4(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:

- The new share of each old partner equals the original share minus that partner's specified sacrifice.
- Use fractions of the firm's total profit directly when the incoming share is stated as taken from individual partners.

Step 1: Deduct the stated shares Ashu's original share is $4/7$, from which Nitu takes $2/7$; Ashu retains $2/7$. Ria's original share is $3/7$, from which Nitu takes $1/7$; Ria also retains $2/7$.

Step 2: Include Nitu and check the total Nitu receives $2/7 + 1/7 = 3/7$. The new shares total $2/7 + 2/7 + 3/7 = 1$. Therefore their ratio follows from the numerators in the order Ashu, Ria and Nitu. Options (A) and (D) retain the old partners' original numerators; option (B) reduces Ria's share too far.

Step 3: Conclusion The new profit-sharing ratio is $\boxed{2:2:3}$. Hence, the correct option is (C).

Quick Tip to Solve: When the exact share taken from each partner is given, subtract it directly instead of applying the old ratio again.

5. 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:

- For equal drawings at regular intervals, interest can be calculated on total drawings for the average outstanding period.
- The average period equals half the sum of the periods of the first and last withdrawals.

Step 1: List the outstanding periods The accounting year runs from 1 April 2022 to 31 March 2023. Withdrawals on the first days of the four quarters are outstanding for 12, 9, 6 and 3 months respectively. Equal amounts of Rs 6,000 make a simple average appropriate.

Step 2: Find the average period

$$\text{Average period} = \frac{12+9+6+3}{4} = \frac{12+3}{2} = 7.5 \text{ months}.$$

As a check, interest is $24,000 \times 5/100 \times 7.5/12 = \text{Rs } 750$. Six months corresponds to middle-of-quarter drawings, 4.5 months to end-of-quarter drawings, and three months is only the final withdrawal's period.

Step 3: Conclusion Interest is calculated for $\boxed{7.5 \text{ months}}$. Hence, the correct option is (C).

Quick Tip to Solve: For equal quarterly drawings at the beginning, average the first period of 12 months and last period of 3 months.

6. 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 a creditor reduces the debt by its agreed takeover value, not necessarily its book value.
- The cash or cheque payment equals the total creditor balance less the amount settled by the asset.

Step 1: Calculate the agreed furniture value Furniture with a book value of Rs 60,000 is accepted at 10% less. The reduction is $60,000 \times 10/100 = \text{Rs } 6,000$, so the amount settled through furniture is $60,000 - 6,000 = \text{Rs } 54,000$.

Step 2: Determine the balance payable The creditors are owed Rs 60,000 in total. After allowing Rs 54,000 for the furniture, the outstanding balance is

$$60,000 - 54,000 = \text{Rs } 6,000.$$

Rs 54,000 is the asset settlement, not the cheque; nil ignores the discount, and Rs 5,000 has no basis in the stated figures.

Step 3: Conclusion The cheque payment is $\boxed{\text{Rs } 6,000}$. Hence, the correct option is (B).

Quick Tip to Solve: First deduct the takeover discount from the asset's book value, then deduct that agreed value from the creditor balance.

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 profit unless the deed makes it a charge; it is limited to available profit.
- When profit is insufficient, distribute it in the ratio of the partners' interest entitlements, not their profit-sharing ratio.

Step 1: Calculate the full entitlements Daksh's annual entitlement is $1,60,000 \times 10/100 = \text{Rs } 16,000$, and Ekansh's is $1,00,000 \times 10/100 = \text{Rs } 10,000$. Total interest of Rs 26,000 exceeds the available profit of Rs 13,000.

Step 2: Allocate the available profit The interest entitlements are in the ratio $16,000 : 10,000 = 8 : 5$. Thus Daksh receives

$$13,000 \times \frac{8}{13} = \text{Rs } 8,000.$$

Rs 5,000 belongs to Ekansh; Rs 16,000 is Daksh's unrestricted entitlement, while Rs 10,000 is Ekansh's unrestricted entitlement. The 3:1 profit-sharing ratio is not used for this allocation.

Step 3: Conclusion Daksh's interest on capital is $\boxed{\text{Rs } 8,000}$. Hence, the correct option is (B).

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

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 when it is an appropriation and the deed does not make it a charge.
- Only the residual profit after appropriations is shared in the agreed profit-sharing ratio.

Step 1: Restrict interest to the available profit The full interest entitlements are Rs 16,000 for Daksh and Rs 10,000 for Ekansh, totalling Rs 26,000. Since profit is only Rs 13,000, it is allocated as interest in the ratio $8 : 5$, giving Rs 8,000 and Rs 5,000 respectively.

Step 2: Calculate the residual profit

$$\text{Residual profit} = 13,000 - 8,000 - 5,000 = 0.$$

Hence Ekansh's one-quarter share of the residual is zero. Charging full interest and creating a Rs 13,000 loss would wrongly produce the loss options. Rs 9,750 profit is three-quarters of the initial profit and ignores the prior interest appropriation.

Step 3: Conclusion Ekansh's share of profit/loss is $\boxed{\text{Nil}}$. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish Ekansh's Rs 5,000 interest allowance from his share of the residual profit, which is zero here.

9. 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 means a change in the existing relationship among partners; the firm may continue after reconstitution.
- In the textbook distinction, dissolution of partnership is by mutual agreement, while dissolution of the firm may also involve an order of the court.

Step 1: Judge the assertion Assertion (A) is correct. A change in the partnership relationship, without necessarily closing the firm, is distinguished here from dissolution of the firm by a court.

Step 2: Judge the reason Reason (R) is correct: dissolution of partnership takes place by mutual agreement among the partners. It concerns their agreement governing the partnership relationship.

Step 3: Check the explanatory connection The mutual agreement of the partners explains why court intervention is not involved in this textbook category. Thus the reason explains the assertion. Option (A) denies that connection; options (C) and (D) wrongly reject one of the statements.

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

Quick Tip to Solve: Distinguish dissolution of partnership from dissolution of the firm before judging the role of a court.

10(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 are amounts already due on allotment or calls that shareholders have not paid.
- The Calls in Arrears Account has a debit balance; calls in advance represent money received before it becomes due and have a credit balance.

Step 1: Identify the unpaid amount The words "money not received" on allotment or calls identify a shortfall against an amount already demanded from shareholders. This shortfall is calls in arrears.

Step 2: Apply the debit-credit rule When the unpaid amount is transferred to a separate account, Calls in Arrears Account is debited and the relevant allotment or call account is credited. Options (A) and (B) concern advance receipts, while option (D) reverses the required treatment of the arrears.

Step 3: Conclusion Money not received is debited to Calls in Arrears Account. Hence, the correct option is (C).

Quick Tip to Solve: Unpaid but due means arrears and a debit; received before due means advance and a credit.

OR

10(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 are backed by a charge on the assets of the company.
- Debentures can also be classified by registration, coupon rate and redemption terms; these classifications describe different features.

Step 1: Identify the security feature The decisive phrase is "a charge is created on the assets". This gives debentureholders security over the charged assets for payment if the company defaults.

Step 2: Distinguish the other classifications Registered debentures relate to recording the holder's details. Specific coupon rate debentures carry a specified interest rate. Redeemable debentures are repayable according to their terms. None of these names specifically identifies the asset charge described in the question.

Step 3: Conclusion Debentures backed by the stated charge are Secured Debentures. Hence, the correct option is (A).

Quick Tip to Solve: Match an asset charge with security; registration, interest rate and repayment describe separate features.

11(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:

- Total loss on issue includes both discount on issue and premium payable on redemption: $L = D + P$.
- Issue discount is computed on nominal value: $D = N \times F \times d$, where N is the number, F the face value and d the discount rate.

Step 1: Calculate the discount on issue The nominal value of the debentures is $6,000 \times \text{Rs } 100 = \text{Rs } 6,00,000$. Therefore, discount on issue is

$$D = 6,00,000 \times \frac{10}{100} = \text{Rs } 60,000.$$

Step 2: Separate redemption premium from total loss The total loss is Rs 90,000, so

$$P = L - D = 90,000 - 60,000 = \text{Rs } 30,000.$$

Rs 60,000 is the issue discount, Rs 90,000 is the combined loss, and Rs 1,20,000 does not satisfy the loss equation. The 11% coupon rate concerns interest, not this loss.

Step 3: Conclusion The premium on redemption of debentures is Rs 30,000. Hence, the correct option is (D).

Quick Tip to Solve: Subtract issue discount from total loss to isolate redemption premium; ignore the coupon rate here.

OR

11(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, not on the cash received at issue.
- Interest = number of debentures × face value × annual coupon rate × time in years.

Step 1: Determine principal and period The nominal debenture liability is $10,000 \times \text{Rs } 100 = \text{Rs } 10,00,000$. The debentures were issued on 1 April 2022 and remain outstanding for the full year ending 31 March 2023, so the time fraction is $12/12 = 1$.

Step 2: Calculate annual interest

$$I = 10,00,000 \times \frac{12}{100} \times 1 = \text{Rs } 1,20,000.$$

The 5% issue premium is Rs 50,000 and is not interest-bearing principal. Rs 1,26,000 wrongly uses issue proceeds of Rs 10,50,000; Rs 1,00,000 does not apply the stated 12% rate.

Step 3: Conclusion Total interest for the year is Rs 1,20,000. Hence, the correct option is (A).

Quick Tip to Solve: Use face value for coupon interest and count the period from the issue date; exclude the issue premium.

12(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:

- An existing debit balance of Profit and Loss Account is an accumulated loss belonging to the partners in their old profit sharing ratio.
- If the loss remains in the books, adjust the capital accounts for the difference between each partner's old burden and the burden under the new ratio.

Step 1: Compare the old and new loss burdens Deepa's old share is $2/5$, but her new share is $1/5$. Retaining the loss reduces her eventual burden by $50,000 \times (2/5 - 1/5) = \text{Rs } 10,000$, so debit her capital. Frank's share rises from $1/5$ to $2/5$; credit him Rs 10,000 to compensate for the extra loss burden. Elton's share stays at $2/5$, requiring no adjustment.

Step 2: Record the compensating entry Journal of the Firm

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

The Profit and Loss Account is untouched. Rs 5,000 uses the wrong change in share; debiting Frank reverses the compensation required.

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

Quick Tip to Solve: For a retained loss, debit the partner whose future burden falls and credit the partner whose burden rises.

OR

12(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:

- An existing credit balance of Profit and Loss Account is accumulated profit belonging to the partners in the old ratio.
- When accumulated profit is retained, gaining partners compensate sacrificing partners through capital accounts for the change in their claims.

Step 1: Compute sacrifice and gain Som's share falls from $7/10$ to $1/10$, a sacrifice of $6/10$. Ron's share rises from $1/10$ to $7/10$, a gain of $6/10$. Pam remains at $2/10$. Thus Ron must compensate Som by

$$\text{Rs } 1,00,000 \times \frac{6}{10} = \text{Rs } 60,000.$$

Step 2: Record the capital adjustment Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Ron's Capital A/c Dr. To Som's Capital A/c (Being adjustment for accumulated profit retained in the books on change of ratio)		60,000	 60,000

The credit balance itself is retained. Rs 20,000 is not the value of the change in share; debiting Som would charge the sacrificing partner instead of compensating him.

Step 3: Conclusion Debit Ron's Capital Account and credit Som's Capital Account by Rs 60,000 each. Hence, the correct option is (B).

Quick Tip to Solve: For retained profit, multiply the balance by the gain in share and debit the gaining partner.

13(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's new share equals the old share plus the share acquired from the retiring partner.
- Where one partner takes the entire retiring partner's share, the other continuing partner's share remains unchanged.

Step 1: Allocate Roy's share The old ratio $3:2:1$ gives Anu $3/6$, Bina $2/6$ and Roy $1/6$. Since Anu acquires all of Roy's share, her new share is $3/6 + 1/6 = 4/6$. Bina's share stays $2/6$.

Step 2: Reduce the new ratio The new ratio is

$$\frac{4}{6} : \frac{2}{6} = 4:2 = 2:1.$$

The two new shares total one. The ratio $3:2$ merely deletes Roy without assigning his share as directed; $3:1$ and $1:1$ do not preserve Bina's unchanged $2/6$ share.

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: First add the retiring partner's fraction to its stated recipient; only then simplify the new ratio.

OR

13(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:

- A continuing partner's new profit share equals the old share plus the acquired share.
- Equal acquisition means equal additions to the old shares, not equal final shares.

Step 1: Divide the retiring share equally The old ratio $4:3:2$ gives Asha $4/9$, Yug $3/9$ and Zubin $2/9$. Each continuing partner acquires half of Zubin's share:

$$\frac{1}{2} \times \frac{2}{9} = \frac{1}{9}.$$

Step 2: Find the revised shares and compare options Asha's new share is $4/9 + 1/9 = 5/9$, while Yug's is $3/9 + 1/9 = 4/9$. Therefore, the new ratio is $5:4$, and the shares sum to one. The ratio $4:3$ omits the stated equal acquisition; $3:2$ and $2:1$ do not result from adding $1/9$ to each old share.

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, split Zubin's two parts equally and add one part to each continuing partner.

14. 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 Account is debited only for premium that became due but was not received.
- Premium already collected on application is retained; it is not reversed on forfeiture.

Step 1: Identify unpaid premium The total premium is Rs 6 per share. Application included Rs 1 premium, which was received. Allotment included Rs 2 premium and the first and final call included the remaining premium of $6 - 1 - 2 = \text{Rs } 3$ per share. Both these instalments were unpaid on 1,000 shares.

Step 2: Calculate the reversal and test the options The unpaid premium per share is $2 + 3 = \text{Rs } 5$. Therefore, the debit to Securities Premium Account is $1,000 \times 5 = \text{Rs } 5,000$. Rs 2,000 counts only allotment premium, while Rs 3,000 counts only call premium. Rs 20,000 is unrelated to the unpaid premium on the forfeited shares.

Step 3: Conclusion Securities Premium Account will be debited by $\boxed{\text{Rs } 5,000}$. Hence, the correct option is (C).

Quick Tip to Solve: Split each instalment into capital and premium; reverse only the premium included in unpaid instalments.

15. 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 that the Memorandum of Association authorises a company to issue.
- Issued and subscribed capital describe later stages of offering shares and receiving subscriptions.

Step 1: Identify the defining wording The question refers to the amount the company is authorised to issue by its Memorandum of Association. This describes the permitted ceiling on its share capital, also called nominal or registered capital.

Step 2: Distinguish the other terms Issued capital is the portion offered for subscription. Subscribed capital is the portion taken up by subscribers. Reserve capital is the part of uncalled subscribed capital reserved for calling up only in the event of winding up. None of these means the authorised ceiling stated in the Memorandum.

Step 3: Conclusion The amount is called Nominal capital. Hence, the correct option is (D).

Quick Tip to Solve: Connect the words "authorised by the Memorandum" directly with authorised or nominal capital.

16. 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 equal the number of shares applied for multiplied by the application amount per share.
- A premium of 100% of face value doubles the issue price; pro-rata allotment changes shares

allotted, not the gross applications received.

Step 1: Find the application price per share The face value is Rs 10. A premium of 100% is $10 \times 100/100 = \text{Rs } 10$. Since the entire issue price is payable on application, each applicant pays $10 + 10 = \text{Rs } 20$ per share applied for.

Step 2: Calculate the gross receipts Applications were received for 5,00,000 shares, so receipts are $5,00,000 \times 20 = \text{Rs } 1,00,00,000$. Rs 20,00,000 is the amount attributable to the 1,00,000 shares actually allotted; Rs 80,00,000 is the excess refundable, not the gross receipt. Rs 1,20,00,000 incorrectly adds the allotment value to the gross receipts.

Step 3: Conclusion The amount received on application was $\boxed{\text{Rs } 1,00,00,000}$. Hence, the correct option is (A).

Quick Tip to Solve: For application money received, multiply the price by applications received, not by shares offered.

17. Diya, Esha and Fila were partners in a firm sharing profits and losses in the ratio of 4 : 5 : 1. Fila retired. Diya and Esha decided to share profits in future in the ratio of 3 : 7. On the day of Fila's retirement, goodwill of the firm was valued at Rs. 3,00,000.

Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill on Fila's retirement. [3 marks]

Solution:

Concept:

- A continuing partner gains or sacrifices the difference between the new and old profit shares: gain = new share - old share.
- For goodwill adjustment, the gaining partner is debited and all sacrificing partners, including the retiring partner, are credited for goodwill multiplied by their sacrifice.

Step 1: Calculate each change in profit share The old shares of Diya, Esha and Fila were $4/10, 5/10, 1/10$. After retirement, Diya and Esha receive $3/10, 7/10$, while Fila's share becomes zero.

$$\text{Diya's gain} = 3/10 - 4/10 = -1/10,$$
$$\text{Esha's gain} = 7/10 - 5/10 = 2/10.$$

Thus, the signed gaining ratio Diya : Esha is $-1 : 2$. Diya actually sacrifices $1/10$; Esha alone gains $2/10$. That gain comes equally from Diya's sacrifice and Fila's outgoing share.

Step 2: Determine the goodwill compensation Goodwill is Rs 3,00,000. Esha's capital must be debited by $3,00,000 \times 2/10 = \text{Rs } 60,000$. Diya is credited by $3,00,000 \times 1/10 = \text{Rs } 30,000$, and Fila is credited by the same amount for her $1/10$ share. Crediting only Fila would omit the additional sacrifice made by Diya. The debit equals the total credits, so no goodwill balance is created.

Step 3: Record the adjustment Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Esha's Capital A/c Dr.		60,000	
	To Diya's Capital A/c			30,000
	To Fila's Capital A/c			30,000
	(Being goodwill adjusted on Fila's retirement, with compensation to both sacrificing partners)			

Step 4: Conclusion Diya : Esha has signed gaining ratio $\boxed{-1:2}$; Esha is the sole gaining partner. Debit Esha Rs 60,000 and credit Diya and Fila Rs 30,000 each in their capital accounts.

Quick Tip to Solve: A negative gain is a sacrifice: compensate that continuing partner as well as the retiring partner.

18. Rina and Anna were partners in a firm with a combined capital of Rs. 5,00,000. The normal rate of return was 20%. The profits of the last four years were :

Year	Rs.
2019 - 20	**2,00,000**
2020 - 21	**4,00,000**
2021 - 22	**2,50,000 (including an abnormal gain of Rs. 50,000)**
2022 - 23	**4,00,000**

Calculate goodwill of the firm based on two years purchase of the last four years' average super profit. [3 marks]

Solution:

Concept:

- Maintainable profits exclude abnormal, non-recurring gains before the average profit is calculated.
- Normal profit = capital employed multiplied by normal rate of return; super profit = average adjusted profit - normal profit.
- Goodwill under the super-profit method = average super profit multiplied by the number of years of purchase.

Step 1: Remove the abnormal gain The profit for 2021–22 includes an abnormal gain of Rs 50,000. This does not represent recurring earnings, so its adjusted profit is $2,50,000 - 50,000 =$ Rs $2,00,000$. The adjusted profits for 2019–20, 2020–21, 2021–22 and 2022–23 are therefore Rs 2,00,000, Rs 4,00,000, Rs 2,00,000 and Rs 4,00,000 respectively. The abnormal gain is deducted only once, in the year in which it was included.

Step 2: Calculate average and normal profit The four years are equally weighted:

$$\text{Average adjusted profit} = \frac{2,00,000 + 4,00,000 + 2,00,000 + 4,00,000}{4} = \text{Rs } 3,00,000.$$

The combined capital is Rs 5,00,000 and the normal return is 20%:

$$\text{Normal annual profit} = 5,00,000 \times \frac{20}{100} = \text{Rs } 1,00,000.$$

This is the annual return expected from a comparable investment and must be deducted from the annual average earnings.

Step 3: Apply the two-year purchase factor Average annual super profit is $3,00,000 - 1,00,000 =$ Rs $2,00,000$. Equivalently, the annual super profits are Rs 1,00,000, Rs 3,00,000, Rs 1,00,000 and Rs 3,00,000, whose average is Rs 2,00,000. The agreed two-year purchase factor is applied to this average super profit:

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

Step 4: Conclusion The goodwill of the firm is $\boxed{\text{Rs } 4,00,000}$.

Quick Tip to Solve: First remove abnormal income, then deduct normal annual profit; multiply only the resulting super profit by two.

19(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:

- Omitted interest on capital is credited to the partners, while the resulting reduction in divisible profit is debited in the applicable profit-sharing ratio.
- With fixed capitals, adjustments to appropriations of profit are recorded through partners' current accounts, leaving fixed capital balances unchanged.

Step 1: Calculate the annual omitted interest Interest at 10% on fixed capitals of Rs 1,20,000, Rs 1,00,000 and Rs 80,000 is Rs 12,000, Rs 10,000 and Rs 8,000 respectively. Total omitted interest is Rs 30,000 in each year. Since the profits were already distributed without this appropriation, each partner must surrender the relevant share of Rs 30,000 and receive their own interest entitlement.

Step 2: Work out the net adjustment for each year For 2021–22, the Rs 30,000 reduction in divisible profit is shared in $5:3:2$, giving debits of Rs 15,000, Rs 9,000 and Rs 6,000. Against interest credits of Rs 12,000, Rs 10,000 and Rs 8,000, the net effects are Jatin debit Rs 3,000, Keshav credit Rs 1,000 and Lalit credit Rs 2,000.

For 2022–23, profits are shared equally, so each surrenders Rs 10,000. Comparing this with interest

entitlement gives Jatin credit Rs 2,000, Keshav nil and Lalit debit Rs 2,000. Combining both years gives Jatin net debit Rs 1,000, Keshav net credit Rs 1,000 and Lalit nil. Total debits and credits are equal; no Profit and Loss Adjustment Account balance remains.

Step 3: Pass the combined entry on 1 April 2023 Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2023	Jatin's Current A/c Dr.		1,000	
	To Keshav's Current A/c			1,000
	(Being adjustment of omitted interest on fixed capitals for the preceding two years)			

Step 4: Conclusion Debit Jatin's Current Account and credit Keshav's Current Account by $\boxed{\text{Rs } 1,000}$ on 1 April 2023. Lalit requires no net adjustment.

Quick Tip to Solve: Compute each year separately when profit-sharing ratios change, then net the partner-wise effects.

OR

19(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:

- Interest on drawings is charged to the partners and increases the divisible profit. The increase in profit is shared in the profit-sharing ratio of $5 : 3 : 2$.
- When only total drawings during the year are given and their dates are unspecified, the usual average period of six months is used: interest equals drawings multiplied by the annual rate and $6/12$.

Step 1: Calculate the interest omitted For the year ended 31st March, 2023, the interest on drawings is:

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

Total interest omitted is Rs 7,500. Charging this interest reduces each partner's balance, but also adds Rs 7,500 to the profit available for appropriation.

Step 2: Determine the net adjustment Distribute Rs 7,500 in the ratio $5 : 3 : 2$, then set off each partner's interest charge against that partner's additional profit share.

Particulars	Meera (Rs)	Neena (Rs)	Ojas (Rs)
Interest on drawings: debit	3,000	2,500	2,000
Share of additional profit: credit	3,750	2,250	1,500
Net adjustment	750 Cr.	250 Dr.	500 Dr.

The net debit and credit are each Rs 750.

Step 3: Record the adjustment entry Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Neena's Capital A/c Dr.		250	
	Ojas's Capital A/c Dr.		500	
	To Meera's Capital A/c			750
	(Being adjustment for interest on drawings omitted and the corresponding profit allocation)			

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

Quick Tip to Solve: First charge drawings interest, then return its total in the profit-sharing ratio; journalise only each partner's net difference.

20(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:

- Record the assets acquired and liabilities assumed at their agreed values. Excess of net assets over purchase consideration is credited to Capital Reserve.
- Debentures issued to a vendor discharge the consideration at their issue price. Credit Debentures Account with face value and Securities Premium Account with the premium.

Step 1: Calculate net assets and capital reserve The assets consist of building, plant and machinery, and furniture. Their aggregate agreed value is $2,50,000 + 2,00,000 + 40,000 =$ Rs $4,90,000$. Liabilities assumed reduce the net assets:

$$\text{Net assets} = 4,90,000 - 30,000 = \text{Rs } 4,60,000,$$
$$\text{Capital reserve} = 4,60,000 - 4,40,000 = \text{Rs } 20,000.$$

The purchase consideration is lower than the net assets, so the balancing credit is Capital Reserve; goodwill does not arise.

Step 2: Calculate the number and issue value of debentures Each Rs 100 debenture is issued at a

premium of 10%, so its issue price is Rs 110.

$$\text{Number issued} = \frac{4,40,000}{110} = 4,000,$$
$$\text{Face value} = 4,000 \times 100 = \text{Rs } 4,00,000,$$
$$\text{Securities premium} = 4,000 \times 10 = \text{Rs } 40,000.$$

The 12% rate describes interest payable on the debentures and does not enter the issue-price calculation. The entire vendor balance is discharged by the issue.

Step 3: Record acquisition and settlement 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 acquired and liabilities assumed, with surplus credited to capital reserve)			
	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 discharge purchase consideration)			

The first entry balances at Rs 4,90,000 and the second at Rs 4,40,000. Poonam Ltd.'s credit from the acquisition is exactly cancelled by the settlement debit.

Step 4: Conclusion Capital Reserve is Rs 20,000. Issue 4,000 debentures, crediting 12% Debentures A/c with Rs 4,00,000 and Securities Premium A/c with Rs 40,000.

Quick Tip to Solve: Divide the vendor consideration by Rs 110, the issue price, and keep the 12% interest rate out of the number-of-debentures calculation.

OR

20(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:

- Goodwill on purchase of a business equals purchase consideration less the agreed value of net assets acquired. Net assets equal assets taken over minus liabilities assumed.
- When part of the consideration is paid by bank draft, deduct it before calculating the number of debentures. Debentures are credited at face value and their issue premium is credited separately.

Step 1: Determine goodwill on acquisition The purchase consideration agreed with Temur Ltd. is Rs 16,00,000. The net assets taken over are:

$$\text{Net assets} = 5,00,000 - 1,00,000 = \text{Rs } 4,00,000,$$
$$\text{Goodwill} = 16,00,000 - 4,00,000 = \text{Rs } 12,00,000.$$

Since the consideration exceeds net assets, the difference is debited to Goodwill Account. The assets and goodwill together are Rs 17,00,000, equal to liabilities assumed plus the amount payable to the vendor.

Step 2: Calculate debentures issued for the balance consideration After the bank draft of Rs 1,00,000, the vendor balance is $16,00,000 - 1,00,000 = \text{Rs } 15,00,000$. The issue price per debenture is $100 + 50 = \text{Rs } 150$.

$$\text{Debentures issued} = \frac{15,00,000}{150} = 10,000,$$
$$\text{Debenture face value} = 10,000 \times 100 = \text{Rs } 10,00,000,$$
$$\text{Issue premium} = 10,000 \times 50 = \text{Rs } 5,00,000.$$

The 8% is the debentures' annual interest rate. The 50% issue premium determines the settlement value; interest is not part of purchase consideration.

Step 3: Record the purchase of business Journal of Simple Ltd. — Acquisition

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2023	Assets A/c Dr.		5,00,000	
	Goodwill A/c Dr.		12,00,000	
	To Liabilities A/c			1,00,000
	To Temur Ltd.			16,00,000
	(Being business purchased with goodwill being the excess of consideration over net assets)			

Step 4: Record payment to the vendor Journal of Simple Ltd. — Settlement

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2023	Temur Ltd. Dr.		16,00,000	
	To Bank A/c			1,00,000
	To 8% Debentures A/c			10,00,000
	To Securities Premium A/c			5,00,000
	(Being consideration paid by bank draft and issue of 10,000 debentures at 50% premium)			

Credits in the settlement entry total Rs 16,00,000, exactly equal to the debit to Temur Ltd. Thus the vendor's account is fully settled.

Step 5: Conclusion Goodwill is Rs 12,00,000. Pay Rs 1,00,000 by bank draft and issue 10,000 8% debentures, recording Rs 10,00,000 as debenture capital and Rs 5,00,000 as securities premium.

Quick Tip to Solve: Deduct the bank draft first, then divide Rs 15,00,000 by Rs 150; use the full Rs 16,00,000 consideration to calculate goodwill.

21. 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 the book values of non-cash assets and credited with outside liabilities. Cash at bank, partners' loans, capitals and reserves are not transferred to it.
- Asset sale proceeds are credited, while payments of outside liabilities and realisation expenses are debited. The resulting profit or loss is transferred to partners in their profit-sharing ratio.

Step 1: Calculate the realisations and identify special treatments **Working Notes:** Debtors realise Rs $1,20,000 \times 90\% =$ Rs $1,08,000$. The combined proceeds of building, machinery and furniture are Rs 3,44,000, and the remaining stock realises Rs 72,000. Thus total cash received from assets is

$$\text{Rs } (3,44,000 + 1,08,000 + 72,000) = \text{Rs } 5,24,000.$$

Transfer the entire stock of Rs 60,000 and creditors of Rs 70,000 at book value. Since creditors accept half the stock in full settlement, no further entry is made for this settlement: both the asset and liability have already been transferred to Realisation Account. The unsold half's book value does not limit its actual sale proceeds of Rs 72,000. Bank loan is settled at its book value of Rs 2,20,000, since no different settlement amount is given. Expenses of Rs 14,000 paid by Rohit are debited to Realisation Account and credited to Rohit's Capital Account. Sonia's loan and the general reserve are settled or transferred separately, outside this account.

Step 2: Prepare the Realisation Account **Realisation Account of Sonia and Rohit**

Dr. Particulars	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 sold):	
To Debtors	1,20,000	Building, machinery, furniture	3,44,000
To Stock	60,000	Debtors	1,08,000
To Bank (bank loan)	2,20,000	Stock	72,000
To Rohit's Capital (expenses)	14,000	By Partners' Capitals (loss):	
		Sonia	12,000
		Rohit	8,000
Total	**8,34,000**	**Total**	**8,34,000**

Step 3: Check the loss and its allocation Before transferring the loss, the debit total is Rs 8,34,000 and the credit total is Rs $(2,20,000 + 70,000 + 5,24,000) =$ Rs $8,14,000$. The debit excess is therefore Rs 20,000. Allocate it in the ratio $3:2$: Sonia bears $20,000 \times 3/5 =$ Rs $12,000$, and Rohit bears $20,000 \times 2/5 =$ Rs $8,000$. Their capital accounts are debited and Realisation Account is credited, closing the account with equal totals and no balance carried forward.

Step 4: Conclusion Realisation loss is $\boxed{\text{Rs } 20,000}$, borne by Sonia (Rs 12,000) and Rohit (Rs 8,000). Both sides of Realisation Account total Rs 8,34,000.

Quick Tip to Solve: When a creditor accepts a recorded asset in full settlement, transfer both book values first; do not record an additional cash payment or sale for that settlement.

22. 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 capital permitted by the memorandum; issued capital is the portion offered for subscription. Subscribed capital depends on shares actually subscribed and allotted.
- Under the prescribed balance-sheet presentation, share capital is shown under Shareholders' Funds, with details in Notes to Accounts. Calls in arrears reduce subscribed and called-up capital to its paid-up amount.

Step 1: Calculate the call and unpaid amount **Working Notes:** The face value is Rs 10 per share. Application and allotment require Rs 3 and Rs 5 respectively, so the first and final call is

$$\text{Rs } [10 - (3 + 5)] = \text{Rs } 2 \text{ per share.}$$

All 19,000 applicants receive shares; the unallotted balance of the 20,000 shares offered is 1,000 shares. Authorised shares are $5,00,000/10 = 50,000$. The full face value has been called on the 19,000 allotted shares, giving called-up capital of $19,000 \times 10 = \text{Rs } 1,90,000$. Calls in arrears on 5,000 shares are $5,000 \times 2 = \text{Rs } 10,000$. Thus 14,000 shares are fully paid and 5,000 shares are paid at Rs 8 each. The latter remain fully called shares despite the unpaid call.

Step 2: Present the balance-sheet extract **Shringar Ltd.**

Balance Sheet (Extract)

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

Step 3: Prepare the share-capital note **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 Capital	
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, fully called-up	50,000
Less: Calls in arrears (5,000 shares at Rs 2 each)	(10,000)
Subtotal: subscribed but not fully paid-up	40,000
Total Subscribed and Paid-up Capital	**1,80,000**

The total also agrees with cash received: application $19,000 \times 3 =$ Rs $57,000$, allotment $19,000 \times 5 =$ Rs $95,000$, and call $14,000 \times 2 =$ Rs $28,000$, together Rs 1,80,000. The 1,000 shares offered but not subscribed contribute to issued capital, but not to subscribed capital.

Step 4: Conclusion Share Capital appears at $\boxed{\text{Rs } 1,80,000}$ in the balance sheet. Authorised capital is Rs 5,00,000, issued capital Rs 2,00,000, and subscribed called-up capital Rs 1,90,000, less calls in arrears of Rs 10,000.

Quick Tip to Solve: Use 20,000 shares for issued capital and 19,000 for subscribed capital; split the latter into 14,000 fully paid shares and 5,000 shares with the Rs 2 call unpaid.

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23. Gopi, Hira and Ira were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2023 was as follows :

Balance Sheet of Gopi, Hira and Ira as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	40,000	Bank	50,000
General Reserve	30,000	Stock	30,000
Capitals :		Debtors	20,000
Gopi 75,000		Fixed Assets	1,40,000
Hira 50,000			
Ira 45,000	1,70,000		
	2,40,000		2,40,000

Hira died on 31st December, 2023. It was agreed between her executors and remaining partners that :

(i) Goodwill be valued at 2 years purchase of average profits of the previous 3 years. Average profits of the previous three years were Rs. 45,000.

(ii) Share of profit up to the date of death on the basis of average profits of the previous four years. Hira's share of profit amounted to Rs. 18,000.

(iii) Interest on capital is to be provided @ 12% p.a.

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

Prepare Hira's Capital Account and Hira's Executor's Account as on 31st December, 2023. [6 marks]

Solution:

Concept:

- A deceased partner's capital account is credited with opening capital, the partner's share of accumulated reserves and goodwill, profit up to death and interest on capital. The total is transferred to the executor's account.
- Hira's old profit share is $2/6 = 1/3$. Accumulated reserves and goodwill entitlement use this share; interest on capital covers only the nine months from 1st April to 31st December, 2023.
- In the absence of a different agreement, Gopi and Ira continue in their old relative ratio $3 : 1$, which is also their gaining ratio. They compensate Hira for goodwill through their capital accounts.

Step 1: Work out Hira's entitlements Firm's goodwill is two years' purchase of average profits of Rs 45,000. Hence,

$$\text{Goodwill} = 45,000 \times 2 = \text{Rs } 90,000,$$

$$\text{Hira's goodwill share} = 90,000 \times \frac{2}{6} = \text{Rs } 30,000,$$

$$\text{Hira's reserve share} = 30,000 \times \frac{2}{6} = \text{Rs } 10,000,$$

$$\text{Interest on capital} = 50,000 \times \frac{12}{100} \times \frac{9}{12} = \text{Rs } 4,500.$$

Gopi bears $30,000 \times 3/4 = \text{Rs } 22,500$ and Ira bears $30,000 \times 1/4 = \text{Rs } 7,500$ of Hira's goodwill share. Hira's profit up to death is already given as Rs 18,000; it must not be multiplied by her profit share or the time fraction again. It is credited through Profit and Loss Suspense Account.

Step 2: Prepare Hira's Capital Account on 31st December, 2023 Hira's Capital Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Hira's Executor's A/c	1,12,500	By Balance b/d	50,000	
			By General Reserve A/c	10,000	
			By Gopi's Capital A/c	22,500	
			By Ira's Capital A/c	7,500	
			By Profit and Loss Suspense A/c	18,000	
			By Interest on Capital A/c	4,500	
	Total	1,12,500	Total	1,12,500	

The whole balance is transferred to Hira's Executor's Account, closing Hira's Capital Account. Therefore, no capital balance is carried forward after this transfer.

Step 3: Record the immediate payment and the outstanding amount Total amount due is

$$50,000 + 10,000 + 30,000 + 18,000 + 4,500 = \text{Rs } 1,12,500.$$

Half is paid immediately: $1,12,500 \times 1/2 = \text{Rs } 56,250$. The other half remains payable to the executor on 31st December, 2023. The bank balance shown is at the preceding year-end, so it does not change the agreed payment at the date of death.

Hira's Executor's Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Bank A/c	56,250	By Hira's Capital A/c	1,12,500	
	To Balance c/d	56,250			
	Total	1,12,500	Total	1,12,500	

The balance c/d is a credit balance of the executor's account: it represents the firm's remaining liability, not a further payment.

Step 4: Conclusion Hira's capital entitlement is $\boxed{\text{Rs } 1,12,500}$. The executor receives Rs 56,250 immediately, and Rs 56,250 remains outstanding.

Quick Tip to Solve: Use nine months for interest, but take the stated Rs 18,000 as Hira's completed profit entitlement; do not apportion it again.

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24. On 1st April, 2022, Reehaan Ltd. issued 5,000, 9% Debentures of Rs. 100 each at a premium of 6%, redeemable at a premium of 4% after five years. The company had a balance of Rs. 5,000 in Securities Premium Account.

(a) Record necessary journal entries for the issue of debentures.

(b) Record necessary journal entries for writing off 'Loss on Issue of Debentures' utilising Securities Premium Account at the end of the first year itself.

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

Solution:

Concept:

- Debentures are credited at their face value. Issue premium is credited separately to Securities Premium Account; the bank receives the face value plus the issue premium.
- Premium payable on redemption creates a liability at issue and is debited to Loss on Issue of Debentures Account. It is distinct from the premium collected on issue.
- Securities premium available for writing off the loss includes both the existing balance and the premium received on the present issue. The question requires the entire loss to be written off in the first year.

Step 1: Calculate the issue proceeds, premium and loss The nominal amount of debentures is $5,000 \times \text{Rs } 100 = \text{Rs } 5,00,000$. The rate of 9% is the coupon interest rate; it is neither the issue premium nor the redemption premium.

$$\text{Issue premium} = 5,00,000 \times \frac{6}{100} = \text{Rs } 30,000,$$
$$\text{Bank proceeds} = 5,00,000 + 30,000 = \text{Rs } 5,30,000,$$
$$\text{Redemption premium} = 5,00,000 \times \frac{4}{100} = \text{Rs } 20,000.$$

There is no discount on issue, so the loss on issue consists solely of the Rs 20,000 premium payable on redemption. This liability is recognised when the debentures are issued, although repayment takes place after five years.

Step 2: (a) Record the issue of debentures Journal of Reehaan Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2022	Bank A/c Dr.		5,30,000	
	Loss on Issue of Debentures A/c Dr.		20,000	
	To 9% Debentures A/c			5,00,000
	To Securities Premium A/c			30,000
	To Premium on Redemption of Debentures A/c			20,000
	(Being 5,000 debentures of Rs 100 each issued at 6% premium, redeemable at 4% premium after five years)			

Total debits and credits are each Rs 5,50,000. The face-value liability, issue premium and redemption premium remain separately identifiable.

Step 3: (b) Write off the loss at the end of the first year Securities premium available is $5,000 + 30,000 =$ Rs $35,000$. This exceeds the loss of Rs 20,000, so the whole loss is written off against that account. Neither a charge to the Statement of Profit and Loss nor an annual one-fifth allocation is required.

Journal of Reehaan Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar 2023	Securities Premium A/c Dr.		20,000	
	To Loss on Issue of Debentures A/c			20,000
	(Being the entire loss on issue of debentures written off against available securities premium in the first year)			

Securities Premium Account retains a credit balance of $35,000 - 20,000 =$ Rs $15,000$. Writing off the loss does not remove the liability for premium payable on redemption.

Step 4: (c) Prepare the Loss on Issue of Debentures Account Loss on Issue of Debentures Account For the year ended 31st March, 2023

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	1 Apr 2022: To Premium on Redemption of Debentures A/c	20,000	31 Mar 2023: By Securities Premium A/c	20,000	
	Total	20,000	Total	20,000	

The debit created at issue is fully offset by the credit for the write-off. The account has no balance to carry down on 31st March, 2023.

Step 5: Conclusion Bank proceeds are Rs 5,30,000. The entire $\boxed{\text{Rs } 20,000}$ loss is written off against securities premium, leaving securities premium of Rs 15,000 and a nil balance in Loss on Issue of Debentures Account.

Quick Tip to Solve: Add the new issue premium to the existing securities premium before deciding whether any loss needs to be charged to profits.

25(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:

- Revaluation records increases in assets as gains and increases in liabilities or provisions as losses. Its profit belongs to the old partners in their old profit-sharing ratio.
- Accumulated reserves and the unused investment fluctuation fund belong to Anshu and Vihu in the ratio $3:2$. A fall in investments is first met from the existing fund.
- The premium for goodwill is credited to the sacrificing partners. When no different sacrifice is specified, the old partners surrender the new partner's share in their old ratio.
- Proportionate capital is calculated from the old partners' adjusted capitals: their combined capital represents their combined share of future profits.

Step 1: Working Notes: calculate the adjustments The required provision on debtors is $36,000 \times 10\% =$ Rs $3,600$. Since Rs 2,000 already exists, only the increase of Rs 1,600 is debited to Revaluation Account. The rise in Plant and Machinery of Rs 6,600 is credited to that account.

Investments fall from Rs 40,000 to Rs 35,000. Out of the Investment Fluctuation Fund of Rs 10,000, Rs 5,000 absorbs this fall; the surplus Rs 5,000 is credited to Anshu and Vihu as Rs 3,000 and Rs 2,000 respectively. Thus the investment reduction does not create a further revaluation loss.

General Reserve of Rs 50,000 is credited as Rs 30,000 to Anshu and Rs 20,000 to Vihu. Mani's premium of Rs 20,000 is credited in the sacrificing ratio $3:2$, giving Rs 12,000 and Rs 8,000. The new profit-sharing ratio is

$$\frac{3}{5} \times \frac{4}{5} : \frac{2}{5} \times \frac{4}{5} : \frac{1}{5} = 12 : 8 : 5.$$

Step 2: Prepare Revaluation Account Revaluation Account as at 1st April, 2023

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 A/c	3,000		
To Vihu's Capital A/c	2,000		
Total	6,600	Total	6,600

The profit of Rs 5,000 is transferred to the old partners in the ratio $3:2$. Revaluation Account is thereby closed; it has no balance carried forward.

Step 3: Working Notes: determine Mani's capital Add each old partner's reserve, surplus fund, goodwill premium and revaluation profit to the opening capital:

$$\begin{aligned} C_A &= 1,44,000 + 30,000 + 3,000 + 12,000 + 3,000 \\ &= \text{Rs } 1,92,000, \\ C_V &= 80,000 + 20,000 + 2,000 + 8,000 + 2,000 \\ &= \text{Rs } 1,12,000. \end{aligned}$$

Their combined adjusted capital of Rs 3,04,000 represents $4/5$ of the firm's capital. Hence

$$\text{Total capital} = 3,04,000 \times \frac{5}{4} = \text{Rs } 3,80,000,$$
$$\text{Mani's capital} = 3,80,000 \times \frac{1}{5} = \text{Rs } 76,000.$$

Mani therefore brings Rs 96,000 in cash: Rs 76,000 for capital and Rs 20,000 for goodwill. The premium is not included in Mani's capital balance.

Step 4: Prepare the partners' capital accounts Partners' Capital Accounts as at 1st April, 2023

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 Fluctuation Fund	3,000	2,000	—
				By Premium for Goodwill	12,000	8,000	—
				By Revaluation A/c	3,000	2,000	—
				By Cash A/c	—	—	76,000
Total	1,92,000	1,12,000	76,000	Total	1,92,000	1,12,000	76,000

The carried-down balances are credit capitals. No withdrawal of goodwill or adjustment of the old partners' capitals to the new ratio is required by the terms.

Step 5: Conclusion Revaluation profit is Rs 5,000. Closing capitals are Anshu Rs 1,92,000, Vihu Rs 1,12,000 and Mani Rs 76,000; total capital is Rs 3,80,000.

Quick Tip to Solve: First use the investment fluctuation fund against the Rs 5,000 fall; distribute only its surplus. Calculate Mani's capital after crediting all adjustments, including the goodwill premium, to the old partners.

OR

25(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:

- At retirement, accumulated reserves and revaluation profit or loss belong to all old partners in their old ratio, here $5 : 4 : 1$.
- An asset taken over by the retiring partner is debited to that partner's capital at the agreed value; the difference from its book value is a revaluation gain or loss.
- Gaining partners compensate the retiring partner for goodwill in their gaining ratio, where gain equals new share minus old share. The unpaid amount due is transferred from capital to the retiring partner's loan account.

Step 1: Working Notes: calculate reserve, revaluation and goodwill General Reserve of Rs 1,50,000 is distributed in the old ratio $5 : 4 : 1$: Trisha receives Rs 75,000, Urvi Rs 60,000 and Varsha Rs 15,000.

Fixed assets are reduced by Rs 80,000. Stock with a book value of Rs 1,00,000 is taken over for Rs 80,000, creating a further loss of Rs 20,000. Total revaluation loss is Rs 1,00,000, charged as Rs 50,000, Rs 40,000 and Rs 10,000 respectively.

Calculate the gain separately for each continuing partner:

$$\text{Urvi's gain} = \frac{2}{5} - \frac{4}{10} = 0,$$

$$\text{Varsha's gain} = \frac{3}{5} - \frac{1}{10} = \frac{1}{2}.$$

Thus Varsha alone acquires Trisha's entire share. Trisha's goodwill entitlement is $1,00,000 \times 5/10 =$ Rs $50,000$, debited entirely to Varsha's Capital Account; the new ratio $2:3$ is not the gaining ratio.

Step 2: Record the reserve and reduction in fixed assets Journal of the Firm (1st April, 2023)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	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 general reserve distributed among the old partners in the ratio 5:4:1)			
	Revaluation A/c Dr.		80,000	
	To Fixed Assets A/c			80,000
	(Being overvaluation of fixed assets written off)			

The reserve is transferred directly to capitals; it is not a revaluation income. Only the decrease in asset values enters Revaluation Account.

Step 3: Record stock taken over and distribute revaluation loss Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Trisha's Capital A/c Dr.		80,000	
	Revaluation A/c Dr.		20,000	
	To Stock A/c			1,00,000
	(Being stock taken over by Trisha at Rs 80,000 and the loss of Rs 20,000 recognised)			
	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 to the old partners in the ratio 5:4:1)			

The stock entry removes its entire book value. Trisha's capital is debited only by the agreed takeover value; the remaining Rs 20,000 forms part of the loss shared by all three old partners.

Step 4: Adjust goodwill through capital accounts Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Varsha's Capital A/c Dr.		50,000	
	To Trisha's Capital A/c			50,000
	(Being Trisha's share of goodwill adjusted against Varsha, the sole gaining partner)			

Urvi's share remains $2/5$, so her capital is not debited for goodwill. No goodwill asset is raised because the adjustment is expressly through the continuing partners' capital accounts.

Step 5: Working Notes: determine and settle Trisha's balance The amount payable after the stock takeover is

$$\begin{aligned}\text{Trisha's balance} &= 2,00,000 + 75,000 + 50,000 \\ &\quad - 50,000 - 80,000 \\ &= \text{Rs } 1,95,000.\end{aligned}$$

$$\text{Loan balance} = 1,95,000 - 50,000 = \text{Rs } 1,45,000.$$

Journal of the Firm (continued)

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

These entries close Trisha's Capital Account. Each journal entry has equal debit and credit totals, including the compound stock and revaluation-loss entries.

Step 6: Conclusion Trisha receives stock valued at Rs 80,000 and cash of Rs 50,000; the remaining Rs 1,45,000 is transferred to her Loan Account. Varsha alone bears Trisha's goodwill share of Rs 50,000.

Quick Tip to Solve: Calculate each continuing partner's gain before adjusting goodwill: Urvi gains nothing here. Deduct both the stock takeover and the cash payment before finding Trisha's loan.

26(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:

- Excess application money is adjusted separately for each pro-rata category, first against allotment and then against calls in advance.
- On forfeiture, debit Share Capital with the called-up amount, credit unpaid calls and credit Share Forfeiture with capital already received.
- Reissue discount cannot exceed the forfeited amount on the reissued shares; only the unused balance is transferred to Capital Reserve.

Step 1: Prepare Working Notes for each category The first and final call is $10 - 4 - 4 =$ Rs 2 per share. The category-wise adjustment is:

Particulars	Category (i) (Rs)	Category (ii) (Rs)
Application money received	1,40,000	40,000
Application on allotted shares	60,000	20,000
Excess application money	80,000	20,000
Adjusted towards allotment	60,000	20,000
Calls in advance	20,000	Nil

Thus, all allotment dues of Rs 80,000 are covered by application excess. Of the Rs 40,000 call, Rs 20,000 is already held as calls in advance. Amar applied for $500 \times 2 = 1,000$ shares and paid Rs 4,000: Rs 2,000 for application and Rs 2,000 towards allotment. His call arrears are $500 \times 2 =$ Rs $1,000$. Hence fresh call receipts are $40,000 - 20,000 - 1,000 =$ Rs $19,000$.

Step 2: Record application and allotment **Journal of Diamond Ltd.**

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 at Rs 4 each)		1,80,000	 1,80,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment money due on 20,000 shares at Rs 4 each)		80,000	 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 transferred and excess adjusted against allotment and the future call)
			1,80,000	
				80,000
				80,000
				20,000

Step 3: Record the call and its settlement **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 first and 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 cash and advance adjustment, except Amar's arrears)		19,000 20,000 1,000	 40,000

Step 4: Record forfeiture and reissue Amar's paid-up capital before forfeiture is $500 \times 8 =$ Rs $4,000$. The reissue discount is $500 \times (10 - 2) =$ Rs $4,000$, exactly equal to the forfeited amount.

Journal of Diamond 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 Amar's 500 shares forfeited for non-payment of the call)		5,000	 1,000 4,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 500 forfeited shares reissued at Rs 2 each as fully paid up)		1,000 4,000	 5,000

Step 5: Conclusion The journal entries record the issue of 20,000 shares, forfeiture of Amar's 500 shares and their reissue. The Rs 4,000 forfeiture balance is entirely used for reissue discount; no amount is transferred to Capital Reserve.

Quick Tip to Solve: Keep the two pro-rata categories separate: only category (i) has calls in advance, while Amar belongs to category (ii).

OR

26(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:

- Premium is $20\% \times$ Rs $10 =$ Rs 2 per share, so the Rs 5 allotment comprises Rs 3 share capital and Rs 2 securities premium.
- Excess application money is adjusted towards allotment capital first. On forfeiture, reverse any premium that was due but not received.
- Capital Reserve equals the forfeited capital on reissued shares less the discount allowed on their reissue.

Step 1: Prepare Working Notes for allotment and default The allotment ratio is $40,000 : 60,000 = 2 : 3$.

Total application receipts are $60,000 \times 5 =$ Rs $3,00,000$, of which Rs 2,00,000 belongs to application capital and Rs 1,00,000 is adjusted towards allotment. Total allotment due is Rs 2,00,000, including premium of Rs 80,000.

Sameer receives $1,200 \times 2/3 = 800$ shares. His application payment is Rs 6,000; the application amount on allotted shares is Rs 4,000. His excess of Rs 2,000 is adjusted against allotment capital of $800 \times 3 =$ Rs $2,400$. The unpaid allotment is:

$$\text{Allotment arrears} = 800 \times 5 - 2,000 = \text{Rs } 2,000,$$
$$\text{Unpaid capital} = 2,400 - 2,000 = \text{Rs } 400,$$
$$\text{Unpaid premium} = 800 \times 2 = \text{Rs } 1,600.$$

The first and final call is not made, so called-up capital is only Rs 8 per share. Allotment cash received is $2,00,000 - 1,00,000 - 2,000 =$ Rs $98,000$.

Step 2: Record application and allotment dues **Journal of Pearl Ltd.**

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 Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being allotment due on 40,000 shares, including Rs 2 premium per share)		2,00,000	 1,20,000 80,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Being application capital transferred and excess adjusted against allotment)		3,00,000	 2,00,000 1,00,000

Step 3: Record allotment receipt and forfeiture **Journal of Pearl Ltd. (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c (Being balance allotment received except Sameer's arrears)		98,000 2,000	 1,00,000
	Share Capital A/c Dr. Securities Premium A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being Sameer's 800 shares forfeited and unpaid premium reversed)		6,400 1,600	 2,000 6,000

The debit to Share Capital is $800 \times 8 =$ Rs $6,400$, not Rs 8,000, because the final call has not been made. The forfeited capital is Rs 6,000, being all the capital actually paid by Sameer.

Step 4: Record reissue and transfer of the surplus Reissue cash is $800 \times 7 =$ Rs $5,600$. The shares are credited as Rs 8 paid up, so discount is $800 \times (8 - 7) =$ Rs 800. The remaining forfeiture balance is $6,000 - 800 =$ Rs $5,200$.

Journal of Pearl Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 800 shares reissued at Rs 7 each 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)		5,200	 5,200

Step 5: Conclusion Sameer's 800 shares are forfeited and reissued as Rs 8 paid up. The unpaid premium reversed is Rs 1,600, reissue discount is Rs 800 and Capital Reserve is Rs 5,200. No entry is passed for the unmade first and final call.

Quick Tip to Solve: For Sameer, allocate the Rs 2,000 excess application to allotment capital before premium; use Rs 8 called-up value for both forfeiture and reissue.

Part B (20 marks)

Option – I (Analysis of Financial Statements)

27(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 interprets accounting information to assess a firm's financial position and performance.
- An objective or benefit of analysis is distinct from a limitation, which restricts the reliability or scope of its conclusions.

Step 1: Identify the useful outcome Ascertaining the relative importance of different components of a firm's financial position is a purpose and benefit of analysis. For example, comparing each asset with total assets helps assess the composition of the resources employed. Therefore, the statement in option (C) describes what analysis achieves.

Step 2: Check the remaining statements Option (A) identifies dependence on the company's reports, so conclusions inherit the limitations of those reports. Option (B) identifies the omission of price-level

changes, which can distort comparisons over time. Option (D) identifies the risk of misleading comparisons when changes in accounting procedures are unknown. Each describes a limitation rather than a benefit.

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

Quick Tip to Solve: For a question asking what is not a limitation, select the statement describing a useful purpose or outcome of analysis.

OR

27(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 ratios, also called activity ratios, measure how efficiently a business uses its resources to generate revenue.
- Liquidity concerns short-term payment capacity; solvency concerns long-term financial stability, while profitability concerns earning capacity.

Step 1: Identify the purpose stated in the question The key phrase is effective utilisation of resources. Inventory turnover and trade receivables turnover show how rapidly resources are converted through business operations. This is the efficiency or activity aspect of performance.

Step 2: Distinguish the other ratio categories Liquidity ratios do not measure the speed of resource utilisation. Solvency ratios assess the long-term financing position, and profitability ratios measure profits relative to sales or investment. Thus none of these three categories directly matches the definition given.

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

Quick Tip to Solve: Link the words efficiency and utilisation of resources to turnover or activity ratios.

28(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 cash receipts from the disposal of long-term assets, including intangible assets.
- A cash receipt is an inflow; financing activities relate to changes in owners' capital and borrowings.

Step 1: Identify the asset being sold A patent is an intangible non-current asset used by the business. Its sale is a disposal of a long-term asset, so the receipt belongs to investing activities.

Step 2: Determine the direction and eliminate the alternatives Sale proceeds of Rs 50,00,000 are received by the company and therefore represent a cash inflow. Options (A) and (B) incorrectly classify the transaction as financing, while option (C) incorrectly calls the receipt an outflow.

Step 3: Conclusion Cash inflow of Rs 50,00,000 from investing activities arises. Hence, the correct option is (D).

Quick Tip to Solve: For a sale of a patent, classify the asset first: intangible non-current asset means investing inflow.

OR

28(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:

- Income taxes paid are normally classified as cash flows from operating activities.
- Tax cash flows are classified with investing or financing activities only when specifically identifiable with those activities.

Step 1: Apply the general classification The question gives income tax paid without identifying it with any particular investing or financing transaction. Therefore, the usual classification applies: it is an operating cash outflow.

Step 2: Check the remaining choices Investing and financing are not the default categories for income tax paid. Cash and cash equivalents describe cash balances and highly liquid short-term investments; they are not an activity category for classifying a tax payment.

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

Quick Tip to Solve: When no specific investing or financing link is stated, place income tax paid under operating activities.

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29. 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 $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$; quick assets exclude inventory and prepaid expenses.
- An initial quick ratio of $1:1$ means quick assets and current liabilities have equal amounts.

Step 1: Test the credit sale of inventory Let each initial amount be Rs X. Selling inventory on credit creates debtors of Rs 50,000, which are quick assets. Inventory was already excluded, and current liabilities do not change. Hence the new ratio is $\dfrac{X+50,000}{X} > 1$.

Step 2: Test the other three transactions Buying inventory by cheque reduces bank balance without adding a quick asset, so (A) decreases the ratio. Paying outstanding expenses reduces quick assets and current liabilities equally: $\dfrac{X-40,000}{X-40,000} = 1$, while the remaining liability balance is positive. Buying machinery for cash reduces quick assets without changing current liabilities, so (D) also decreases it.

Step 3: Conclusion Selling inventory on credit for Rs 50,000 increases the quick ratio. Hence, the correct option is (B).

Quick Tip to Solve: At a quick ratio of 1:1, equal reductions leave the ratio unchanged; conversion of inventory into debtors increases it.

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30. 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, including cash payments to suppliers for goods and services.
- A cash outflow requires an actual payment. Non-cash expenses do not themselves cause cash to leave the business.

Step 1: Identify the payment connected with operations Payment to creditors settles trade liabilities arising from purchases in the normal course of business. Cash decreases on payment, making it an operating cash outflow.

Step 2: Classify each remaining transaction Proceeds from sale of investments are an investing inflow. Dividend received by a non-finance company is also an investing inflow. Depreciation on furniture is a non-cash expense: it reduces accounting profit but creates no cash outflow when charged.

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

Quick Tip to Solve: Check both tests: is cash actually paid, and does the payment arise from normal trading operations?

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) Calls in Advance

(b) Creditors

(c) Securities Premium [3 marks]

Solution:

Concept:

- Schedule III groups the equity and liabilities side of the Balance Sheet into shareholders' funds, non-current liabilities and current liabilities.
- The nature of each item determines its sub-head: trade debts, other current obligations and capital reserves are classified separately.

Step 1: Classify calls in advance Calls in advance are amounts received from shareholders before the relevant calls become due. They cannot be added to called-up share capital because that part has not yet been called. They are disclosed under the major head Current Liabilities and sub-head Other

Current Liabilities.

Step 2: Classify creditors Creditors here are trade creditors: amounts payable for goods purchased or services received in the ordinary course of business. They appear under the major head Current Liabilities and sub-head Trade Payables. This distinguishes normal trading obligations from other current liabilities.

Step 3: Classify securities premium Securities premium is the amount received on issue of securities above their nominal value. It forms part of shareholders' funds rather than a liability arising from normal trade. It is included under Reserves and Surplus, with Securities Premium Reserve identified in the related note.

Step 4: Conclusion The required Schedule III classification is:

Item	Major head	Sub-head
Calls in Advance	Current Liabilities	Other Current Liabilities
Creditors	Current Liabilities	Trade Payables
Securities Premium	Shareholders' Funds	Reserves and Surplus

Quick Tip to Solve: Calls received before they are due are a liability; premium received on securities is included in shareholders' funds.

32. From the following information, calculate :

(a) Trade Receivables Turnover Ratio

(b) Operating Profit Ratio

Particulars	Amount (Rs.)
Credit Revenue from operations	**55,00,000**
Cash Revenue from operations	**15,00,000**
Debtors	**12,50,000**
Bills Receivable	**7,50,000**
Operating Expenses	**7,00,000**
Gross Profit Ratio 20%	

[3 marks]

Solution:

Concept:

- Trade receivables turnover ratio $= \dfrac{\text{Net credit revenue from operations}}{\text{Average trade receivables}}$. Trade receivables comprise debtors and bills receivable.
- Operating profit ratio $= \dfrac{\text{Operating profit}}{\text{Revenue from operations}} \times 100$, where operating profit equals gross profit less operating expenses.

Step 1: Calculate trade receivables Only one set of receivables balances is given, so use the available

total as the denominator; no separate opening and closing averages can be calculated.

$$\begin{aligned}\text{Trade receivables} &= \text{Debtors} + \text{Bills receivable}\\ &= 12,50,000 + 7,50,000\\ &= \text{Rs } 20,00,000.\end{aligned}$$

Step 2: Calculate trade receivables turnover ratio Use credit revenue alone because cash sales do not create trade receivables. No returns are given to deduct from credit revenue.

$$\text{Trade receivables turnover ratio} = \frac{55,00,000}{20,00,000} = 2.75 \text{ times.}$$

Step 3: Find total revenue and gross profit The gross profit ratio applies to total revenue from operations, including both credit and cash revenue.

$$\begin{aligned}\text{Revenue from operations} &= 55,00,000 + 15,00,000\\ &= \text{Rs } 70,00,000,\\ \text{Gross profit} &= 70,00,000 \times \frac{20}{100}\\ &= \text{Rs } 14,00,000.\end{aligned}$$

Step 4: Deduct operating expenses and compute the ratio Operating expenses are deducted from gross profit to obtain operating profit; they are not deducted again from revenue in the denominator.

$$\begin{aligned}\text{Operating profit} &= 14,00,000 - 7,00,000\\ &= \text{Rs } 7,00,000,\\ \text{Operating profit ratio} &= \frac{7,00,000}{70,00,000} \times 100\\ &= 10\%.\end{aligned}$$

Step 5: Conclusion (a) Trade Receivables Turnover Ratio is 2.75 times. (b) Operating Profit Ratio is 10%.

Quick Tip to Solve: Use only credit sales for receivables turnover, but add cash and credit sales when calculating the profit ratios.

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 item as a percentage of the total of its own side for the same year. Both total assets and total equity and liabilities represent 100%.
- For each year, Common size percentage $= \dfrac{\text{Amount of the item}}{\text{Balance sheet total}} \times 100$. The denominator is 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 each amount by Rs 10,00,000. Share capital, long-term borrowings and trade payables are respectively 50%, 30% and 20%. Fixed assets, trade receivables and inventories are respectively 70%, 25% and 5%. These are proportions within each year's balance sheet; they are not percentage changes between years.

Step 2: Prepare the common size statement **Moonlight Ltd. — Common Size Balance Sheet As at 31st March, 2023 and 31st March, 2022**

Particulars	2023 (Rs)	2022 (Rs)	2023 (%)	2022 (%)
I. Equity and Liabilities				
1. Shareholders' funds				
(a) Share capital	12,00,000	5,00,000	60	50
2. Non-current liabilities				
(a) Long-term borrowings	2,00,000	3,00,000	10	30
3. Current liabilities				
(a) 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				
(a) Fixed assets/Property, Plant and Equipment and Intangible Assets	14,00,000	7,00,000	70	70
2. Current assets				
(a) Trade receivables	4,00,000	2,50,000	20	25
(b) Inventories	2,00,000	50,000	10	5
Total current assets	6,00,000	3,00,000	30	30
Total	**20,00,000**	**10,00,000**	**100**	**100**

The asset percentages and the financing percentages each total 100 in each year. The current-assets subtotal is a check on the two component rows; it is not added again to those components.

Step 3: Conclusion The common size balance sheet is shown above. Share capital accounts for 60% in 2023 and 50% in 2022; fixed assets represent 70% in both years.

Quick Tip to Solve: Use Rs 20,00,000 only for 2023 and Rs 10,00,000 only for 2022; check that each side separately totals 100%.

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 shows both years, the absolute change and percentage change. Change $=$ Current year $-$ Previous year.
- Percentage change $= \dfrac{\text{Absolute change}}{\text{Previous year amount}} \times 100$. Profit before tax equals total income less expenses; tax expense is 50% of profit before tax.

Step 1: Calculate expenses and profits for both years 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% and profit after tax are each Rs 8,75,000.

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 and profit after tax are each Rs 7,00,000.

Step 2: Calculate changes and prepare the comparative statement Revenue increases by Rs 5,00,000: $5,00,000/20,00,000 \times 100 = 25\%$. Similarly, net profit rises by $1,75,000/7,00,000 \times 100 = 25\%$. No other income is given, so revenue equals total income.

Accent Ltd. — Comparative Statement of Profit and Loss

For the year ended 31st March, 2023

Particulars	2021–22 (Rs)	2022–23 (Rs)	Increase (Rs)	Increase (%)
I. Revenue from operations	20,00,000	25,00,000	5,00,000	25
II. Other income	—	—	—	—
III. Total income	20,00,000	25,00,000	5,00,000	25
IV. 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
V. Profit before tax (III–IV)	14,00,000	17,50,000	3,50,000	25
VI. Tax expense (50%)	7,00,000	8,75,000	1,75,000	25
VII. Profit after tax (V–VI)	7,00,000	8,75,000	1,75,000	25

Step 3: Conclusion Profit after tax increases from Rs 7,00,000 in 2021–22 to Rs 8,75,000 in 2022–23, an increase of Rs 1,75,000 or 25%.

Quick Tip to Solve: Calculate the absolute change first and divide by the 2021–22 amount; the unchanged 50% tax rate makes tax and net profit grow at the same rate as pre-tax profit.

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 fixed assets and investments and cash received on their sale. For a non-financial company, interest received on investments is also an investing inflow.
- An asset's closing book value equals its opening book value plus purchases, less the book value of assets sold and depreciation or amortisation. Sale proceeds, rather than the book value disposed of, enter the cash flow statement.
- Depreciation and the profit or loss on sale are not separate investing cash flows. They help determine purchases or sale proceeds without being counted again as receipts or payments.

Step 1: Working Notes: calculate goodwill and patent cash flows Goodwill increases from Rs 1,00,000 to Rs 3,00,000. Since no goodwill disposal or write-off is given, the increase represents its purchase:

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

This is a cash outflow. Patents of book value Rs 1,20,000 were sold at book value, so the sale produces an inflow of Rs 1,20,000. The patent balance reconciles as

$$2,80,000 - 1,20,000 = \text{Rs } 1,60,000.$$

It equals the closing balance; therefore no patent purchase is indicated by the information given.

Step 2: Determine the purchase and sale of machinery The machinery balance is reduced by both depreciation and the book value of the machine sold. Let purchases be P. Then

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

Thus Rs 4,40,000 is the machinery-purchase outflow. The actual receipt from the machine sold is Rs 50,000. Its loss on sale, Rs $80,000 - 50,000 = 30,000$, is not an additional investing outflow; it is already reflected by using actual sale proceeds.

Step 3: Determine proceeds from sale of investments Investments purchased during the year are Rs 1,80,000. Using the opening and closing investment balances, the book value sold is

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

Investments were sold at a profit of Rs 20,000. Therefore,

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

Show the purchase of Rs 1,80,000 and sale receipt of Rs 1,00,000 separately. Use the stated interest actually received, Rs 6,000; the 10% investment rate does not replace this given cash receipt.

Step 4: Prepare the investing activities extract **Ruparel Ltd.**
Cash Flow Statement (Extract)
For the year ended 31 March 2023

Particulars	Amount (Rs)
Cash flows from investing activities	
Sale of patents	1,20,000
Sale of machinery	50,000
Sale of investments	1,00,000
Interest received on investments	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 amount equals Rs $2,76,000 - 8,20,000$.

Step 5: Conclusion Net cash flow from investing activities is $\boxed{\text{Rs } (5,44,000)}$, i.e. a net cash outflow of Rs 5,44,000.

Quick Tip to Solve: Reconcile asset balances using book values first, then replace each disposal with its actual sale proceeds in the cash flow statement. Include the stated interest receipt only once.

OPTION – II (Computerised Accounting)

27(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:

- A sequential code identifies documents by assigning codes consecutively, one after another. The order of assignment is the defining feature.
- A code can use numbers, letters or their combination; its sequence provides a convenient reference for identifying and checking records.

Step 1: Identify the defining feature For example, consecutive invoice codes 001, 002 and 003 identify successive documents. Option (B), which assigns numbers and letters in consecutive order, describes this sequential assignment.

Step 2: Distinguish the other alternatives Assigning account heads in (A) classifies accounts rather than defining a sequential code. Giving special names in (C) describes naming, while arranging documents in a special sequence in (D) concerns their physical or display order. The question asks how codes are assigned, so these alternatives do not define sequential coding.

Step 3: Conclusion Sequential coding assigns numbers and letters in consecutive order. Hence, the correct option is (B).

Quick Tip to Solve: Look for consecutive assignment of identifiers; merely sorting documents does not define a sequential code.

OR

27(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 linked sub-systems that exchange transaction data for different accounting purposes.
- The costing sub-system obtains cost and expense information from other sub-systems to determine and analyse costs.

Step 1: Match the purpose to the sub-system The wording asks for the sub-system that gathers information about costs and expenses through links with other sub-systems. The costing sub-system uses such information, for example material and employee costs, to ascertain costs of products or services.

Step 2: Check the alternatives The cash and bank sub-system in (A) records cash and banking transactions. Expense accounting in (C) records expense transactions, but the stated integrating function for costing belongs to the costing sub-system. Final accounts in (D) uses accounting information to prepare financial statements rather than performing this cost-ascertainment function.

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

Quick Tip to Solve: When the question links information from several sub-systems to cost ascertainment, identify the costing sub-system.

28. 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:

- A chart element can be formatted using a gallery of predefined shape styles.

- A gallery initially displays a limited selection; its More button expands the gallery to show all available styles.

Step 1: Identify the gallery expansion control The question asks which button displays all available shape styles, rather than which tool category contains chart commands. Clicking the More button expands the shape-style gallery and reveals the remaining choices.

Step 2: Eliminate unrelated controls Chart tool in (B) refers broadly to tools used for working with charts, not the specific gallery-expansion button. Picture in (C) concerns images, and Custom in (D) does not name the control used to show the full shape-style gallery. Only (A) names the requested button.

Step 3: Conclusion Click the More button to view all available shape styles. Hence, the correct option is (A).

Quick Tip to Solve: For a question asking to show every choice in a style gallery, look for the More button that expands it.

29(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 chart legend identifies the data series represented by different colours, symbols or patterns.
- The legend is a movable chart element; its position can be adjusted to keep the chart readable.

Step 1: Apply the positioning property A legend is not restricted permanently to the right or left edge. It can be repositioned within the chart to a suitable location, including a custom position, so the general choice Anywhere describes this flexibility.

Step 2: Check the restricted choices Options (A) and (B) incorrectly restrict the legend to only one side. A position at the bottom, as described in (C), is just one possible placement rather than the full positioning rule. Option (D) includes the available freedom to move the legend to the desired place on the chart.

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

Quick Tip to Solve: Treat the legend as a movable chart element and reject answers that restrict it to only one side.

OR

29(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 identifiers to accounts or other data items so they can be recorded, located and processed efficiently.
- Coding supports organised records and computer processing; it does not by itself provide encryption or access security.

Step 1: Identify the practical need A computerised accounting system handles many accounts and transactions. Codes provide concise, consistent references for entering, retrieving, sorting and processing their data. This makes both data processing and record keeping easier, as stated in option (C).

Step 2: Separate the purpose from other ideas Generating mnemonic codes in (A) is one possible coding method, not the general need for codification. Securing reports in (B) requires security controls, and encryption in (D) transforms data to protect confidentiality. Ordinary account codes identify data; they do not perform these security functions.

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 identification from protection: account codes organise data, while encryption and permissions secure it.

30. 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:

- Computerised accounting processes stored transaction data to produce accurate and timely accounting information in the required format.

- A benefit improves efficiency or control; a limitation adds cost, risk or difficulty to operating the system.

Step 1: Identify the limitation Faster obsolescence means that existing hardware and software become outdated as technology changes. The business may have to upgrade or replace them and retrain staff, involving additional expenditure and disruption.

Step 2: Check the other alternatives Timely reports in a desired format help management make decisions. Effective control supports reliable processing. Passwords and access restrictions help maintain confidentiality of data. Thus (A), (B) and (D) describe advantages of a properly controlled computerised system, whereas rapid technological obsolescence does not.

Step 3: Conclusion Faster obsolescence of technology is a limitation. Hence, the correct option is (C).

Quick Tip to Solve: In a question asking for the exception, look for the feature that creates replacement costs rather than improving accounting information.

31. State any three limitations of Computerised Accounting System. [3 marks]

Solution:

Concept:

- A computerised accounting system combines hardware, software, data and trained personnel to record and process accounting transactions.
- Although computerisation improves speed and reporting, its operation involves continuing expenditure and dependence on technology. Any three distinct limitations may be stated.

Step 1: State the cost of training **Cost of training:** Employees must be trained to enter transactions, use the accounting package and understand its reports and controls. Training takes time and money, and staff may need further training whenever the package or working procedures change. A business therefore cannot obtain the benefits merely by purchasing computers.

Step 2: Explain the possibility of system failure **System failure:** Failure of hardware or software, a virus attack or a power interruption can stop transaction processing and may damage or destroy stored accounting data. Until the system and data are restored, accounting work and the preparation of reports can be interrupted. Backups reduce the consequences but do not remove dependence on the system.

Step 3: Explain technological obsolescence **Faster obsolescence of technology:** Frequent developments can make existing hardware and software outdated. The organisation may need upgrades or replacements to maintain compatibility and efficiency. Such changes involve recurring expenditure and may require data conversion and additional training.

Step 4: Conclusion Three limitations are cost of training, the risk of system failure, and faster obsolescence of technology.

Quick Tip to Solve: State three separate limitations and explain their effects: training costs money, failure interrupts work, and obsolescence requires upgrades.

32. State the steps to freeze a formula so that the present value is maintained in the given cell and recalculation is prevented. [3 marks]

Solution:

Concept:

- A formula normally recalculates when a referenced input changes. Its displayed result is different from the underlying formula stored in the cell.
- Freezing the result means replacing the formula with its present value by using **Paste Special – Values**. The cell then contains a constant rather than a formula.

Step 1: Select the formula cell First ensure that the formula displays the result that is to be retained. Select that cell, or the range of formula cells whose current results are to be fixed. This identifies precisely which calculated values will become constants.

Step 2: Copy the selected cell Choose **Copy** from the Edit menu or press **Ctrl+C**. Keep the same cell or range selected as the destination, because the question requires the current value to remain in the given cell.

Step 3: Paste only the current values Choose **Paste Special**. In its dialog box, select **Values** and click **OK**. This pastes the evaluated result over the original formula without pasting the formula itself. Press **Esc** to leave copy mode, if necessary.

Step 4: Verify the replacement Select the cell and inspect the formula bar: it should show the stored value instead of an expression beginning with an equals sign. Later changes to the former input cells will not recalculate this cell, because its formula has been removed. Ordinary Paste would copy the formula and would not achieve this purpose.

Step 5: Conclusion Select the cell, copy it and use **Paste Special – Values – OK** in the same cell to retain the current result as a fixed value.

Quick Tip to Solve: Use Paste Special – Values for a fixed result; Freeze Panes fixes the view, and absolute references fix addresses, not calculated values.

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 can be understood easily.
- Its data range supplies the values and labels; the chart type, titles, axes and legend determine how clearly those values are communicated.

Step 1: Prepare and select the source data Enter the data systematically in worksheet rows and columns, with suitable column or row headings. Select the range containing the numbers to be plotted, including the category labels and series headings. Avoid including unrelated totals or blank rows that would distort the intended comparison.

Step 2: Insert a suitable chart type Choose **Insert – Chart** or the Chart Wizard. Select the appropriate

chart type and subtype, then proceed to the next stage. For example, a column chart compares categories, a line chart shows a trend over time, and a pie chart shows the parts of one total. The type should suit the information to be presented.

Step 3: Specify and check the data series Confirm the selected data range and whether the series are arranged in rows or columns. Check that the category labels and series names refer to the correct worksheet cells. Inspect the preview so that values belonging to one series are not confused with category headings.

Step 4: Set the chart options Enter a meaningful chart title and, where applicable, titles for the horizontal and vertical axes, including units. Set the legend, gridlines and data labels as required. Use readable labels and an appropriate scale so that the chart communicates the data clearly.

Step 5: Choose the location and finish Specify whether the chart should appear as an object in the existing worksheet or on a separate chart sheet. Click **Finish** or the corresponding completion command. Resize and position it as needed, then verify that its labels and plotted values agree with the source data.

Step 6: Conclusion The sequence is: select data, choose a chart type, confirm its source series, set chart options, and choose a location to complete the chart.

Quick Tip to Solve: Include headings when selecting the data so that the chart can use them as category labels and legend entries instead of generic names.

OR

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

Solution:

Concept:

- Data validation controls the values that may be entered in selected spreadsheet cells according to specified conditions.
- The Error Alert tab in the Data Validation dialog box controls the message displayed when a user types a value that does not satisfy those conditions.

Step 1: Enable an alert for invalid entries The Error Alert tab is used to select **Show error alert after invalid data is entered**. When this check box is selected, an alert appears if a typed entry violates the validation rule. For example, if a cell permits only whole numbers from 1 to 12, entering 15 can produce an alert. This helps identify entry mistakes at the time of data entry.

Step 2: Choose the required alert style The tab provides three styles. **Stop** prevents acceptance of an invalid typed entry and requires the user to retry with a valid value or cancel the entry. **Warning** warns that the value is invalid but allows the user to accept it, revise it or cancel. **Information** informs the user about the invalid value and allows acceptance or cancellation. Thus, the style determines how strictly the validation condition is enforced for typed entries.

Step 3: Specify the title and explanatory message The **Title** field supplies the heading of the error dialog, while the **Error message** field gives clear instructions about the permitted data. For the

month-number example, the title may be “Invalid month” and the message may be “Enter a whole number from 1 to 12”. A specific message tells the user both what went wrong and how to correct the entry.

Step 4: Conclusion The Error Alert tab enables invalid-entry alerts, selects their Stop, Warning or Information style, and specifies the alert title and message to guide accurate data entry.

Quick Tip to Solve: Remember the four controls: enable the alert, select its style, enter a title, and write the message. Use Stop when invalid typed values must be rejected.

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:

- A range is a group of selected worksheet cells. Merging joins adjacent cells into one larger cell spanning the selected rows and columns.
- Unmerging reverses the joined cell structure and restores the original separate cells; it does not divide or distribute the contents among those cells.

Step 1: Explain the meaning and purpose of merging **Merging a range of cells** means combining two or more adjacent cells into a single larger cell. For example, merging A1:D1 creates one cell across four columns, which can hold a common heading such as “Statement of Receipts”. Merge and Center also places the heading centrally across the merged area. This is useful when a title must extend across several columns of a report.

Step 2: Prepare and select the range Enter the required heading in the upper-left cell of the proposed range, for example A1. Keep the other cells empty, or move any information that must be retained elsewhere before merging. Select the adjacent range, such as A1:D1, by dragging across it. Merging does not concatenate the contents of the selected cells: only the upper-left cell’s contents are retained, and contents in the other cells can be discarded.

Step 3: Apply the merge command On the **Home** tab, in the **Alignment** group, click **Merge & Center**. The selected cells become a single cell and the retained heading is centred. To merge without automatically centring, open the arrow beside Merge & Center and choose **Merge Cells**. If a warning about losing other cells’ contents appears, proceed only after checking that no required data will be lost. An alternative is to open **Format Cells**, select the **Alignment** tab, tick **Merge cells** and click **OK**.

Step 4: Split the merged cell into its original cells First select the merged cell. Next open the **Home** tab and, in the **Alignment** group, open the arrow next to **Merge & Center**. Choose **Unmerge Cells**. The original row-and-column boundaries are restored, so A1:D1 becomes four separate cells again. Alternatively, open Format Cells, select Alignment, clear the Merge cells check box and click OK. The retained content remains in the upper-left cell, A1 in this example; the remaining cells are blank. Unmerging does not recover contents discarded during merging.

Step 5: Conclusion Merging combines adjacent cells into one larger cell, using Merge & Center or Merge Cells. Selecting that merged cell and choosing Unmerge Cells restores the separate cells, with

the retained content in the upper-left cell.

Quick Tip to Solve: Before merging, keep the heading in the upper-left cell and move other required data elsewhere. To split the merged area, use Unmerge Cells; it does not split the heading's text.