CBSE Class 12 Accountancy Question Paper 2024 with Solution PDF-Set 67-S-3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1(a). 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:

- New share equals old share plus the share acquired from the retiring partner. All shares must first have the same denominator.
- The sum of the new profit shares must be one; a partner who acquires nothing keeps the old share.

Step 1: Identify the acquisition Anu, Bina and Roy have old shares $3/6, 2/6, 1/6$. Roy retires and Anu alone acquires his entire $1/6$ share; Bina acquires nothing.

Step 2: Calculate and compare Anu's new share is $3/6 + 1/6 = 4/6$, while Bina's remains $2/6$. Thus $4 : 2 = 2 : 1$. The ratio $3 : 2$ ignores the acquisition; $3 : 1$ and $1 : 1$ do not represent these new shares.

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

Quick Tip to Solve: Add the retiring partner's share only to the partner named as its acquirer.

OR

1(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:

- When a retiring partner's share is acquired equally, divide that share equally before adding it to each continuing partner's old share.

- The total of the gains must equal the retiring partner's share.

Step 1: Find the individual gain The old shares of Asha, Yug and Zubin are $4/9, 3/9, 2/9$. Zubin retires, and each continuing partner gains $(2/9)/2 = 1/9$.

Step 2: Compute the new ratio Asha receives $4/9 + 1/9 = 5/9$, and Yug receives $3/9 + 1/9 = 4/9$. Their new ratio is therefore $5 : 4$. The old ratio $4 : 3$ ignores the equal acquisition; $3 : 2$ and $2 : 1$ also fail to give these calculated shares.

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

Quick Tip to Solve: Equal gains do not mean equal final shares: add each gain to the old share.

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

(A) Rs. 60,000

(B) Rs. 90,000

(C) Rs. 1,20,000

(D) Rs. 30,000

Correct Answer: (D) Rs. 30,000

Solution:

Concept:

- Loss on issue of debentures equals discount on issue plus premium payable on redemption; both are capital losses.
- The coupon rate determines interest and does not enter the capital loss on issue.

Step 1: Calculate the issue discount Total face value is $6,000 \times 100 =$ Rs $6,00,000$. Discount at 10% is $6,00,000 \times 10/100 =$ Rs $60,000$. The 11% coupon rate relates to interest, not this loss.

Step 2: Deduct discount from total loss Premium on redemption is $90,000 - 60,000 =$ Rs $30,000$. Rs 60,000 is only the issue discount, Rs 90,000 is the combined loss, and Rs 1,20,000 does not satisfy the given loss equation.

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

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

OR

2(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:

- Annual debenture interest is calculated on nominal face value, using the coupon rate and the period outstanding, irrespective of issue premium.
- Issue premium increases the cash received but does not increase the nominal interest-bearing principal.

Step 1: Establish the base and period The face value of $10,000$ debentures of Rs 100 each is Rs 10,00,000. From 1st April, 2022 to 31st March, 2023, they remain outstanding for one full year.

Step 2: Calculate interest and test alternatives Interest is $10,00,000 \times 12/100 = \text{Rs } 1,20,000$. The 5% issue premium of Rs 50,000 is a capital receipt. Rs 1,26,000 incorrectly applies interest to the premium-inclusive proceeds, and Rs 1,00,000 uses the wrong rate.

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

Quick Tip to Solve: Ignore the issue price when finding coupon interest; use face value and time.

3(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:

- A retained accumulated loss must ultimately burden the old partners in their old ratio. Adjust capital accounts by the difference between old and new shares.
- A debit balance represents an accumulated loss, so the direction of adjustment is opposite to that for accumulated profit.

Step 1: Measure the change in shares Deepa sacrifices $2/5 - 1/5 = 1/5$, Elton has no change, and Frank gains $2/5 - 1/5 = 1/5$. The retained debit balance is an accumulated loss of Rs 50,000.

Step 2: Adjust the retained loss If left unchanged, future allocation would burden Frank with Rs 10,000 more and Deepa with Rs 10,000 less than their old obligations. Debit Deepa and credit Frank by $50,000 \times 1/5 =$ Rs $10,000$ to correct this. Rs 5,000 is too small; reversing the entry worsens the imbalance.

Journal entry:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Deepa's Capital A/c Dr. To Frank's Capital A/c (Being retained loss adjusted)		10,000	10,000

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

Quick Tip to Solve: For a retained loss, debit the sacrificing partner and credit the gaining partner.

OR

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

(A)

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

(B)

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

(C)

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

(D)

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

Correct Answer: (B)

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

Solution:

Concept:

- A retained accumulated profit belongs to the partners in their old ratio. The gaining partner compensates the sacrificing partner through capital adjustment.
- The retained credit balance is not written off; only the partners' capital balances are adjusted.

Step 1: Determine the sacrifice and gain Som sacrifices $7/10 - 1/10 = 6/10$; Pam has no change; Ron gains $7/10 - 1/10 = 6/10$. The retained credit balance represents accumulated profit of Rs 1,00,000.

Step 2: Restore the old entitlement Without adjustment, Ron would eventually receive Rs 60,000 more and Som Rs 60,000 less of the retained profit. Debit Ron and credit Som by $1,00,000 \times 6/10 =$ Rs $60,000$. Rs 20,000 uses an incorrect change; the reverse entry benefits the gaining partner further.

Journal entry:

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Ron's Capital A/c Dr. To Som's Capital A/c (Being retained profit adjusted)		60,000	 60,000

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

Quick Tip to Solve: For retained profit, the gaining partner compensates the sacrificing partner.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Dissolution of partnership changes the relationship among partners, while dissolution of the firm ends the business and involves settlement of its accounts.
- Mutual reconstitution can leave the business continuing, whereas dissolution of the firm terminates it.

Step 1: Judge Assertion (A) Assertion (A) is correct in the textbook distinction used here: dissolution of partnership refers to reconstitution by a change in the existing relationship, without court intervention or necessarily closing the business.

Step 2: Judge Reason (R) Reason (R) is correct: the partners mutually agree to change their existing partnership relationship. The firm may continue under the reconstituted arrangement.

Step 3: Check the explanatory link The mutual agreement among partners explains why the court does not intervene in this dissolution of partnership. Court-ordered dissolution concerns dissolution of the firm. Thus both statements are correct and the reason explains the assertion; options (A), (C) and (D) fail this combined test.

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 reconstitution of the partnership from closure of the partnership firm.

5(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 shares that shareholders have not paid. Calls in advance are amounts received before they become due.
- The debit balance of Calls in Arrears represents the shareholder's unpaid obligation.

Step 1: Identify the nature of the unpaid amount The allotment or call has become due, but the shareholder has not paid it. This is an outstanding receivable from the shareholder and is therefore called calls in arrears.

Step 2: Determine the side of the account When a separate Calls in Arrears Account is maintained, the unpaid amount is debited to it and the relevant Allotment or Call Account is credited. A credit to arrears would reduce the receivable. Calls in advance applies to early receipts, so neither option involving that account is appropriate.

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

Quick Tip to Solve: Amounts due but unpaid are arrears; money received before it is due is advance.

OR

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

(A) Secured Debentures

(B) Registered Debentures

(C) Specific Coupon Rate Debentures

(D) Redeemable Debentures

Correct Answer: (A) Secured Debentures

Solution:

Concept:

- Secured debentures carry a charge on company assets, providing security to debentureholders for payment in the event of default.
- Registration, coupon rate and maturity are separate bases of classifying debentures.

Step 1: Identify the classification criterion The question describes a charge created on company assets to protect payment if the company defaults. This feature classifies the debentures according to

security, rather than registration, interest rate or redemption terms.

Step 2: Compare the listed types Secured debentures match the stated charge. Registered debentures concern the recording of holders and transfers. Specific coupon rate debentures concern interest, while redeemable debentures concern repayment after a specified period. None of those three descriptions by itself establishes an asset charge.

Step 3: Conclusion These are Secured Debentures. Hence, the correct option is (A).

Quick Tip to Solve: Look for an asset charge when deciding whether debentures are secured.

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6. 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 already called but not received.
- Premium received on application remains in Securities Premium Account.

Step 1: Find the unpaid premium Total premium is Rs 6 per share. Of this, Rs 1 was received on application and Rs 2 was due on allotment. The premium included in the final call is therefore $6 - 1 - 2 = \text{Rs } 3$ per share.

Step 2: Reverse premium not received Both allotment and final call were unpaid on 1,000 shares. Thus unpaid premium is $1,000(2 + 3) = \text{Rs } 5,000$. Rs 2,000 omits call premium; Rs 3,000 omits allotment premium; Rs 20,000 has no basis in the premium due.

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

Quick Tip to Solve: Separate the premium component of every instalment before calculating its reversal.

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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.
- When profit is insufficient, distribute available profit in the ratio of the interest due.

Step 1: Calculate full interest entitlement Daksh: $1,60,000 \times 10\% = \text{Rs } 16,000$. Ekansh: $1,00,000 \times 10\% = \text{Rs } 10,000$. Total entitlement is Rs 26,000, exceeding the available profit of Rs 13,000.

Step 2: Apportion available profit The interest ratio is $16,000 : 10,000 = 8 : 5$. Daksh receives $13,000 \times 8/13 = \text{Rs } 8,000$. Rs 5,000 belongs to Ekansh; Rs 16,000 is the unrestricted entitlement; Rs 10,000 is Ekansh's unrestricted entitlement. The profit-sharing ratio 3:1 is not used here.

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

Quick Tip to Solve: Compare total interest entitlement with profit before using the profit-sharing ratio.

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

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

(A) Nil

(B) Rs. 9,750 (Loss)

(C) Rs. 3,250 (Loss)

(D) Rs. 9,750 (Profit)

Correct Answer: (A) Nil

Solution:

Concept:

- Interest on capital is an appropriation limited to available profit when no contrary provision is stated.
- Residual profit equals the profit available less the interest actually allowed.

Step 1: Restrict interest to profit available Full interest due is $1,60,000 \times 10\% + 1,00,000 \times 10\% =$ Rs $26,000$. Since profit is only Rs 13,000, interest is allowed proportionately: Daksh Rs 8,000 and Ekansh Rs 5,000.

Step 2: Determine the residual profit or loss The full profit of Rs 13,000 is absorbed by allowed interest, leaving $13,000 - 8,000 - 5,000 = 0$. No loss is created by allowing the full Rs 26,000. Consequently neither loss option is valid, and Rs 9,750 profit incorrectly ignores the appropriation and uses the wrong partner's fraction.

Step 3: Conclusion Ekansh's share of residual profit or loss is $\boxed{\text{Nil}}$. The correct option is (A).

Quick Tip to Solve: Distinguish a partner's interest on capital from the share of profit left after appropriations.

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9. 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 belongs to the partners who owned the firm before admission.
- Its book value is written off by debiting old partners' capital or current accounts in their old profit-sharing ratio.

Step 1: Identify the owners of existing goodwill The Rs 1,20,000 goodwill arose before Neel's admission. Kamini, Lata and Meera shared profits equally, so its write-off must be borne by them in the ratio $1 : 1 : 1$.

Step 2: Allocate the write-off Each old partner bears $1,20,000/3 =$ Rs $40,000$. Neel is excluded. His premium is separately credited to sacrificing partners; that treatment does not change the rule for removing goodwill already in the books. The new ratio and sacrificing ratio are therefore not the required basis.

Step 3: Conclusion Existing goodwill is written off among $\boxed{\text{old partners in the old ratio}}$. The correct option is (A).

Quick Tip to Solve: Treat existing goodwill write-off separately from the incoming partner's goodwill premium.

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10. 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:

- The adjusted capitals of old partners represent their combined continuing share of total capital.
- New partner's capital equals old partners' adjusted capital multiplied by new share divided by old partners' combined share.

Step 1: Find capital backing the retained share Old partners' adjusted capitals total $62,000 + 52,000 + 36,000 = \text{Rs } 1,50,000$. Dheeraj receives $1/5$, so the old partners retain $4/5$.

Step 2: Calculate proportionate contribution Total capital is $1,50,000 \div (4/5) = \text{Rs } 1,87,500$. Dheeraj brings $1,87,500 \times 1/5 = \text{Rs } 37,500$. Rs 30,000 incorrectly takes one-fifth of old capital; Rs 32,500 and Rs 35,000 do not preserve the stated proportional capital relationship.

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

Quick Tip to Solve: When old partners retain four-fifths, divide their adjusted capital by four to find the new one-fifth.

11. 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, use the average period for which the drawings remain outstanding.
- Average period is half the sum of the first and last drawing periods.

Step 1: List the periods outstanding The first days of the four quarters are 1 April, 1 July, 1 October and 1 January. To 31 March, the corresponding periods are 12, 9, 6 and 3 months.

Step 2: Find the average period As each withdrawal is Rs 6,000, all four periods have equal weight. Thus $(12 + 9 + 6 + 3)/4 = 7.5$ months. Equivalently, $(12 + 3)/2 = 7.5$. Six months corresponds to quarter midpoints; 4.5 months to quarter ends; 3 months is just the last withdrawal's period. Neither the 5% rate nor the 4:3 profit ratio changes this average.

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

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

12. 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 settles the liability at the agreed takeover value.
- Cash paid equals the liability due less the value accepted in settlement.

Step 1: Value furniture accepted by creditors Furniture has book value Rs 60,000 and is accepted at 10% below that value. Reduction is $60,000 \times 10\% =$ Rs $6,000$, so the settlement value is $60,000 - 6,000 =$ Rs $54,000$.

Step 2: Calculate the cheque balance Creditors are owed Rs 60,000. After furniture settles Rs 54,000, the amount still payable is $60,000 - 54,000 =$ Rs $6,000$. Rs 54,000 is the non-cash settlement, not the cheque; nil would require full settlement by furniture; Rs 5,000 does not follow from the given discount.

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

Quick Tip to Solve: Use the agreed takeover value, then subtract it from the creditors' outstanding balance.

13(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:

- Each old partner's new share is the old share less the share sacrificed.
- An incoming share acquired equally from two partners requires each to sacrifice half of that incoming share.

Step 1: Express shares with a common denominator Old shares of Renu, Trilok and Mansi are $9/20, 6/20, 5/20$. Hina receives $1/10 = 2/20$, taking $1/20$ each from Renu and Trilok.

Step 2: Deduct individual sacrifices New shares are Renu $8/20$, Trilok $5/20$, Mansi $5/20$ and Hina $2/20$. These total one. Options (A), (B) and (C) assign a wrong share to at least one named partner; preserve the stated order Renu, Trilok, Mansi, Hina.

Step 3: Conclusion The new ratio is $\boxed{8 : 5 : 5 : 2}$. The correct option is (D).

Quick Tip to Solve: Keep the partner order fixed and subtract the incoming partner's specified sacrifice from each donor.

OR

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

(A) 4 : 3 : 3

(B) 2 : 1 : 3

(C) 2 : 2 : 3

(D) 4 : 3 : 2

Correct Answer: (C) 2 : 2 : 3

Solution:

Concept:

- A partner's revised profit share equals the old share minus the specified sacrifice.
- The incoming partner's share must equal the total sacrifices of the old partners.

Step 1: Deduct the stated sacrifices Ashu originally has $4/7$ and sacrifices $2/7$, leaving $2/7$. Ria originally has $3/7$ and sacrifices $1/7$, leaving $2/7$. Nitu receives $3/7$.

Step 2: Compare the options The revised shares total $2/7 + 2/7 + 3/7 = 1$, giving $2 : 2 : 3$. Option (A) retains the old shares without deducting sacrifice; option (B) understates Ria's revised share; option (D) gives Nitu a share inconsistent with the stated $3/7$.

Step 3: Conclusion The new ratio Ashu : Ria : Nitu is $\boxed{2 : 2 : 3}$. The correct option is (C).

Quick Tip to Solve: Subtract each explicitly stated sacrifice before reducing the new shares to an integer ratio.

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14. 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 maximum number of partners permitted for an ordinary partnership business is 50.
- The prescribed ceiling comes from the Companies Act, 2013 and the rules made under it.

Step 1: Judge Assertion (A) Assertion (A) is correct: the maximum number of partners in a partnership firm is 50. Thus the statement gives the prescribed ceiling correctly.

Step 2: Judge Reason (R) Reason (R) is incorrect. The Indian Partnership Act, 1932 does not prescribe this maximum. The ceiling is prescribed under Section 464 of the Companies Act, 2013 read with the applicable rules.

Step 3: Check the explanation and alternatives Since the Reason names the wrong legislation, it cannot explain the correct Assertion. Options (A) and (B) incorrectly accept the Reason, while option (D) incorrectly rejects the Assertion.

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

Quick Tip to Solve: Remember both the ceiling of 50 and the legislation prescribing it; the Partnership Act is the trap here.

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15. 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 money received equals the number of shares applied for multiplied by the amount payable per share on application.
- A premium of 100% means a premium equal to the face value.

Step 1: Find application price per share Face value is Rs 10 and premium is $100\% \times 10 = \text{Rs } 10$. As the entire issue price is payable on application, each applicant pays $10 + 10 = \text{Rs } 20$ per share.

Step 2: Calculate cash received and distinguish allotment Applications are for 5,00,000 shares, so money received is

$$5,00,000 \times 20 = \text{Rs } 1,00,00,000.$$

The pro-rata allotment affects how much is retained or refunded after receipt. Rs 20,00,000 is the issue price of shares actually allotted, and Rs 80,00,000 is the excess application money; neither is the initial receipt. Rs 1,20,00,000 has no basis in the stated numbers.

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

Quick Tip to Solve: For money received, multiply shares applied for by application price before considering pro-rata allotment.

16. 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 a company is authorised to issue by its Memorandum of Association.
- Issued and subscribed capital describe later stages of raising share capital within the authorised limit.

Step 1: Identify the defining feature The question refers to the authority contained in the Memorandum of Association, rather than the amount actually offered or taken up. This is the definition of authorised capital, also called nominal capital.

Step 2: Eliminate the other descriptions Issued capital is the part offered for subscription, so (A) is unsuitable. Subscribed capital is the part subscribed for by investors, so (B) is unsuitable. Reserve capital is the portion of uncalled capital reserved for being called up only on winding up, so (C) is unsuitable. Only nominal capital describes the stated maximum authority.

Step 3: Conclusion The capital described is nominal capital. Hence, the correct option is (D).

Quick Tip to Solve: Associate the Memorandum's capital ceiling with authorised or nominal capital, not with actual subscriptions.

17. Falak, Girdhar and Hemang were partners in a firm sharing profits and losses in the ratio of 6 : 3 : 1. Girdhar retired. Falak and Hemang decided to share profits in future in the ratio of 3 : 2. On the day of Girdhar's retirement, goodwill of the firm was valued at Rs. 1,00,000.

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

Solution:

Concept:

- A continuing partner's gain equals new profit share minus old profit share.
- The retiring partner's goodwill share is credited to the retiring partner and debited to gaining partners in their gaining ratio.

Step 1: Calculate the gains Old shares of Falak, Girdhar and Hemang are $6/10, 3/10, 1/10$. The new

shares of Falak and Hemang are $3/5, 2/5$, respectively. Therefore,

$$\text{Falak's gain} = \frac{3}{5} - \frac{6}{10} = 0,$$
$$\text{Hemang's gain} = \frac{2}{5} - \frac{1}{10} = \frac{3}{10}.$$

Falak retains exactly his old share. The whole share surrendered by Girdhar is acquired by Hemang; hence only Hemang compensates Girdhar.

Step 2: Calculate goodwill compensation Girdhar's share of goodwill is

$$\text{Rs } 1,00,000 \times \frac{3}{10} = \text{Rs } 30,000.$$

Hemang is debited with the entire Rs 30,000. Falak is not debited because his gain is nil. The adjustment transfers the retiring partner's goodwill entitlement through capital accounts without raising a goodwill asset.

Step 3: Record the adjustment Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Hemang's Capital A/c Dr. To Girdhar's Capital A/c (Being Girdhar's share of goodwill adjusted against Hemang's capital, as Hemang alone gains)		30,000	30,000

Step 4: Conclusion Gaining ratio of Falak and Hemang is $0:3$, or $0:1$. Debit Hemang's Capital A/c and credit Girdhar's Capital A/c by Rs 30,000.

Quick Tip to Solve: Calculate each individual gain first: a partner whose new share equals the old share pays no goodwill compensation.

18. Piyush and Rishabh were partners in a firm with a combined capital of Rs. 4,00,000. The normal rate of return was 15%. The profits of the last four years were :

Year	Rs.
2019 - 20	60,000
2020 - 21	90,000
2021 - 22	80,000
2022 - 23	60,000

The closing stock for the year 2022 - 23 was undervalued by Rs. 10,000. Calculate goodwill of the firm based on capitalisation of average profit. [3 marks]

Solution:

Concept:

- An undervaluation of closing stock understates the profit of that year by the same amount.
- Capitalised value of the business is average maintainable profit multiplied by $100/$normal rate.
- Goodwill equals capitalised value less actual capital employed.

Step 1: Correct the affected profit The closing stock of 2022–23 was undervalued by Rs 10,000. Closing stock increases the gross profit; consequently the reported profit is too low by Rs 10,000. The corrected profit for that year is

$$\text{Rs } 60,000 + \text{Rs } 10,000 = \text{Rs } 70,000.$$

The other three annual profits remain Rs 60,000, Rs 90,000 and Rs 80,000.

Step 2: Find average maintainable profit Total adjusted profit for the four years is

$$\text{Rs } (60,000 + 90,000 + 80,000 + 70,000) = \text{Rs } 3,00,000.$$

Thus average profit is Rs $3,00,000/4 = \text{Rs } 75,000$. Equal weights are used because the question asks for average profit and gives no special weights.

Step 3: Capitalise profit and deduct capital employed At a normal return of 15%, the capital needed to earn average profit of Rs 75,000 is

$$\text{Capitalised value} = \frac{75,000 \times 100}{15} = \text{Rs } 5,00,000.$$

Taking the combined capital employed given in the question as Rs 4,00,000,

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

As a check, normal profit on actual capital is Rs 60,000, giving super profit of Rs 15,000. Capitalising this at 15% also gives Rs 1,00,000.

Step 4: Conclusion Goodwill of the firm, by capitalisation of average profit, is Rs 1,00,000.

Quick Tip to Solve: Correct the annual profit for understated closing stock before averaging and capitalising it.

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

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

Solution:

Concept:

- Net assets acquired equal the agreed value of assets less liabilities taken over.
- When net assets exceed purchase consideration, the difference is credited to Capital Reserve.
- Debentures issued at a premium settle the vendor at face value plus issue premium.

Step 1: Calculate net assets and capital reserve Total assets acquired are $2,50,000 + 2,00,000 + 40,000 = \text{Rs } 4,90,000$. Deducting liabilities of Rs 30,000 gives net assets of Rs 4,60,000. Since purchase consideration is Rs 4,40,000, capital reserve is $4,60,000 - 4,40,000 = \text{Rs } 20,000$.

Step 2: Determine debentures issued Each debenture has face value Rs 100 and issue premium of $10\% \times 100 = \text{Rs } 10$. Issue price is therefore Rs 110. The number issued is $4,40,000/110 = 4,000$. Hence debenture capital is Rs 4,00,000 and securities premium is Rs 40,000. The 12% rate describes interest; it does not affect the issue price.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Building A/c Dr.		2,50,000	
	Plant and Machinery A/c Dr.		2,00,000	
	Furniture A/c Dr.		40,000	
	To Liabilities A/c			30,000
	To Poonam Ltd.			4,40,000
	To Capital Reserve A/c			20,000
	(Being assets and liabilities taken over and the excess of net assets over consideration 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 purchase consideration discharged by issue of 4,000 debentures of Rs 100 each at 10% premium)			

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

Quick Tip to Solve: Use the issue price of Rs 110 to find the number of debentures; credit the debenture account only with face value.

OR

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

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

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

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

[3 marks]

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor. Goodwill equals purchase consideration less the net identifiable assets acquired.
- Debentures issued at a premium discharge the vendor at issue price: face value plus securities premium. The premium is credited separately to Securities Premium.

Step 1: Determine goodwill and the number of debentures Net assets taken over are Rs $5,00,000$ − Rs $1,00,000$ = Rs $4,00,000$. Hence goodwill is Rs $16,00,000$ − Rs $4,00,000$ = Rs $12,00,000$. After paying the bank draft, the balance consideration is Rs $15,00,000$. Each debenture is issued for Rs 100 + Rs 50 = Rs 150, so $15,00,000/150 = 10,000$ debentures are issued. Their face value is Rs 10,00,000 and securities premium is Rs 5,00,000.

Step 2: Record acquisition and settlement Journal of Simple Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Business Purchase A/c Dr. To Temur Ltd. (Being business purchased for agreed consideration)		16,00,000	 16,00,000
1-4-2023	Assets A/c Dr. Goodwill A/c Dr. To Liabilities A/c To Business Purchase A/c (Being assets and liabilities taken over and goodwill recorded)		5,00,000 12,00,000	 1,00,000 16,00,000
1-4-2023	Temur Ltd. Dr. To Bank A/c To 8% Debentures A/c To Securities Premium A/c (Being consideration settled by bank draft and 10,000 debentures issued at 50% premium)		16,00,000	 1,00,000 10,00,000 5,00,000

Step 3: Conclusion Goodwill is Rs 12,00,000. Simple Ltd. issues 10,000 debentures, crediting 8% Debentures with Rs 10,00,000 and Securities Premium with Rs 5,00,000, besides paying Rs 1,00,000 by bank draft.

Quick Tip to Solve: Divide the balance purchase consideration by the issue price of Rs 150, not the face value of Rs 100.

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

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

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

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

Solution:

Concept:

- Omitted interest on capital is an appropriation of profits. Credit each partner with the interest due and debit each with their share of the resulting reduction in divisible profits.
- Fixed capital balances remain unchanged; the net adjustment is made through current accounts. Apply the profit-sharing ratio of each year separately.

Step 1: Calculate annual interest and each year's correction Annual interest at 10% is Rs 12,000 for Jatin, Rs 10,000 for Keshav and Rs 8,000 for Lalit, totalling Rs 30,000. Since the capitals are fixed and no change is stated, these amounts apply in both years.

For 2021–22, the omitted appropriation means divisible profits were overstated by Rs 30,000. In the ratio $5:3:2$, the partners were overcredited Rs 15,000, Rs 9,000 and Rs 6,000. Comparing interest due with excess profit received gives Jatin $12,000-15,000=-3,000$, Keshav $10,000-9,000=1,000$, and Lalit $8,000-6,000=2,000$.

For 2022–23, the same Rs 30,000 must be recovered equally: Rs 10,000 each. The net corrections are therefore Rs 2,000 credit to Jatin, nil to Keshav and Rs 2,000 debit to Lalit.

Step 2: Combine the corrections and pass the entry Across both years, Jatin requires a net debit of $3,000-2,000=$ Rs $1,000$; Keshav requires a net credit of Rs 1,000; and Lalit's credit and debit cancel. The debit and credit totals therefore agree.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2023	Jatin's Current A/c Dr. To Keshav's Current A/c (Being net adjustment for interest on fixed capitals omitted during the preceding two years)		1,000	 1,000

Step 3: Conclusion Debit Jatin's Current Account by Rs 1,000 and credit Keshav's Current Account by Rs 1,000. No net adjustment is required for Lalit.

Quick Tip to Solve: Compute each year separately because the profit-sharing ratio changed; then combine only the net current-account corrections.

OR

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

Pass the necessary adjustment entry. [3 marks]

Solution:

Concept:

- Interest on drawings is charged to the partners and credited to Profit and Loss Appropriation Account; the resulting additional profit belongs to the partners in their profit-sharing ratio.
- When annual drawings are given without dates, drawings are treated as spread evenly over the year, giving an average period of six months. Net adjustment equals share of interest pool minus own interest charge.

Step 1: Calculate the omitted interest on drawings Using the average period of six months, $I = D \times 10/100 \times 6/12$, where D is total annual drawings. Thus Meera's interest is $60,000 \times 10/100 \times 6/12 =$ Rs $3,000$; Neena's interest is $50,000 \times 10/100 \times 6/12 =$ Rs $2,500$; and Ojas's interest is $40,000 \times 10/100 \times 6/12 =$ Rs $2,000$. Total interest omitted is Rs 7,500. This amount must be charged to the respective partners, while the corresponding increase in distributable profit must also be credited to them.

Step 2: Find each partner's net adjustment Distribute Rs 7,500 in the ratio $5 : 3 : 2$: Meera receives $7,500 \times 5/10 =$ Rs $3,750$, Neena receives Rs 2,250 and Ojas receives Rs 1,500. After deducting each partner's own interest charge, Meera has a net credit of $3,750 - 3,000 =$ Rs 750; Neena has a net debit of $2,500 - 2,250 =$ Rs 250; and Ojas has a net debit of $2,000 - 1,500 =$ Rs 500. The net debits total Rs 750, exactly equal to the net credit.

Step 3: Record the single 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 net adjustment for omitted interest on drawings and its distribution in the profit-sharing ratio)			

As the question does not state that capitals are fixed, the adjustment is recorded in partners' capital accounts.

Step 4: Conclusion Neena's Capital Account is debited by Rs 250, Ojas's Capital Account by Rs 500, and Meera's Capital Account is credited by Rs 750.

Quick Tip to Solve: Charge each partner their own interest first, then credit their share of the total interest before deciding the net debit or credit.

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

On Application - Rs. 3 per share

On Allotment - Rs. 5 per share

On First and Final call - Balance

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

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

Solution:

Concept:

- Authorised capital is the maximum capital permitted by the memorandum; issued capital is the nominal value offered for subscription. Subscribed capital covers only shares actually allotted.
- Called-up capital equals shares allotted multiplied by the amount called per share. Paid-up capital is called-up capital less calls in arrears. Shares with unpaid calls must be separately disclosed from fully paid shares.

Step 1: Calculate the capital amounts The authorised capital comprises $5,00,000/10 = 50,000$ equity shares. The company offered 20,000 shares, so issued capital is $20,000 \times 10 = \text{Rs } 2,00,000$. Only 19,000 shares were applied for and allotted; the unallotted 1,000 shares do not form subscribed capital.

$$\text{First and final call per share} = 10 - 3 - 5 = \text{Rs } 2,$$

$$\text{Subscribed and called-up capital} = 19,000 \times 10 = \text{Rs } 1,90,000,$$

$$\text{Calls in arrears} = 5,000 \times 2 = \text{Rs } 10,000,$$

$$\text{Paid-up share capital} = 1,90,000 - 10,000 = \text{Rs } 1,80,000.$$

Thus, 14,000 shares are fully paid, while 5,000 shares have Rs 8 per share paid against Rs 10 called up.

Step 2: Present the balance sheet extract Balance Sheet of Shringar Ltd. (Extract)

Particulars	Note No.	Amount (Rs)
I. EQUITY AND LIABILITIES		
1. Shareholders' funds		
(a) Share capital	1	1,80,000

Step 3: Prepare the note to accounts 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, called up	50,000
Less: Calls in arrears	(10,000)
Paid-up amount on these 5,000 shares	40,000
Total subscribed and paid-up capital	1,80,000

The Rs 40,000 represents the application and allotment amounts received on the 5,000 partly paid shares. The Rs 50,000 called-up amount and deduction of Rs 10,000 are working components, not additional amounts to be added to the total.

Step 4: Conclusion Shringar Ltd. reports share capital of $\boxed{\text{Rs } 1,80,000}$, with calls in arrears of Rs 10,000 disclosed in Note 1.

Quick Tip to Solve: First separate the 14,000 fully paid shares from the 5,000 shares with unpaid calls; only allotted shares enter subscribed capital.

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

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

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

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

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

(ii) Debtors realised 90% only.

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

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

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

Prepare Realisation Account. [4 marks]

Solution:

Concept:

- On dissolution, non-cash assets are transferred to the debit of Realisation Account at book values, and outside liabilities are transferred to its credit. Bank balance and a partner's loan are not transferred to Realisation Account.
- Asset proceeds are credited and payment of outside liabilities and realisation expenses are debited. Realisation profit or loss is transferred to the partners' capital accounts in their profit-sharing ratio, here $3:2$.

Step 1: Calculate transfers and receipts Assets transferred are building Rs 2,00,000, machinery Rs 1,40,000, furniture Rs 80,000, debtors Rs 1,20,000 and stock Rs 60,000, totalling Rs 6,00,000. The bank balance of Rs 60,000 is excluded. Bank loan Rs 2,20,000 and creditors Rs 70,000 are outside liabilities transferred to the credit side. Sonia's loan is settled separately through her Loan Account; capital and general reserve are also excluded from realisation.

$$\begin{aligned}\text{Debtors realised} &= 1,20,000 \times 90\% = \text{Rs } 1,08,000,\\ \text{Total asset proceeds} &= 3,44,000 + 1,08,000 + 72,000\\ &= \text{Rs } 5,24,000.\end{aligned}$$

Creditors accept half the stock in full settlement. Both stock and creditors have already been transferred, so no further entry is made for this settlement. The remaining stock brings Rs 72,000 exactly as stated, irrespective of its lower book value. The bank loan is discharged at book value because no different settlement is given.

Step 2: Prepare the Realisation Account Realisation Account

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

Realisation expenses are debited even though Rohit paid them personally. The corresponding credit is to Rohit's Capital Account, compensating him for Rs 14,000 paid on the firm's behalf. No bank payment is recorded for creditors because their claim is settled by stock.

Step 3: Check the loss distribution Before transfer of the loss, the debit side totals Rs 8,34,000 and

the credit side totals Rs 8,14,000. Therefore:

$$\text{Realisation loss} = 8,34,000 - 8,14,000 = \text{Rs } 20,000,$$
$$\text{Sonia's share} = 20,000 \times \frac{3}{5} = \text{Rs } 12,000,$$
$$\text{Rohit's share} = 20,000 \times \frac{2}{5} = \text{Rs } 8,000.$$

The loss is credited to Realisation Account and debited to the partners' capital accounts. This closes Realisation Account with equal totals; no balance is carried forward after dissolution.

Step 4: Conclusion The Realisation Account closes with a loss of $\boxed{\text{Rs } 20,000}$, borne by Sonia (Rs 12,000) and Rohit (Rs 8,000).

Quick Tip to Solve: When creditors accept stock after both accounts have been transferred, make no separate realisation entry for that settlement.

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23. Manu, Naresh and Paras were partners in a firm sharing profits and losses equally. Their Balance Sheet as at 31st March, 2023 was as follows :

Balance Sheet of Manu, Naresh and Paras as at 31st March, 2023

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	60,000	Bank	60,000
General Reserve	60,000	Stock	90,000
Capitals :		Debtors	1,10,000
Manu 90,000		Fixed Assets	1,00,000
Naresh 80,000			
Paras 70,000	2,40,000		
	3,60,000		3,60,000

Paras died on 31st January, 2024. It was agreed between his executors and remaining partners that :

(i) Goodwill be valued at Rs. 30,000 at 3 years purchase of average profits of the previous three years.

(ii) Share of profit up to the date of death on the basis of average profits of the previous three years. Paras's share of profit amounted to Rs. 48,000.

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

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

Prepare Paras's Capital Account and Paras's Executor's Account. [6 marks]

Solution:

Concept:

- On death, the deceased partner is credited with his share of reserves, goodwill, profit up to death and interest on capital. The final entitlement is transferred from his capital account to his executor.
- Paras has an old profit share of $1/3$. Interest is calculated for ten months from 1st April, 2023 to 31st January, 2024. His profit share is directly given as Rs 48,000.

Step 1: Calculate the capital adjustments Paras's share of general reserve is $60,000 \times 1/3 = \text{Rs } 20,000$. His goodwill entitlement is $30,000 \times 1/3 = \text{Rs } 10,000$. As no revised ratio is given, Manu and Naresh continue equally and gain equally; each compensates Paras by Rs 5,000 through his capital account.

$$\text{Interest on capital} = 70,000 \times \frac{12}{100} \times \frac{10}{12} = \text{Rs } 7,000.$$

The question expressly gives Paras's share of profit up to death as Rs 48,000. Credit that amount directly; neither divide it by three nor multiply it by ten-twelfths again. No drawings are stated, so no drawings adjustment is made.

Step 2: Prepare Paras's Capital Account Paras's Capital Account as at 31st January, 2024

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Paras's Executor's A/c	1,55,000	By Balance b/d	70,000	
			By General Reserve	20,000	
			By Manu's Capital A/c	5,000	
			By Naresh's Capital A/c	5,000	
			By Profit and Loss Suspense A/c	48,000	
			By Interest on Capital A/c	7,000	
	Total	1,55,000	Total	1,55,000	

The entire credit balance is transferred to the executor. Paras's capital account therefore closes with equal totals and no balance carried down.

Step 3: Prepare Paras's Executor's Account Immediate payment is $1,55,000 \times 1/2 = \text{Rs } 77,500$. The unpaid half remains a liability to the executor.

Paras's Executor's Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Bank A/c	77,500	By Paras's Capital A/c	1,55,000	
	To Balance c/d	77,500			
	Total	1,55,000	Total	1,55,000	
			By Balance b/d	77,500	

Step 4: Conclusion Total due to Paras's executor is Rs 1,55,000; Rs 77,500 is paid immediately and Rs 77,500 remains payable.

Quick Tip to Solve: Use the directly given Rs 48,000 profit share once; apply the ten-month fraction only to interest on capital.

24. On 1st April, 2022, Suvlan Ltd. issued 25,000, 8% Debentures of Rs. 100 each at a discount of 10%, redeemable at par after five years. The company has a balance of Rs. 1,70,000 in Securities Premium Account.

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

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

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

Solution:

Concept:

- Debentures are credited with their face value. When issued below face value, the difference is debited to Discount on Issue of Debentures Account; bank receives only the issue proceeds.
- Securities premium may be used to write off discount on issue of debentures. Any amount not covered by the available premium is charged to the Statement of Profit and Loss when the entire discount is written off.

Step 1: Calculate the issue proceeds and discount The face value of the debentures is $25,000 \times$ Rs $100 =$ Rs $25,00,000$. The discount per debenture is $100 \times 10/100 =$ Rs 10, so the issue price is Rs 90 per debenture.

$$\text{Bank receipts} = 25,000 \times 90 = \text{Rs } 22,50,000,$$

$$\text{Total discount} = 25,000 \times 10 = \text{Rs } 2,50,000.$$

Redemption is at par, so no premium on redemption is credited. The annual coupon rate of 8% does not change either the issue proceeds or the discount.

Step 2: Record entries for issue and complete write-off The available securities premium is Rs 1,70,000. Use this balance first; the remainder is $2,50,000 - 1,70,000 =$ Rs $80,000$, charged to the Statement of Profit and Loss. The instruction requires the entire discount to be written off at the end of the first year, so the five-year redemption term does not spread this write-off over five years.

Journal of Suvlan Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2022	Bank A/c Dr.		22,50,000	
	Discount on Issue of Debentures A/c Dr.		2,50,000	
	To 8% Debentures A/c			25,00,000
	(Being 25,000 debentures of Rs 100 each issued at 10% discount, redeemable at par)			
31-3-2023	Securities Premium A/c Dr.		1,70,000	
	Statement of Profit and Loss Dr.		80,000	
	To Discount on Issue of Debentures A/c			2,50,000
	(Being entire discount written off using securities premium and charging the balance to profit and loss)			

In the issue entry, total debits of Rs 25,00,000 equal the face-value credit. In the write-off entry, Rs 1,70,000 plus Rs 80,000 equals the Rs 2,50,000 credit to discount.

Step 3: Prepare the discount account Discount on Issue of Debentures Account for the year ended 31st March, 2023

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To 8% Debentures A/c	2,50,000	By Securities Premium A/c	1,70,000	
			By Statement of Profit and Loss	80,000	
	Total	2,50,000	Total	2,50,000	

The issue creates a debit balance representing the discount. Both write-off credits extinguish it completely, leaving no balance carried forward to the next year.

Step 4: Conclusion Debentures of Rs 25,00,000 yield Rs 22,50,000 cash. The full Rs 2,50,000 discount is written off: Rs 1,70,000 from securities premium and Rs 80,000 through the Statement of Profit and Loss.

Quick Tip to Solve: For this first-year full write-off, subtract available securities premium from total discount; do not divide the discount by the five-year term.

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

On Application - Rs. 4 per share

On Allotment - Rs. 4 per share

On First and Final call - Balance

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

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

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

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

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

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

Solution:

Concept:

- Application money is transferred to capital only for shares allotted. Excess is adjusted against allotment and then against calls as authorised.
- Forfeiture cancels called-up capital and credits capital money received to Share Forfeiture. Reissue discount cannot exceed the forfeited amount on those shares.

Step 1: Determine category-wise adjustments Category (i): application received $35,000 \times 4 =$

Rs $1,40,000$; capital on application $15,000 \times 4 =$ Rs $60,000$. Excess Rs 80,000 settles allotment Rs 60,000 and leaves Rs 20,000 as calls in advance. Category (ii): application Rs 40,000 less capital on application Rs 20,000 leaves Rs 20,000, exactly equal to its allotment. Thus the entire allotment of Rs 80,000 is adjusted; no fresh allotment cash is received.

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)		1,80,000	 1,80,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c (Being application money adjusted and excess retained for allotment and call)		1,80,000	 80,000 80,000 20,000
	Share Allotment A/c Dr. To Share Capital A/c (Being allotment due on 20,000 shares)		80,000	 80,000

Step 3: Determine the call default and forfeiture Amar applied for $500 \times 10,000/5,000 = 1,000$ shares and paid Rs 4,000. Of this, Rs 2,000 meets application and Rs 2,000 meets allotment on 500 shares. He has no call advance, so his unpaid call is $500 \times 2 =$ Rs $1,000$. Total call Rs 40,000 is met by advance Rs 20,000, bank Rs 19,000 and Amar's default Rs 1,000.

Step 4: Record call and forfeiture Journal of Diamond Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being final call of Rs 2 per share made)		40,000	 40,000
	Calls in Advance A/c Dr. To Share First and Final Call A/c (Being advance of category (i) adjusted against call)		20,000	 20,000
	Bank A/c Dr. To Share First and Final Call A/c (Being call received except Rs 1,000 from Amar)		19,000	 19,000
	Share Capital A/c Dr. To Share First and Final Call A/c To Share Forfeiture A/c (Being Amar's 500 fully called shares forfeited)		5,000	 1,000 4,000

Step 5: Record reissue and check the surplus Journal of Diamond Ltd. (reissue)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		1,000	
	Share Forfeiture A/c Dr.		4,000	
	To Share Capital A/c			5,000
	(Being 500 shares reissued at Rs 2 as fully paid)			

The reissue discount is $500(10-2) = \text{Rs } 4,000$, exactly the amount forfeited. Consequently no balance remains for transfer to Capital Reserve.

Step 6: Conclusion All 500 forfeited shares are reissued fully paid. Share Forfeiture is exhausted by the Rs 4,000 reissue discount; Capital Reserve is nil.

Quick Tip to Solve: Keep the two categories separate: only category (i) has a call advance, so Amar still owes his entire Rs 2 call.

OR

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

On Application - Rs. 5 per share

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

On First and Final call - Balance

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

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

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

Solution:

Concept:

- Issue price is face value plus premium: $10 + 20\% \times 10 = \text{Rs } 12$. Allotment of Rs 5 comprises capital Rs 3 and premium Rs 2.
- Pro-rata allotment is $40,000 : 60,000 = 2 : 3$. Application excess is applied first to the premium included in allotment, then to its capital component.
- On forfeiture, debit only capital called up. On reissue, credit capital to the paid-up amount; transfer the remaining forfeiture surplus to Capital Reserve.

Step 1: Calculate application and allotment Application receipts are $60,000 \times 5 = \text{Rs } 3,00,000$; application capital is $40,000 \times 5 = \text{Rs } 2,00,000$. Excess Rs 1,00,000 is transferred to allotment. Allotment due is $40,000 \times 5 = \text{Rs } 2,00,000$, including premium Rs 80,000 and capital Rs 1,20,000.

Step 2: Record application and allotment due 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 Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Being application adjusted on pro-rata allotment)		3,00,000	 2,00,000 1,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being allotment due including premium of Rs 2 per share)		2,00,000	 1,20,000 80,000

Step 3: Calculate Sameer's default and forfeiture Sameer receives $1,200 \times 2/3 = 800$ shares. He paid application Rs 6,000, of which Rs 4,000 is application capital and Rs 2,000 is allotment adjustment. His allotment due Rs 4,000 leaves Rs 2,000 unpaid. The adjusted excess covers his premium $800 \times 2 =$ Rs $1,600$ in full, and Rs 400 of allotment capital. Therefore no Securities Premium reversal is required. Capital called up is $800 \times 8 =$ Rs $6,400$, while capital received is $6,000 - 1,600 =$ Rs $4,400$. The final call is not yet made and is excluded.

Step 4: Record arrears, forfeiture and reissue 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 allotment received except Sameer's balance)		98,000 2,000	 1,00,000
	Share Capital A/c Dr. To Calls in Arrears A/c To Share Forfeiture A/c (Being 800 shares forfeited after allotment)		6,400	 2,000 4,400
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being shares reissued at Rs 7 as Rs 8 paid up)		5,600 800	 6,400
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on reissue transferred)		3,600	 3,600

Step 5: Check the reissue profit Reissue bank receipt is $800 \times 7 =$ Rs $5,600$. Paid-up capital restored is $800 \times 8 =$ Rs $6,400$, giving discount Rs 800. The remaining forfeiture balance is $4,400 - 800 =$ Rs $3,600$, all relating to shares now reissued and hence transferred to Capital Reserve.

Step 6: Conclusion Sameer is allotted 800 shares. Calls in Arrears is Rs 2,000; forfeiture credit is Rs 4,400; Capital Reserve on reissue is Rs 3,600.

Quick Tip to Solve: Deduct premium already covered by excess application before calculating forfeited capital; use Rs 8 called up, since the final call was never made.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- On admission, accumulated reserves and revaluation profit belong to the old partners in their old ratio, here $3:2$. Goodwill premium is credited in the sacrificing ratio.
- Mani takes $1/5$ of profits; the old partners retain $4/5$. Her proportionate capital equals their combined adjusted capital multiplied by $(1/5)/(4/5) = 1/4$.

Step 1: Work out revaluation and the investment fund Required doubtful-debt provision is $36,000 \times 10\% = \text{Rs } 3,600$. Since Rs 2,000 already exists, the additional charge is Rs 1,600. Investments fall by Rs 5,000; this is met out of the Rs 10,000 Investment Fluctuation Fund. Its remaining Rs 5,000 is distributed to Anshu and Vihu as Rs 3,000 and Rs 2,000. Thus the investment fall does not create a further revaluation loss. Plant and Machinery appreciation of Rs 6,600 gives a net revaluation profit of Rs 5,000, divided as Rs 3,000 and Rs 2,000.

Revaluation Account

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

Step 2: Distribute reserve and goodwill, and compute capital General Reserve of Rs 50,000 is credited Rs 30,000 to Anshu and Rs 20,000 to Vihu. In the absence of a different arrangement, the old partners sacrifice in their existing ratio of $3:2$. Mani's goodwill premium of Rs 20,000 is therefore credited Rs

12,000 to Anshu and Rs 8,000 to Vihu. The new ratio is $12 : 8 : 5$.

$$\begin{aligned}\text{Anshu's adjusted capital} &= 1,44,000 + 30,000 + 3,000 + 3,000 + 12,000\\ &= \text{Rs } 1,92,000,\\ \text{Vihu's adjusted capital} &= 80,000 + 20,000 + 2,000 + 2,000 + 8,000\\ &= \text{Rs } 1,12,000,\\ \text{Mani's capital} &= (1,92,000 + 1,12,000) \times \frac{1}{4} = \text{Rs } 76,000.\end{aligned}$$

Mani consequently brings total cash of Rs 96,000, including goodwill premium.

Step 3: Prepare the capital accounts Partners' Capital Accounts (amounts in Rs)

Dr. Particulars	Anshu	Vihu	Mani	Cr. Particulars	Anshu	Vihu	Mani
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 Inv. Fluct. Fund	3,000	2,000	–
				By Revaluation	3,000	2,000	–
				By Premium for goodwill	12,000	8,000	–
				By Cash	–	–	76,000
Total	1,92,000	1,12,000	76,000	Total	1,92,000	1,12,000	76,000

The goodwill premium is received through a separate premium account and transferred to the old partners; it is not Mani's capital contribution.

Step 4: 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.

Quick Tip to Solve: Use the investment fund against the Rs 5,000 fall first; distribute only its Rs 5,000 surplus before finding Mani's proportionate capital.

OR

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

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Revaluation losses and accumulated reserves are divided in the old ratio $5 : 4 : 1$. The retiring partner is compensated for goodwill by the partners who gain.
- Gain equals new share minus old share. An asset taken over is debited to the retiring partner; the unpaid settlement is credited to her loan account.

Step 1: Determine loss and goodwill adjustment Fixed Assets decrease by Rs 80,000 and Stock decreases by Rs 20,000 before Trisha takes it over for Rs 80,000. Total revaluation loss is Rs 1,00,000, charged to Trisha, Urvi and Varsha as Rs 50,000, Rs 40,000 and Rs 10,000. General Reserve of Rs 1,50,000 is distributed as Rs 75,000, Rs 60,000 and Rs 15,000.

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

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

$$\text{Trisha's goodwill share} = 1,00,000 \times \frac{5}{10} = \text{Rs } 50,000.$$

Only Varsha gains, so she alone compensates Trisha. No goodwill asset is raised.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April	General Reserve A/c Dr.		1,50,000	
	To Trisha's Capital A/c			75,000
	To Urvi's Capital A/c			60,000
	To Varsha's Capital A/c			15,000
	(Being reserve distributed in old ratio)			
1 April	Revaluation A/c Dr.		1,00,000	
	To Fixed Assets A/c			80,000
	To Stock A/c			20,000
	(Being decreases in asset values recorded)			
1 April	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 distributed in old ratio)			

Step 3: Record goodwill and settle Trisha Journal of the firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 April	Varsha's Capital A/c Dr. To Trisha's Capital A/c (Being retiring partner's goodwill adjusted through gaining partner's capital)		50,000	 50,000
1 April	Trisha's Capital A/c Dr. To Stock A/c (Being stock taken over by Trisha at agreed value)		80,000	 80,000
1 April	Trisha's Capital A/c Dr. To Cash A/c To Trisha's Loan A/c (Being Rs 50,000 paid and unpaid balance transferred to loan)		1,95,000	 50,000 1,45,000

The amount payable after stock takeover is checked as

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

After the Rs 50,000 cash payment, the balance is Rs 1,45,000. Each journal entry has equal debit and credit totals.

Step 4: Conclusion Trisha receives stock of Rs 80,000 and cash of Rs 50,000; her remaining claim of Rs 1,45,000 is transferred to Trisha's Loan Account.

Quick Tip to Solve: Calculate each remaining partner's gain separately: Urvi gains nothing, so charge the entire Rs 50,000 goodwill compensation to Varsha.

Part B (20 marks)

Option – I

(Analysis of Financial Statements)

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

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

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

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

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

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

Solution:

Concept:

- Investing activities include acquisition and disposal of long-term assets, including intangible assets such as patents.
- A cash receipt is an inflow; a payment is an outflow. Financing activities concern changes in owners' capital and borrowings.

Step 1: Identify the activity A patent is an intangible non-current asset. Its disposal is classified under investing activities because the transaction sells a long-term asset. It does not raise share capital or a borrowing, so neither financing classification in (A) or (B) applies.

Step 2: Determine the direction of cash flow The sale brings Rs 50,00,000 into the business, giving an inflow. Option (C) correctly names investing activities but incorrectly says outflow; that direction would apply to a purchase. The full cash sale proceeds, Rs 50,00,000, are shown as the investing receipt, rather than merely the gain on sale.

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

Quick Tip to Solve: For a sale of an intangible long-term asset, pair investing activity with an inflow; a purchase reverses the cash direction.

OR

27(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, since taxable profits arise mainly from business operations.
- Tax is allocated to investing or financing only when it can be specifically identified with that activity.

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

Step 2: Check the other classifications Investing activities concern acquisition and disposal of long-term assets and investments. Financing activities change capital and borrowings. Cash and cash equivalents are the balances whose movement is explained by the statement, not an activity under which an income-tax payment is classified.

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

Quick Tip to Solve: For an unspecified income-tax payment, use operating activities; check for a specifically identified transaction only when one is given.

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

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

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

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

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

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

Solution:

Concept:

- Quick ratio equals quick assets divided by current liabilities. Quick assets exclude inventory and prepaid expenses.
- At a ratio of $1:1$, quick assets and current liabilities are equal.

Step 1: Identify the transaction that adds quick assets Selling inventory on credit increases trade receivables by Rs 50,000. Receivables are quick assets, whereas the inventory given up was excluded from quick assets. Current liabilities remain unchanged. Thus the numerator increases and the denominator does not.

Step 2: Test all remaining transactions Purchasing inventory through cheque reduces bank balance, so quick assets fall. Paying outstanding expenses reduces quick assets and current liabilities equally; since they were equal initially, the ratio remains $1:1$. Buying machinery for cash reduces quick assets without reducing current liabilities, so the ratio falls.

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

Quick Tip to Solve: Exclude inventory first: a credit sale converts an excluded asset into a quick asset, raising the numerator alone.

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

(A) Payment to creditors

(B) Proceeds from sale of investments

(C) Dividend received by a non-finance company

(D) Depreciation charged on furniture

Correct Answer: (A) Payment to creditors

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of the enterprise and other activities that are neither investing nor financing.
- A cash outflow requires an actual payment; a non-cash expense cannot itself be a cash outflow.

Step 1: Classify the payment to creditors Payment to trade creditors settles amounts due for goods

and services used in normal business operations. Cash decreases when the payment is made, so this is an outflow from operating activities.

Step 2: Eliminate the other choices Sale of investments brings cash into the business and is an investing inflow. Dividend received by a non-finance company is also an investing inflow. Depreciation charged on furniture is a non-cash expense; charging it does not involve any cash payment.

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

Quick Tip to Solve: Check both the direction of cash movement and the activity: depreciation has no cash movement at all.

30(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 relationships between financial figures to assess performance and financial position.
- A limitation restricts the reliability or scope of analysis; a useful outcome of analysis is an objective or advantage.

Step 1: Identify the useful outcome Ascertaining the relative importance of different components of the financial position helps interpret the statements. For example, comparison of components with totals makes their significance clearer. This is a purpose of analysis, not a limitation.

Step 2: Check the actual limitations Analysis depends on the published company reports and inherits their limitations. Historical figures do not automatically reflect price-level changes. Changes in accounting procedures can also impair comparison and mislead the reader unless those changes are understood. Thus the remaining choices describe limitations.

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

Quick Tip to Solve: For a question asking which is not a limitation, select the benefit or objective of analysis.

OR

30(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 the efficiency with which a business uses its resources.
- They relate business activity, such as sales or cost of revenue, to the resources employed in generating that activity.

Step 1: Match the stated purpose The question stresses efficiency of operations through effective utilisation of resources. Turnover ratios directly measure this relationship. Examples include inventory turnover and trade receivables turnover, which assess the speed at which resources move through business operations.

Step 2: Distinguish the other categories Liquidity ratios assess ability to meet short-term obligations. Solvency ratios assess long-term financial stability and capacity to meet long-term obligations. Profitability ratios measure earnings in relation to sales or investment. These are distinct from the resource-utilisation efficiency requested here.

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

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

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) Bank Balance

(b) Public Deposits

(c) Bank Overdraft [3 marks]

Solution:

Concept:

- Schedule III presents assets separately from equity and liabilities, with further classification into current and non-current heads.
- An ordinary positive bank balance belongs to cash and cash equivalents; public deposits represent borrowings, while an overdraft represents short-term bank borrowing.

Step 1: Classify bank balance A normal bank balance is an amount available to the company with its bank. It is an asset rather than an amount owed. Show it under the major head Current Assets and the sub-head Cash and Cash Equivalents.

Step 2: Classify public deposits Public deposits are funds borrowed by a company from the public. Under the usual long-term classification of public deposits in this question, show them under Non-current Liabilities, sub-head Long-term Borrowings. The nature of the receipt is borrowing, not share capital or income.

Step 3: Classify bank overdraft and present the heads A bank overdraft is an amount owed to the bank, normally repayable on demand. Show it under Current Liabilities, sub-head Short-term Borrowings. It is not shown as a positive bank asset.
Classification in the Balance Sheet

Item	Major head	Sub-head
Bank Balance	Current Assets	Cash and Cash Equivalents
Public Deposits	Non-current Liabilities	Long-term Borrowings
Bank Overdraft	Current Liabilities	Short-term Borrowings

Step 4: Conclusion Bank balance: Current Assets – Cash and Cash Equivalents; Public deposits: Non-current Liabilities – Long-term Borrowings; Bank overdraft: Current Liabilities – Short-term Borrowings.

Quick Tip to Solve: First decide whether the bank amount is owned or owed; a bank overdraft is a borrowing, not a positive cash balance.

32. From the following information, calculate Inventory Turnover Ratio :

Particulars	Amount (Rs.)
Revenue from Operations	**80,00,000**
Gross Profit Ratio 25%	**-**
Opening Inventory	**10,00,000**

Closing Inventory is 2 times more than the Opening Inventory. [3 marks]

Solution:

Concept:

- Inventory Turnover Ratio measures the number of times average inventory is sold: cost of revenue from operations divided by average inventory.
- Cost of revenue equals revenue less gross profit; average inventory equals half the sum of opening and closing inventories.

Step 1: Calculate gross profit and cost of revenue Gross profit ratio is a percentage of revenue from

operations. Therefore,

$$\begin{aligned}\text{Gross Profit} &= 80,00,000 \times 25/100 = \text{Rs } 20,00,000,\\ \text{Cost of Revenue} &= 80,00,000 - 20,00,000\\ &= \text{Rs } 60,00,000.\end{aligned}$$

Use cost of revenue in the numerator because inventory is valued at cost.

Step 2: Calculate closing and average inventory Literally, "2 times more than" means the original amount plus twice that amount. Thus,

$$\begin{aligned}\text{Closing Inventory} &= 10,00,000 + 2(10,00,000)\\ &= \text{Rs } 30,00,000,\\ \text{Average Inventory} &= (10,00,000 + 30,00,000)/2\\ &= \text{Rs } 20,00,000.\end{aligned}$$

Both opening and closing balances enter the average.

Step 3: Substitute in the inventory turnover formula The literal interpretation gives

$$\text{Inventory Turnover Ratio} = \frac{60,00,000}{20,00,000} = 3 \text{ times}.$$

If the phrase is intended informally to mean "twice the opening inventory", closing inventory is Rs 20,00,000 and average inventory is Rs 15,00,000, giving $60,00,000/15,00,000 = 4$ times. The wording therefore admits these two interpretations.

Step 4: Conclusion The literal reading of "2 times more than" gives $\boxed{3 \text{ times}}$. If "twice the opening inventory" is intended, the result is 4 times.

Quick Tip to Solve: Distinguish "twice" from "twice more than": the latter literally adds twice the original amount to the original.

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 every item as a percentage of the total of its own side for the same year. Total assets and total equity and liabilities each represent 100%.
- The formula is Common size percentage $= \dfrac{\text{Individual item}}{\text{Balance sheet total}} \times 100$. Use the corresponding years total, since the totals differ.

Step 1: Calculate the percentages for each year For 31st March, 2023 the base is Rs 20,00,000. Thus 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 31st March, 2022 the base is Rs 10,00,000. The corresponding percentages are: share capital 50%, long-term borrowings 30%, trade payables 20%, fixed assets 70%, trade receivables 25%, and inventories 5%. Each side adds to 100% in each year.

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

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

Step 3: Conclusion The common size balance sheet shows share capital at 60% and 50%, and fixed assets at 70% in both years. Both sides total 100% for each year.

Quick Tip to Solve: Use Rs 20,00,000 as the 2023 base and Rs 10,00,000 as the 2022 base; do not use one common denominator for both years.

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 of profit and loss shows the previous and current year amounts, their absolute change, and the percentage change calculated on the previous year amount.
- Absolute change $=$ Current year $-$ Previous year and Percentage change $=\dfrac{\text{Absolute change}}{\text{Previous year}}\times 100$. Tax is calculated on profit before tax.

Step 1: Calculate total expenses, profit and tax For 2021–22, total expenses are $4,00,000+2,00,000=$

Rs $6,00,000$. Profit before tax is $20,00,000 - 6,00,000 =$ Rs $14,00,000$. Tax at 50% is Rs 7,00,000, leaving profit after tax of Rs 7,00,000.

For 2022–23, total expenses are $5,00,000 + 2,50,000 =$ Rs $7,50,000$. Profit before tax is $25,00,000 - 7,50,000 =$ Rs $17,50,000$. Tax at 50% is Rs 8,75,000, leaving profit after tax of Rs 8,75,000. No other income or expense is given, so the statement uses only the supplied particulars.

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

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

For example, the increase in profit after tax is $8,75,000 - 7,00,000 =$ Rs $1,75,000$, and its percentage increase is $1,75,000/7,00,000 \times 100 = 25\%$. The same calculation on each previous-year amount gives the percentages shown above.

Step 3: Conclusion Profit after tax increased from Rs 7,00,000 to Rs 8,75,000, an increase of Rs 1,75,000 or 25%.

Quick Tip to Solve: Calculate tax on profit before tax, then divide each increase by its own 2021–22 amount to obtain the comparative percentage.

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 non-current assets and investments and cash received on their disposal.
- For a non-financial company, interest received on investments is classified as an investing cash inflow.
- Non-cash depreciation is used to reconcile machinery balances; it is not itself an investing cash payment.

Step 1: Calculate the purchase of goodwill and proceeds from patents Goodwill increases from Rs 1,00,000 to Rs 3,00,000, with no other goodwill adjustment given. Therefore, cash paid for goodwill is

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

Patents with a book value of Rs 1,20,000 were sold at book value, giving a cash inflow of Rs 1,20,000. The remaining balance is Rs 2,80,000 minus Rs 1,20,000 = Rs 1,60,000, exactly equal to closing patents. Thus no purchase of patents is required.

Step 2: Calculate cash paid for machinery Use the opening and closing carrying amounts, adding back the book value disposed of and the year's depreciation:

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

The machine sold produces an investing cash inflow of Rs 50,000. Its loss of Rs 30,000 is not a separate cash outflow; only the sale proceeds enter investing cash flows.

Step 3: Determine proceeds from sale of investments Reconcile investments at their carrying amounts:

$$\begin{aligned}\text{Book value sold} &= 60,000 + 1,80,000 - 1,60,000\\ &= \text{Rs } 80,000.\\ \text{Sale proceeds} &= 80,000 + 20,000 = \text{Rs } 1,00,000.\end{aligned}$$

The purchase on 31.03.2023 is a cash outflow of Rs 1,80,000. Record the actual interest received, Rs 6,000, as an investing inflow. The stated 10 percent rate does not replace the given cash receipt.

Step 4: Prepare the investing section of the cash flow statement Ruparel Ltd. — Cash Flow from Investing Activities for the year ended 31.03.2023

Particulars	Amount (Rs)
Cash inflows:	
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
Cash outflows:	
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)

Thus the net flow is Rs 2,76,000 less Rs 8,20,000. Parentheses denote outflows in the statement.

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

Quick Tip to Solve: Reconcile asset balances using book values first; replace disposal book values with actual proceeds in the cash flow statement.

OPTION – II (Computerised Accounting)

27. 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 style gallery displays a limited selection initially; its More button expands the gallery.
- Shape styles change the appearance of a selected chart element.

Step 1: Identify the required action The question asks to display all available shape styles, so the relevant command must expand the style gallery. Clicking More opens the complete set of available styles.

Step 2: Check the alternatives Chart tool refers to contextual chart commands generally, rather than the gallery expansion button. Picture concerns pictures, while Custom does not name the button used to display all shape styles.

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

Quick Tip to Solve: Look for More whenever a question asks to expand a gallery and see every available style.

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

(A) Account heads are assigned to documents

(B) Numbers and letters are assigned in consecutive order

(C) Special names are given to accounts

(D) Documents are arranged in special sequence

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

Solution:

Concept:

- Sequential coding assigns identifiers in consecutive order to documents or records.
- The defining feature is the order of assigned codes, rather than the physical arrangement of documents.

Step 1: Apply the meaning of sequential In sequential coding, numbers and letters are assigned in consecutive order. For example, documents may receive successive identifiers such as 001, 002 and 003.

Step 2: Eliminate other descriptions Assigning account heads describes classification, and giving special names describes naming rather than consecutive coding. Merely arranging documents in a special sequence does not say that consecutive codes have been assigned to them.

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

Quick Tip to Solve: Distinguish assigning consecutive identifiers from merely sorting the documents into an order.

OR

28(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:

- The costing sub-system collects and processes cost information from related accounting sub-systems.
- An integrated accounting system allows relevant cost and expense information to flow between sub-systems.

Step 1: Identify the information requirement The requirement is to obtain information about costs and expenses by linking with other sub-systems. This is the function of the costing sub-system, which

brings together information needed for determining and analysing costs.

Step 2: Check the other sub-systems Cash and Bank focuses on cash and banking transactions. Expense accounting records expenses, while Final accounts prepares overall financial statements. The sub-system integrating information for costing is therefore the costing sub-system.

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

Quick Tip to Solve: Match the purpose of the information flow: collecting data for cost determination points to costing.

29. 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 can improve reporting speed, control and the protection of accounting data.
- Technological obsolescence means that hardware or software becomes outdated and may require replacement.

Step 1: Find the disadvantage Faster obsolescence of technology creates a need for frequent upgrades or replacement and associated expenditure. It is a limitation of a computerised accounting system, so it cannot be its advantage.

Step 2: Check the remaining options Timely reports in the desired format support decisions. Effective controls improve the management of the system, and access controls can maintain confidentiality. These are recognised benefits of computerised accounting when it is properly implemented.

Step 3: Conclusion The correct option is (C): Faster obsolescence of technology.

Quick Tip to Solve: In a negative MCQ, select the feature that creates a cost or limitation rather than improving accounting work.

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

(A) On the right side only

(B) On the left side only

(C) On the bottom of x-axis

(D) Anywhere

Correct Answer: (D) Anywhere

Solution:

Concept:

- A legend identifies the data series or categories represented by chart colours and symbols.
- A chart legend can be moved to suit the available space and the readability of the chart.

Step 1: Apply the repositioning feature A legend is a movable chart element. Its position is not restricted to one specified side; it can be placed at a suitable location on the chart, including commonly used right, left or bottom positions.

Step 2: Compare the choices The words only in options (A) and (B) make those choices too restrictive. A location below the x-axis is one possible position, not the full extent of the positioning facility. Anywhere expresses the available freedom of repositioning.

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

Quick Tip to Solve: Reject a single fixed location when the chart element can be repositioned to several locations.

OR

30(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 a short, unique numerical or alphabetic code to each account or category of accounting data.
- A consistent code identifies records quickly and makes classification, storage, retrieval and computer processing easier.

Step 1: Identify the main purpose In a computerised accounting system, using an account code avoids repeatedly handling long account names. Transactions can be classified under the correct account and retrieved or processed efficiently. This directly supports easy processing of data and keeping records.

Step 2: Check the other options A mnemonic code is only one possible type of code, so generating mnemonic codes is not the general purpose of codification. Securing reports requires access controls, while encryption transforms data to protect confidentiality. Ordinary account codification does neither of these.

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

Quick Tip to Solve: Choose the option about organising and processing records; account codes identify data rather than encrypt it.

31. Explain the advantages of using a Graph. [3 marks]

Solution:

Concept:

- A graph represents numerical data visually through bars, lines, sectors or other graphical elements.
- A suitable graph converts a large set of figures into a form that can be compared and interpreted quickly.

Step 1: Present data simply and clearly A graph summarises a large volume of numerical information in a compact, attractive visual form. A reader can understand the broad message without examining every cell of the underlying spreadsheet. For example, a monthly sales chart gives an immediate picture of business performance, even to a reader who finds a long numerical table difficult to interpret.

Step 2: Make comparisons easier Graphs facilitate comparison between different products, departments, periods or other categories. In a bar chart, the relative heights of bars show which category has a higher or lower value. This makes differences and relative performance easier to identify than repeated comparisons of individual figures in a table.

Step 3: Reveal trends and aid decisions A graph helps identify patterns, trends and unusual changes in data. A line graph of monthly expenses, for example, can show a sustained rise or a sudden increase. Such visual analysis helps management assess past performance, identify areas requiring attention and plan future action. The chart should have appropriate scales and labels so that its message is accurate.

Step 4: Conclusion Graphs simplify numerical information, make comparisons easy and reveal trends or unusual changes, thereby supporting analysis and decision-making.

Quick Tip to Solve: For three clear advantages, explain simplification, comparison and trend recognition with a brief accounting example.

32. What is meant by Num_digit ? State the situations where it can be used. [3 marks]

Solution:

Concept:

- In a spreadsheet ROUND function, num_digits (Num_digit) specifies the number of digits to which a given number is rounded.
- The syntax is ROUND(number, num_digits). The sign of the second argument determines the position of rounding relative to the decimal point.

Step 1: Use a positive Num_digit for decimal places When Num_digit is positive, the number is rounded to that many digits to the right of the decimal point. For example, ROUND$(125.678, 2) = 125.68$. This is useful when monetary amounts or calculated averages need to be displayed to a fixed number of decimal places. The next digit determines whether the retained digit increases.

Step 2: Use zero for a whole number When Num_digit is zero, the number is rounded to the nearest integer. For example, ROUND$(125.678, 0) = 126$. This can be used when an accounting report requires amounts in whole rupees instead of rupees and paise. Zero therefore means no decimal places are retained; it does not mean that the result is zero.

Step 3: Use a negative Num_digit for tens, hundreds and higher places When Num_digit is negative, rounding takes place to the left of the decimal point. For example, ROUND$(1{,}256, -1) = 1{,}260$ rounds to tens and ROUND$(1{,}256, -2) = 1{,}300$ rounds to hundreds. This is useful in preparing summarised budgets, estimates or reports that require rounded large amounts.

Step 4: Conclusion Num_digit is the rounding-position argument: positive values round to decimal places, zero rounds to an integer, and negative values round to tens, hundreds or higher places.

Quick Tip to Solve: Remember the position rule: positive goes right of the decimal point, zero gives an integer, and negative goes left.

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

Solution:

Concept:

- A spreadsheet chart is prepared from a selected range of numerical data together with its category headings and series labels.
- An appropriate chart type, accurate source range, clear titles and a suitable location make the chart meaningful and readable.

Step 1: Prepare and select the source data Arrange the information in a worksheet in a logical table, with row or column headings that identify categories and data series. Check that numerical entries are correct. Select the cell range to be plotted, including the relevant headings so that the spreadsheet can use them as category labels and series names. Avoid including unrelated cells that would distort the chart.

Step 2: Insert a chart and choose its type Choose the Insert tab and select a suitable chart from the Charts group, or start the Chart Wizard where available. Select the required chart type and subtype:

a column or bar chart can compare categories, a line chart can show changes over time, and a pie chart can display parts of a total. Confirm the source range and whether series are arranged in rows or columns.

Step 3: Set the chart options Enter a descriptive chart title and, where appropriate, titles for the horizontal and vertical axes. Check category labels, the legend and data-series names. Set useful options such as data labels, gridlines and axis scales according to the information being presented. These details should explain what the figures represent and make the chart easy to interpret.

Step 4: Choose the location and complete the chart Specify whether the chart is to be embedded in the existing worksheet or placed on a separate chart sheet. Complete the chart, then resize or reposition it as needed. Review the plotted values against the worksheet and check that titles, labels and the legend are readable. Save the workbook after the chart is finalised.

Step 5: Conclusion Prepare and select the data, insert an appropriate chart, set its source and chart options, and choose its location before checking and saving the completed chart.

Quick Tip to Solve: Follow the sequence: select data, choose chart type, add clear options, then locate and verify the chart.

OR

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

Solution:

Concept:

- The Error Alert tab is a part of the Data Validation dialog box in a spreadsheet. Data validation specifies the permitted entries in a selected cell or range; an error alert responds when a user types an entry that violates those conditions.
- An error alert is different from an input message. An input message guides the user when a cell is selected, whereas an error alert appears after an invalid entry is attempted.

Step 1: Enable and customise the error message The Error Alert tab is used to select "Show error alert after invalid data is entered". It also allows the user to enter a suitable Title and Error message. For example, if a cell accepts only whole numbers from 1 to 100, the message can say "Enter a whole number between 1 and 100". This explains the validation restriction clearly and helps the user correct the entry.

Step 2: Select the appropriate alert style The tab provides three styles. Stop rejects an invalid entry and requires the user to retry or cancel it. Warning warns about the invalid value but allows the user to accept it, retry, or cancel. Information informs the user that the entry is invalid but permits acceptance or cancellation. Thus, the selected style determines whether the validation condition is compulsory or whether an exception can be accepted by the user.

Step 3: Improve the accuracy of accounting data By identifying entries outside the specified limits, the alert helps prevent incorrect dates, amounts, codes or other restricted values from being entered in accounting worksheets. A clear message tells the operator what needs correction. The Error Alert

tab controls the response and wording of the alert; the actual permitted values are specified on the Settings tab of Data Validation.

Step 4: Conclusion The Error Alert tab enables an invalid-entry alert, selects its style, and sets its title and message so that users can identify and correct entries that violate data-validation conditions.

Quick Tip to Solve: Remember the three styles in order of strictness: Stop blocks an invalid entry; Warning and Information allow the user to accept it.

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

Solution:

Concept:

- Merging a range of cells means combining two or more adjacent selected cells into one larger cell. The merged cell occupies the combined area of the original cells and is useful for headings extending across several columns.
- Splitting, or unmerging, restores the separate cells that existed before merging. It changes the cell arrangement; it does not divide the text or value into separate entries.

Step 1: Meaning and example of merging Suppose a worksheet has a heading "Statement of Accounts" above columns A to D. Selecting cells A1:D1 and merging them creates a single wide cell for that heading. If Merge & Center is used, the heading is also centred within the merged area. Merging and centring are distinct operations: merging combines cells, while centring controls the alignment of their content.

Step 2: Prepare and select the range Enter the required heading or value in the upper-left cell of the range. Then select the adjacent cells to be merged by dragging across them, for example A1:D1. In a normal left-to-right worksheet, merging retains the contents of the upper-left cell. Move any other required entries elsewhere before merging, because contents in the other selected cells are not combined into a single text string and may be discarded after a warning.

Step 3: Merge the selected cells In Excel, select the Home tab and locate the Alignment group. Click Merge & Center to combine the selected cells and centre the heading. Alternatively, open its drop-down and select Merge Cells to combine the cells without applying centring. The same merge setting can also be reached through Format Cells, Alignment, by selecting the Merge cells check box and confirming with OK. After the operation, the selected range behaves as one larger cell.

Step 4: Split the merged cell into its original cells Select the merged cell. On the Home tab, in the Alignment group, open the Merge & Center drop-down and choose Unmerge Cells. Alternatively, open Format Cells, select the Alignment tab, clear the Merge cells check box, and click OK. The merged area returns to the original rows and columns. The retained value remains in the upper-left cell; the remaining restored cells are empty. Unmerging does not recover entries that were discarded during merging.

Step 5: Conclusion Merging combines an adjacent range into one larger cell. Select the range and use Merge & Center or Merge Cells to merge it; select the merged cell and use Unmerge Cells to

restore its original separate cells.

Quick Tip to Solve: Before merging, preserve every required value outside the upper-left cell; unmerging restores the cell structure, not discarded contents.