CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-1-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

(iv) **Part – B** has **two** options. Candidates must 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. Sara and Tara were partners in a firm. Their capitals as on 1st April, 2023 were Rs. 6,00,000 and Rs. 4,00,000 respectively. On 1st October, 2023, Tara withdrew Rs. 1,00,000 for personal use. According to the partnership deed, interest on capital was allowed @ 8% p.a.

The amount of interest allowed on Tara's capital for the year ended 31st March, 2024 was: [1 mark]

(A) Rs. 28,000

(B) Rs. 30,000

(C) Rs. 48,000

(D) Rs. 32,000

Correct Answer: (D) Rs. 32,000

Solution:

Concept:

- Interest on capital is calculated on the capital invested by a partner, at the rate authorised by the partnership deed.
- Drawings for personal use are distinct from a permanent withdrawal of capital. Ordinary drawings do not reduce the capital base used for interest on capital.

Step 1: Identify Tara's interest-bearing capital Tara's opening capital is Rs 4,00,000. The Rs 1,00,000 taken on 1st October is described as a withdrawal for personal use, that is, drawings; the question does not state that capital was permanently withdrawn. Therefore interest on capital is calculated on Rs 4,00,000 for the full year.

Step 2: Apply the annual rate and check the alternatives

$$\text{Interest on Tara's capital} = 4,00,000 \times \frac{8}{100} = \text{Rs } 32,000.$$

Rs 28,000 incorrectly treats the drawings as a reduction of capital for six months. Rs 30,000 is not produced by the specified capital and annual rate. Rs 48,000 is interest on Sara's capital of Rs 6,00,000, not Tara's.

Step 3: Conclusion Interest allowed on Tara's capital is Rs 32,000. Hence, the correct option is (D).

Quick Tip to Solve: First distinguish personal drawings from a stated permanent capital withdrawal; only the latter changes the capital base for interest.

2. Assertion (A): Each partner carrying on the business of the firm is the principal as well as the agent for all the other partners of the firm.

Reason (R): There exists a relationship of mutual agency between all the partners.

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

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

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

Solution:

Concept:

- Mutual agency means that the business of a partnership may be carried on by all partners or by any of them acting for all.
- A partner is an agent when acting on behalf of the firm and a principal when bound by the authorised acts of the other partners.

Step 1: Evaluate the assertion The assertion is correct. When a partner conducts the firm's business within authority, the partner represents the other partners as their agent. The same partner is also a principal because the authorised business acts of the other partners bind that partner.

Step 2: Evaluate the reason The reason is correct. Mutual agency is a fundamental feature of partnership: each partner can act for the firm, and each is represented by the others in the firm's business.

Step 3: Check the explanatory connection Mutual agency directly explains the dual position of a partner as principal and agent. Thus option (B) wrongly denies the explanatory link, while options (C) and (D) wrongly reject one of the two true statements.

Step 4: Conclusion Both Assertion (A) and Reason (R) are correct, and the reason correctly explains the assertion. Hence, the correct option is (A).

Quick Tip to Solve: Link agent with acting for others and principal with being bound by their acts; the two directions together establish mutual agency.

3(a). VL Ltd. offered for public subscription 90,000 equity shares of Rs. 10 each at a premium of 10%. The entire amount was payable on application. Applications were received for 1,00,000 shares and allotment was made to all the applicants on pro-rata basis. The amount received on application was _____. [1 mark]

(A) Rs. 10,00,000

(B) Rs. 9,00,000

(C) Rs. 9,90,000

(D) Rs. 11,00,000

Correct Answer: (D) Rs. 11,00,000

Solution:

Concept:

- Issue price per share equals face value plus securities premium. A premium of 10% on Rs 10 is Rs 1 per share.
- Application money received is based on the number of shares applied for, whereas capital allotted is based on shares actually issued.

Step 1: Calculate the application amount per share Since the entire issue price is payable on application, each applicant pays both the face value and the premium:

$$\text{Amount per share} = 10 + (10 \times 10/100) = \text{Rs } 11.$$

Step 2: Use the number of applications received Applications were received for 1,00,000 shares, so the cash collected on application is

$$1,00,000 \times 11 = \text{Rs } 11,00,000.$$

Pro-rata allotment of 90,000 shares takes place after this receipt. Rs 9,90,000 is the issue price of the allotted shares; Rs 9,00,000 is their face value. Rs 10,00,000 ignores the premium on the applications received.

Step 3: Conclusion Application money received was Rs 11,00,000. Hence, the correct option is (D).

Quick Tip to Solve: For money received on application, multiply the shares applied for by the application amount, including any premium payable at that stage.

OR

3(b). VX Ltd. issued 30,000, 8% debentures of Rs. 100 each at a discount of 10% redeemable at a certain rate of premium. On issue of these debentures, 'Loss on issue of debentures account' was debited with Rs. 4,50,000. The amount of premium on redemption of debentures was _____ . [1 mark]

(A) Rs. 3,00,000

(B) Rs. 1,50,000

(C) Rs. 30,000

(D) Rs. 4,50,000

Correct Answer: (B) Rs. 1,50,000

Solution:

Concept:

- Loss on issue of debentures consists of the discount allowed on issue plus the premium payable on redemption.
- Issue discount is calculated on total face value. The debenture interest rate determines periodic interest, not the issue discount or redemption premium.

Step 1: Calculate the issue discount Total face value of 30,000 debentures of Rs 100 each is Rs 30,00,000. The discount at 10% is

$$30,00,000 \times \frac{10}{100} = \text{Rs } 3,00,000.$$

Step 2: Separate the premium from the total loss The debit to Loss on Issue of Debentures Account includes both components. Therefore,

$$\text{Redemption premium} = 4,50,000 - 3,00,000 = \text{Rs } 1,50,000.$$

Rs 3,00,000 is only the issue discount; Rs 4,50,000 is the combined loss. Rs 30,000 does not satisfy the loss equation. The 8% coupon rate is irrelevant to this calculation.

Step 3: Conclusion The premium on redemption is Rs 1,50,000. Hence, the correct option is (B).

Quick Tip to Solve: Subtract the issue discount from the Loss on Issue balance to isolate the redemption premium; ignore the coupon rate for this calculation.

4(a). Kartik, Inder and Lalit were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 2 : 3 : 4. For this purpose, the goodwill of the firm was valued at Rs. 1,80,000. The necessary journal entry to show the effect of the above will be: [1 mark]

(A)

Particulars	Dr. (Rs)	Cr. (Rs)
Lalit's Capital A/c Dr.	40,000	
To Kartik's Capital A/c		40,000

(B)

Particulars	Dr. (Rs)	Cr. (Rs)
Kartik's Capital A/c Dr.	40,000	
To Lalit's Capital A/c		40,000

(C)

Particulars	Dr. (Rs)	Cr. (Rs)
Lalit's Capital A/c Dr.	1,80,000	
To Kartik's Capital A/c		1,80,000

(D)

Particulars	Dr. (Rs)	Cr. (Rs)
Kartik's Capital A/c Dr.	1,80,000	
To Lalit's Capital A/c		1,80,000

Correct Answer: (A)

Particulars	Dr. (Rs)	Cr. (Rs)
Lalit's Capital A/c Dr.	40,000	
To Kartik's Capital A/c		40,000

Solution:

Concept:

- On a change in the profit-sharing ratio, a gaining partner compensates a sacrificing partner for the latter's share of goodwill.
- Sacrifice equals old share minus new share; goodwill compensation equals the firm's goodwill multiplied by the share sacrificed.

Step 1: Determine the sacrifice and gain **Working Notes:** Kartik's sacrifice is $4/9 - 2/9 = 2/9$. Inder's share remains $3/9$, so he neither sacrifices nor gains. Lalit's gain is $4/9 - 2/9 = 2/9$. Therefore Lalit compensates Kartik by $1,80,000 \times 2/9 = \text{Rs } 40,000$.

Step 2: Record the capital adjustment Debit Lalit's capital for the benefit received and credit Kartik's capital for the sacrifice. The entry is:

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Lalit's Capital A/c Dr.		40,000	
	To Kartik's Capital A/c			40,000
	(Being goodwill adjusted for the change in profit-sharing ratio)			

Option (B) reverses the debit and credit. Options (C) and (D) use the entire goodwill instead of the value of the share transferred.

Step 3: Conclusion Debit Lalit's Capital Account and credit Kartik's Capital Account by Rs 40,000 each. Hence, the correct option is (A).

Quick Tip to Solve: Calculate only the changed fraction of profit share: the gaining partner pays that fraction of goodwill to the sacrificing partner.

OR

4(b). Nidhi, Pranav and Ishu were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. With effect from 1st April, 2024, they decided to share profits and losses in the ratio of 4 : 1 : 5. On that date, there was a debit balance of Rs. 4,00,000 in the Profit and Loss Account. The necessary journal entry to show the effect of the above will be: [1 mark]

(A)

Particulars	Dr. (Rs)	Cr. (Rs)
Ishu's Capital A/c Dr.	1,60,000	
To Nidhi's Capital A/c		40,000
To Pranav's Capital A/c		1,20,000

(B)

Particulars	Dr. (Rs)	Cr. (Rs)
Profit & Loss A/c Dr.	4,00,000	
To Nidhi's Capital A/c		2,00,000
To Pranav's Capital A/c		1,60,000
To Ishu's Capital A/c		40,000

(C)

Particulars	Dr. (Rs)	Cr. (Rs)
Nidhi's Capital A/c Dr.	2,00,000	
Pranav's Capital A/c Dr.	1,60,000	
Ishu's Capital A/c Dr.	40,000	
To Profit & Loss A/c		4,00,000

(D)

Particulars	Dr. (Rs)	Cr. (Rs)
Nidhi's Capital A/c Dr.	40,000	
Pranav's Capital A/c Dr.	1,20,000	
To Ishu's Capital A/c		1,60,000

Correct Answer: (C)

Particulars	Dr. (Rs)	Cr. (Rs)
Nidhi's Capital A/c Dr.	2,00,000	
Pranav's Capital A/c Dr.	1,60,000	
Ishu's Capital A/c Dr.	40,000	
To Profit & Loss A/c		4,00,000

Solution:

Concept:

- A debit balance of Profit and Loss Account represents an accumulated loss belonging to the partners under the old profit-sharing agreement.
- Before adopting the new ratio, distribute this loss by debiting partners' capital accounts in the old ratio and crediting Profit and Loss Account.

Step 1: Allocate the existing loss in the old ratio **Working Notes:** The old ratio is $5 : 4 : 1$, with a total of 10 shares. Nidhi bears $4,00,000 \times 5/10 =$ Rs $2,00,000$, Pranav bears $4,00,000 \times 4/10 =$ Rs $1,60,000$, and Ishu bears $4,00,000 \times 1/10 =$ Rs $40,000$. These amounts total Rs 4,00,000.

Step 2: Close the debit balance **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Nidhi's Capital A/c Dr.		2,00,000	
	Pranav's Capital A/c Dr.		1,60,000	
	Ishu's Capital A/c Dr.		40,000	
	To Profit and Loss A/c			4,00,000
	(Being accumulated loss transferred to partners in their old ratio)			

Option (B) reverses the entry and increases the loss balance. Options (A) and (D) merely transfer amounts between partners and do not close Profit and Loss Account; no instruction to retain this balance is given.

Step 3: Conclusion Debit Nidhi, Pranav and Ishu's capital accounts by Rs 2,00,000, Rs 1,60,000 and Rs 40,000 respectively, and credit Profit and Loss Account by Rs 4,00,000. Hence, the correct option is (C).

Quick Tip to Solve: For an existing debit Profit and Loss balance, use the old ratio and debit partners' capitals; the new ratio governs future results.

5. Moksh and Pran were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their capitals were Rs. 5,00,000 and Rs. 3,00,000 respectively. They admitted Tushar as a new partner on 1st April, 2024 for 1/4th share in future profits. Tushar brought Rs. 4,00,000 as his share of capital. The goodwill of the firm on Tushar's admission will be: [1 mark]

(A) Rs. 16,00,000

(B) Rs. 4,00,000

(C) Rs. 8,00,000

(D) Rs. 12,00,000

Correct Answer: (B) Rs. 4,00,000

Solution:

Concept:

- An incoming partner's capital and profit share can indicate the total implied capital value of the firm: capital contributed divided by the share acquired.
- Hidden goodwill is the excess of this implied value over the total actual capitals of all partners, including the incoming partner.

Step 1: Find the firm's implied capital value Tushar contributes Rs 4,00,000 for a one-fourth share. Thus the capitalised value indicated by his contribution is

$$4,00,000 \div \frac{1}{4} = \text{Rs } 16,00,000.$$

Step 2: Deduct the actual combined capital Actual capitals after admission total $5,00,000 + 3,00,000 +$

$4,00,000 = \text{Rs } 12,00,000$. Hence hidden goodwill is

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

Rs 16,00,000 is the implied total value, Rs 12,00,000 is actual combined capital, and Rs 8,00,000 is only the old partners' capital. None of these three amounts is the goodwill itself.

Step 3: Conclusion Goodwill of the firm on Tushar's admission is Rs 4,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Gross up the new partner's capital by his profit share, then deduct all three partners' actual capitals to find hidden goodwill.

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6. Money received in advance from the shareholders before it is actually called up by the directors is: [1 mark]

(A) credited to calls in advance account.

(B) debited to calls in advance account.

(C) credited to calls account.

(D) debited to calls in arrears account.

Correct Answer: (A) credited to calls in advance account.

Solution:

Concept:

- Calls in advance is money received from shareholders towards share amounts that have not yet been called up by the company.
- Until the relevant call becomes due, the advance is a liability. Receipt increases this liability, so Calls in Advance Account is credited.

Step 1: Identify the nature of the receipt The directors have not yet called up the amount, but shareholders have already paid it. The receipt is therefore calls in advance, not a settlement of a call already due and not calls in arrears.

Step 2: Determine the credit account Bank is debited because cash is received, and Calls in Advance Account is credited because the company holds the amount before it becomes due. Debiting Calls in Advance would reduce the liability, so option (B) is wrong. Crediting a calls account would imply an existing call, so option (C) is wrong. Calls in arrears concerns unpaid amounts already called, making option (D) inapplicable.

Step 3: Conclusion The money is credited to Calls in Advance Account. Hence, the correct option is (A).

Quick Tip to Solve: Compare the payment date with the call date: paid before being called means calls in advance, a credit liability until the call becomes due.

7(a). Debentures in respect of which all details including names, addresses and particulars of holding of the debenture holders are entered in a register kept by the company are called: [1 mark]

(A) Bearer debentures

(B) Redeemable debentures

(C) Registered debentures

(D) Secured debentures

Correct Answer: (C) Registered debentures

Solution:

Concept:

- Registered debentures are recorded in the company's register with the holders' names, addresses and details of their holdings.
- Debentures can be classified separately by registration, repayment terms and security; the defining feature in the question determines the applicable class.

Step 1: Match the stated feature to its definition The company maintains a register identifying the debenture holders and their holdings. This is precisely the defining feature of registered debentures. Registration identifies the persons recognised by the company as the holders.

Step 2: Eliminate the other classifications Bearer debentures are transferable by delivery and do not have this holder-registration feature. Redeemable debentures are defined by repayment after an agreed period or on specified terms. Secured debentures are backed by a charge on assets. Although a registered debenture may also be redeemable or secured, neither feature answers the registration-based description given here.

Step 3: Conclusion These are registered debentures. Hence, the correct option is (C).

Quick Tip to Solve: Use the defining clue: names and addresses in a company register indicate registered debentures; repayment and asset security describe other classifications.

OR

7(b). That portion of the called up capital which has been actually received from the shareholders is known as: [1 mark]

(A) Paid up capital

(B) Called up capital

(C) Uncalled capital

(D) Reserve capital

Correct Answer: (A) Paid up capital

Solution:

Concept:

- Called-up capital is the part of subscribed capital that the company has demanded from shareholders.

- Paid-up capital is the amount of called-up capital actually received; ordinarily, paid-up capital equals called-up capital less calls in arrears.

Step 1: Identify the decisive phrase The question says that the amount has been actually received. A demand for payment alone creates called-up capital, whereas receipt from shareholders makes that amount paid-up capital.

Step 2: Distinguish the alternatives Option (B) includes amounts called but possibly unpaid. Option (C), uncalled capital, has not yet been demanded. Option (D), reserve capital, is the part of uncalled capital reserved for being called only on winding up; it is not money already received.

Step 3: Conclusion The amount actually received is paid-up capital. Hence, the correct option is (A).

Quick Tip to Solve: Use the verb: capital demanded is called up; capital actually received is paid up.

8(a). Misha, Sarita and Isha were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. With effect from 1st April 2024, they decided that they will share profits and losses equally. The gain or sacrifice by the partners due to change in profit sharing ratio will be: [1 mark]

(A) Misha's sacrifice 1/6, Isha's gain 1/6

(B) Misha's gain 1/6, Isha's sacrifice 1/6

(C) Misha's sacrifice 1/6, Sarita's gain 1/3, Isha's sacrifice 1/6

(D) Misha's sacrifice 1/3, Isha's gain 1/3

Correct Answer: (A) Misha's sacrifice 1/6, Isha's gain 1/6

Solution:

Concept:

- A partner sacrifices when the old profit share exceeds the new share: sacrifice = old share minus new share.
- A negative sacrifice represents a gain. Equal sharing among three partners gives each a new share of $1/3$.

Step 1: Compute each change in share The old shares are $3/6, 2/6, 1/6$, and each new share is $2/6$.

$$\text{Misha's sacrifice} = 3/6 - 2/6 = 1/6,$$
$$\text{Sarita's change} = 2/6 - 2/6 = 0,$$
$$\text{Isha's sacrifice} = 1/6 - 2/6 = -1/6.$$

Thus Isha gains $1/6$, exactly equal to Misha's sacrifice.

Step 2: Check the proposed changes Option (B) reverses the direction of the changes. Option (C) wrongly gives Sarita a gain and Isha a sacrifice, although Sarita retains her existing share. Option (D) doubles the actual change from $1/6$ to $1/3$.

Step 3: Conclusion Misha sacrifices $1/6$, Isha gains $1/6$, and Sarita neither gains nor sacrifices. Hence, the correct option is (A).

Quick Tip to Solve: Convert both old and new shares to sixths; equal sharing changes only the first and third partners here.

OR

8(b). Sia, Tisha and Aryan were partners sharing profits and losses in the ratio of 4 : 7 : 1. The firm closes its books on 31st March every year. Tisha died on 1st July, 2024. Sia and Aryan will acquire Tisha's share in which of the following ratio? [1 mark]

(A) 1 : 1

(B) 4 : 1

(C) 4 : 7

(D) 7 : 1

Correct Answer: (B) 4 : 1

Solution:

Concept:

- When no different agreement is stated, the surviving partners acquire a deceased partner's share in their existing relative profit-sharing ratio.
- Gaining ratio compares only the surviving partners; the deceased partner is excluded.

Step 1: Identify the surviving partners The old ratio is Sia : Tisha : Aryan $= 4 : 7 : 1$. After Tisha's death, the surviving partners are Sia and Aryan, whose existing relative shares are $4 : 1$. No different arrangement for acquiring Tisha's share is given.

Step 2: Verify the gains Tisha's old share is $7/12$. Its allocation is

$$\text{Sia's gain} = \frac{7}{12} \times \frac{4}{5} = \frac{7}{15}, \qquad \text{Aryan's gain} = \frac{7}{12} \times \frac{1}{5} = \frac{7}{60}.$$

The gains have ratio $4 : 1$. Equal acquisition is not stated, and $4 : 7$ and $7 : 1$ incorrectly retain Tisha's ratio component. The dates do not alter this ratio.

Step 3: Conclusion Sia and Aryan acquire Tisha's share in the ratio $4 : 1$. Hence, the correct option is (B).

Quick Tip to Solve: If no acquisition ratio is specified, remove the deceased partner from the old ratio and retain the survivors' relative weights.

9. Anuj and Kartik were partners in a firm sharing profits and losses in the ratio of 5 : 4. Anuj withdrew Rs. 20,000 in the beginning of every alternate month starting from 1st April, 2023 during the year ended 31st March, 2024. Interest on Anuj's drawings @ 6% p.a. for the year ended 31st March, 2024 will be: [1 mark]

(A) Rs. 8,400

(B) Rs. 1,200

(C) Rs. 4,200

(D) Rs. 3,600

Correct Answer: (C) Rs. 4,200

Solution:

Concept:

- Interest on each drawing equals its amount multiplied by the annual rate and the period outstanding in years.
- For equal drawings, use total drawings multiplied by the annual rate and the average period outstanding.

Step 1: Find the drawing dates and average period Anuj withdraws Rs 20,000 on 1 April, 1 June, 1 August, 1 October, 1 December and 1 February. The six drawings remain outstanding for $12, 10, 8, 6, 4, 2$ months respectively.

$$\text{Average period} = \frac{12+10+8+6+4+2}{6} = 7 \text{ months}.$$

Step 2: Calculate the interest and compare options Total drawings are $6 \times \text{Rs } 20,000 = \text{Rs } 1,20,000$.

$$\text{Interest} = 1,20,000 \times \frac{6}{100} \times \frac{7}{12} = \text{Rs } 4,200.$$

Rs 8,400 doubles the correct amount, Rs 1,200 is a full year's interest on only one drawing, and Rs 3,600 uses an incorrect average period of six months. The partners' profit-sharing ratio is irrelevant to this calculation.

Step 3: Conclusion Interest on Anuj's drawings is Rs 4,200. Hence, the correct option is (C).

Quick Tip to Solve: For beginning-of-alternate-month drawings starting in April, use six instalments and an average period of seven months.

10(a). Vishesh, Manik and Amit were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Amit retired on 31st March, 2024. Vishesh and Manik acquired Amit's share in the ratio of 2 : 3. The new profit sharing ratio between Vishesh and Manik after Amit's retirement will be: [1 mark]

(A) 5 : 4

(B) 2 : 3

(C) 1 : 1

(D) 27 : 23

Correct Answer: (D) 27 : 23

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share acquired from the retiring partner.
- The gaining ratio divides only the retiring partner's share; it is not automatically the new profit-sharing ratio.

Step 1: Allocate Amit's share Amit's share is $1/10$. Vishesh and Manik acquire this in the ratio $2 : 3$, so

$$\text{Vishesh's gain} = \frac{1}{10} \times \frac{2}{5} = \frac{2}{50}, \qquad \text{Manik's gain} = \frac{1}{10} \times \frac{3}{5} = \frac{3}{50}.$$

Step 2: Add the gains to the old shares

$$\text{Vishesh's new share} = \frac{5}{10} + \frac{2}{50} = \frac{27}{50},$$
$$\text{Manik's new share} = \frac{4}{10} + \frac{3}{50} = \frac{23}{50}.$$

These shares total one. The ratio $5 : 4$ ignores the specified gains, $2 : 3$ is only the gaining ratio, and $1 : 1$ is inconsistent with the computed unequal shares.

Step 3: Conclusion The new ratio of Vishesh and Manik is $27 : 23$. Hence, the correct option is (D).

Quick Tip to Solve: First split the retiring partner's fraction in the gaining ratio, then add each gain to the corresponding old share.

OR

10(b). Varsha, Aryan and Nimit were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Varsha retired and surrendered 1/3rd of her share in favour of Aryan and the remaining share in favour of Nimit. The new profit sharing ratio between Aryan and Nimit will be: [1 mark]

(A) 2 : 1

(B) 8 : 7

(C) 1 : 2

(D) 1 : 1

Correct Answer: (B) 8 : 7

Solution:

Concept:

- The fraction surrendered by a retiring partner is applied to that partner's own share of total profits.
- The new share of each continuing partner is the old share plus the fraction acquired.

Step 1: Divide Varsha's old share Varsha's old share is $2/5$. Aryan receives one-third of this share and Nimit receives the remaining two-thirds:

$$\text{Aryan's gain} = \frac{1}{3} \times \frac{2}{5} = \frac{2}{15}, \qquad \text{Nimit's gain} = \frac{2}{3} \times \frac{2}{5} = \frac{4}{15}.$$

Step 2: Calculate the new shares

$$\text{Aryan's new share} = \frac{2}{5} + \frac{2}{15} = \frac{8}{15},$$
$$\text{Nimit's new share} = \frac{1}{5} + \frac{4}{15} = \frac{7}{15}.$$

The shares total one. Option (A), $2 : 1$, is their old relative ratio; option (C), $1 : 2$, is their gaining ratio. Option (D) assumes equal shares, contrary to these calculations.

Step 3: Conclusion The new profit-sharing ratio of Aryan and Nimit is $8 : 7$. Hence, the correct option is (B).

Quick Tip to Solve: One-third of her share means $1/3 \times 2/5$, not one-third of the firm's total profits.

11. When the partners' capitals are fixed, the drawings made by a partner are recorded on the:

[1 mark]

(A) Debit side of Partner's Capital Account.

(B) Credit side of Partner's Capital Account.

(C) Debit side of Partner's Current Account.

(D) Credit side of Partner's Current Account.

Correct Answer: (C) Debit side of Partner's Current Account.

Solution:

Concept:

- Under the fixed capital method, a separate current account records routine adjustments for each partner.
- Personal drawings reduce the partner's claim on the firm and are debited to the partner's current account.

Step 1: Choose the account under fixed capitals A fixed capital account records permanent capital introduced or permanently withdrawn. Ordinary personal drawings during the year are routine adjustments, along with interest, salary and the share of profit, and therefore belong in the current account.

Step 2: Determine the side of the account Drawings reduce the amount owed by the firm to the partner, so they are recorded on the debit side of the current account. Options (A) and (B) use the capital account instead of the required current account; option (D) uses the correct account but the wrong side. A credit would increase, rather than reduce, the partner's balance.

Step 3: Conclusion Drawings are recorded on the debit side of the Partner's Current Account. Hence, the correct option is (C).

Quick Tip to Solve: With fixed capitals, route ordinary drawings to the current account; a withdrawal reduces the partner's balance, so debit it.

12. 4,000 shares of Rs. 10 each were forfeited for non-payment of second and final call money of Rs. 2 per share. The minimum amount that the company must collect at the time of reissue of these shares will be: [1 mark]

(A) Rs. 8,000

(B) Rs. 32,000

(C) Rs. 40,000

(D) Rs. 48,000

Correct Answer: (A) Rs. 8,000

Solution:

Concept:

- The discount allowed on reissue of forfeited shares cannot exceed the amount forfeited on those particular shares.
- Minimum reissue price per fully paid share equals face value less the amount already received and forfeited per share.

Step 1: Find the amount forfeited The face value is Rs 10 and the unpaid second and final call is Rs 2 per share. Thus the amount previously received is

$$\text{Amount forfeited per share} = 10 - 2 = \text{Rs } 8.$$

For 4,000 shares, the forfeited amount is $4,000 \times 8 = \text{Rs } 32,000$. This is the maximum total discount permissible on their reissue.

Step 2: Calculate the minimum collection

$$\text{Minimum price per share} = 10 - 8 = \text{Rs } 2,$$
$$\text{Minimum total collection} = 4,000 \times 2 = \text{Rs } 8,000.$$

Rs 32,000 is the forfeited amount, not the minimum fresh collection. Rs 40,000 is the total face value, and Rs 48,000 exceeds face value; neither is the minimum permitted collection.

Step 3: Conclusion The company must collect at least Rs 8,000 on reissue. Hence, the correct option is (A).

Quick Tip to Solve: Subtract the amount forfeited from the face value to obtain the minimum reissue price; do not confuse it with the maximum discount.

13. On 1st April 2023, Veebee Ltd. issued 20,000, 13% debentures of Rs. 100 each at a discount of 10% redeemable at a premium of 5% after 4 years. Total amount of interest on debentures for the year ending 31st March, 2024 will be: [1 mark]

(A) Rs. 2,00,000

(B) Rs. 2,60,000

(C) Rs. 1,00,000

(D) Rs. 3,00,000

Correct Answer: (B) Rs. 2,60,000

Solution:

Concept:

- Debenture interest is calculated on the nominal or face value of the debentures at the stated coupon rate.
- Issue discount and redemption premium affect the loss on issue, but do not change the annual coupon-interest base.

Step 1: Determine the nominal value and period There are 20,000 debentures, each of face value Rs 100:

$$\text{Total nominal value} = 20,000 \times 100 = \text{Rs } 20,00,000.$$

They are issued on 1 April 2023, so interest for the year ending 31 March 2024 is due for the full twelve months.

Step 2: Apply the coupon rate

$$\text{Interest} = 20,00,000 \times \frac{13}{100} \times \frac{12}{12} = \text{Rs } 2,60,000.$$

The 10% issue discount and 5% redemption premium are not interest rates. Rs 2,00,000 and Rs 1,00,000 equal those respective percentages of nominal value, while Rs 3,00,000 combines them; none gives the interest at the stated 13% rate.

Step 3: Conclusion Total interest on debentures for the year is Rs 2,60,000. Hence, the correct option is (B).

Quick Tip to Solve: Use face value times the coupon rate for interest; keep the issue discount and redemption premium out of the interest calculation.

14. Arushi, Vivaan and Mitali were partners in a firm. On 31st March 2024, the firm was dissolved. On that date the firm had debtors of Rs. 60,000 and provision for doubtful debts of Rs. 3,000 were existing in the books. Debtors of Rs. 8,000 proved bad and full amount was realised from the remaining debtors. The amount realised from debtors was: [1 mark]

(A) Rs. 60,000

(B) Rs. 55,000

(C) Rs. 52,000

(D) Rs. 49,000

Correct Answer: (C) Rs. 52,000

Solution:

Concept:

- Cash realised from debtors equals the gross debtors less the amount that actually proves irrecoverable.
- A provision for doubtful debts is an accounting estimate already recorded; it is not an additional cash deduction from debtors realised.

Step 1: Identify the recoverable debtors The firm has gross debtors of Rs 60,000. Debtors of Rs 8,000 prove bad, while all other debtors pay in full. Therefore,

$$\text{Cash realised} = 60,000 - 8,000 = \text{Rs } 52,000.$$

Step 2: Distinguish the provision from the actual loss The Rs 3,000 provision affects the accounting loss on realisation, not the cash collected. Option (A) ignores actual bad debts; (B) incorrectly offsets the provision against bad debts before calculating cash; and (D) deducts the provision again from Rs 52,000. Only option (C) represents the amount actually received.

Step 3: Conclusion The amount realised from debtors is Rs 52,000. Hence, the correct option is (C).

Quick Tip to Solve: For cash realised, subtract actual bad debts from gross debtors; never deduct the provision a second time.

15. Ashmit, Veena and Rohan were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Veena retired on 31st March, 2024. The capital accounts of Ashmit, Veena and Rohan showed a credit balance of Rs. 2,00,000, Rs. 1,80,000 and Rs. 1,20,000 respectively after making all adjustments relating to revaluation, goodwill, reserves etc. Veena was paid in cash brought in by Ashmit and Rohan in such a way that their capitals were in proportion to their new profit sharing ratio. The new capitals of Ashmit and Rohan will be: [1 mark]

(A) Ashmit Rs. 3,75,000 and Rohan Rs. 1,25,000

(B) Ashmit Rs. 2,00,000 and Rohan Rs. 1,20,000

(C) Ashmit Rs. 2,50,000 and Rohan Rs. 2,50,000

(D) Ashmit Rs. 3,00,000 and Rohan Rs. 2,00,000

Correct Answer: (A) Ashmit Rs. 3,75,000 and Rohan Rs. 1,25,000

Solution:

Concept:

- In the absence of a new agreement, continuing partners share future profits in their old relative ratio.
- When continuing partners bring the entire retiring partner's dues in cash, their combined capital increases by that contribution. Divide the resulting capital in their new profit-sharing ratio.

Step 1: Find the new ratio and total capital Removing Veena's share from the old ratio $3:2:1$ leaves Ashmit and Rohan in the ratio $3:1$. Their adjusted capitals total Rs 3,20,000, and they bring in Rs 1,80,000 to pay Veena. Hence their final combined capital is

$$2,00,000 + 1,20,000 + 1,80,000 = \text{Rs } 5,00,000.$$

Step 2: Allocate capital and check the contribution

$$\text{Ashmit's capital} = 5,00,000 \times \frac{3}{4} = \text{Rs } 3,75,000,$$
$$\text{Rohan's capital} = 5,00,000 \times \frac{1}{4} = \text{Rs } 1,25,000.$$

Their cash contributions are respectively Rs 1,75,000 and Rs 5,000, totalling Veena's Rs 1,80,000. Option (B) retains the old capitals and provides no contribution; options (C) and (D) use ratios of $1:1$ and $3:2$, respectively, instead of $3:1$.

Step 3: Conclusion Ashmit's new capital is Rs 3,75,000 and Rohan's is Rs 1,25,000. Hence, the correct option is (A).

Quick Tip to Solve: Add the retiring partner's cash payment to continuing partners' adjusted capitals, then divide in the continuing partners' ratio.

16. Nita, Vidur and Mita were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 1. On 1st April 2024, they decided to admit Samir as a new partner. The new profit sharing ratio between Nita, Vidur, Mita and Samir will now be 1 : 1 : 1 : 1. The balance sheet of Nita, Vidur and Mita before Samir's admission showed machinery at Rs. 6,00,000. On the date of admission, it was found that the machinery is overvalued by 20%. The value of machinery shown in the new Balance Sheet after Samir's admission will be: [1 mark]

(A) Rs. 7,50,000

(B) Rs. 4,80,000

(C) Rs. 7,20,000

(D) Rs. 5,00,000

Correct Answer: (D) Rs. 5,00,000

Solution:

Concept:

- An asset overvalued by 20% is recorded at 120% of its correct value. Recover the correct value by dividing the book value by 1.20.
- The new balance sheet shows the revalued asset; the profit-sharing ratios affect allocation of revaluation profit or loss, not the value of machinery itself.

Step 1: Express the book value in terms of correct value Let the correct machinery value be V. Since the recorded amount exceeds it by 20%,

$$1.20V = 6,00,000 \quad \Rightarrow \quad V = 6,00,000 \times \frac{100}{120} = \text{Rs } 5,00,000.$$

Step 2: Check the meaning of overvaluation The excess is Rs 1,00,000, exactly 20% of Rs 5,00,000, confirming the result. Option (B), Rs 4,80,000, subtracts 20% of the book value and confuses overvaluation with a direction to reduce the book value by 20%. Options (A) and (C) increase the asset even though it is already overvalued.

Step 3: Conclusion Machinery will appear in the new Balance Sheet at Rs 5,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Read the percentage base: overvalued by 20% means book value is 120% of the correct value, so multiply by 100/120.

17. Zaina, Yash and Kiran were partners in a firm sharing profits and losses in the ratio 2 : 2 : 1. Zaina died on 1st July, 2024. As per the partnership deed, Zaina's share of profit or loss till the date of her death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2024 amounted to Rs. 4,00,000 and that from 1st April to 30th June, 2024 was Rs. 1,50,000. The profit for the year ending 31st March, 2024 was calculated as Rs. 1,00,000. The books of accounts are closed on 31st March every year. Calculate Zaina's share of profit in the firm till the date of her death and pass necessary journal entry for the same. [3 marks]

Solution:

Concept:

- On the sales basis, estimated profit up to death equals sales for the intervening period multiplied by the previous year's profit-to-sales ratio.
- The deceased partner's share is credited to that partner's Capital Account and debited to Profit and Loss Suspense Account, since current-year profit has not yet been finally determined.

Step 1: Calculate the previous year's profit rate **Working Notes:** Profit for the year ended 31st March, 2024 is Rs 1,00,000 on sales of Rs 4,00,000. Thus,

$$\text{Profit rate} = \frac{1,00,000}{4,00,000} \times 100 = 25\%.$$

This is profit as a percentage of sales, rather than a percentage of cost. The partnership deed requires this sales basis, so no separate time apportionment of annual profit is needed.

Step 2: Estimate profit and Zaina's share Sales from 1st April to 30th June, 2024, immediately before Zaina's death on 1st July, are Rs 1,50,000. Therefore,

$$\text{Estimated firm profit} = 1,50,000 \times \frac{25}{100} = \text{Rs } 37,500,$$
$$\text{Zaina's share} = 37,500 \times \frac{2}{2+2+1} = \text{Rs } 15,000.$$

The share $2/5$ follows the existing partnership ratio. Sales already specify the relevant period; multiplying this result by $3/12$ would incorrectly apportion it again.

Step 3: Record the amount due to Zaina **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 July 2024	Profit and Loss Suspense A/c Dr.		15,000	
	To Zaina's Capital A/c			15,000
	(Being Zaina's share of profit up to death credited on the sales basis)			

This entry increases the deceased partner's capital by the profit earned up to death and records the corresponding debit pending determination of actual annual profit.

Step 4: Conclusion Zaina's share of profit up to her death is Rs 15,000; debit Profit and Loss Suspense Account and credit Zaina's Capital Account by Rs 15,000 each.

Quick Tip to Solve: Apply last year's profit-to-sales rate to current sales, then take Zaina's 2/5 share; do not apply an additional 3/12 time fraction.

18(a). The firm of Amish, Nitish and Misha, who have been sharing profits in the ratio of 2 : 2 : 1, have existed for some years. Misha wanted that she should get equal share in the profits with Amish and Nitish and she further wished that the change in the profit sharing ratio should come into effect retrospectively for the last three years. Amish and Nitish had agreement for this. The profits for the last three years were: 2021-22 Rs. 1,15,000; 2022-23 Rs. 1,24,000; 2023-24 Rs. 2,11,000. Show adjustment of profits by means of a single adjustment journal entry. Show your working clearly. [3 marks]

Solution:

Concept:

- A retrospective change in profit-sharing ratio requires comparing profits already distributed with the amounts due under the revised agreement.
- Debit the capital accounts of partners who received excess profit and credit the capital account of the partner who received less. The adjustment reallocates profit without changing total partners' capital.

Step 1: Aggregate the profits to be adjusted **Working Notes:** The same old and new ratios apply to all three years, so calculate a single adjustment on their combined profits:

$$1,15,000 + 1,24,000 + 2,11,000 = \text{Rs } 4,50,000.$$

The old ratio is $2 : 2 : 1$. Giving Misha an equal share with each of Amish and Nitish makes the revised ratio $1 : 1 : 1$, effective retrospectively for these years.

Step 2: Compare actual and revised entitlements

Particulars	Amish (Rs)	Nitish (Rs)	Misha (Rs)
Already credited in 2 : 2 : 1	1,80,000	1,80,000	90,000
Due in 1 : 1 : 1	1,50,000	1,50,000	1,50,000
Excess / (shortfall)	30,000	30,000	(60,000)

Amish and Nitish have each received Rs 30,000 too much, whereas Misha has received Rs 60,000 too little. The two excess credits together exactly equal Misha's shortfall, so one compound journal entry settles the adjustment.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Amish's Capital A/c Dr.		30,000	
	Nitish's Capital A/c Dr.		30,000	
	To Misha's Capital A/c			60,000
	(Being profits of the last three years adjusted retrospectively from 2 : 2 : 1 to equal shares)			

Capital Accounts are used because fixed capitals are not specified. Total debits and credits are both Rs 60,000; no cash or additional profit is involved.

Step 4: Conclusion Debit Amish's and Nitish's Capital Accounts by Rs 30,000 each and credit Misha's Capital Account by Rs 60,000.

Quick Tip to Solve: When both ratios are unchanged across the years, add the profits first and adjust each partner by the difference between the old and new shares.

OR

18(b). Vidhi, Manas and Ansh were partners sharing profits and losses in the ratio of 2 : 3 : 5. Ansh was given a guarantee that his share of profits in any given year would not be less than Rs. 1,20,000. Deficiency, if any, would be borne by Vidhi and Manas equally. Profits for the year ended 31st March, 2024 amounted to Rs. 2,00,000. Pass necessary journal entries in the books of the firm for division of profits. [3 marks]

Solution:

Concept:

- First divide the firm's profit in the agreed profit-sharing ratio. Compare the guaranteed partner's normal share with the guaranteed minimum to calculate any deficiency.
- Charge the deficiency to the guaranteeing partners in the agreed burden-sharing ratio. Here Vidhi and Manas bear it equally, irrespective of their normal profit-sharing ratio.

Step 1: Calculate the normal shares and deficiency **Working Notes:** The profit of Rs 2,00,000 is first divided in $2 : 3 : 5$:

$$\text{Vidhi} = 2,00,000 \times 2/10 = \text{Rs } 40,000,$$
$$\text{Manas} = 2,00,000 \times 3/10 = \text{Rs } 60,000,$$
$$\text{Ansh} = 2,00,000 \times 5/10 = \text{Rs } 1,00,000.$$

Ansh's guaranteed minimum is Rs 1,20,000, so the deficiency is $1,20,000 - 1,00,000 = \text{Rs } 20,000$. Vidhi and Manas each bear $20,000/2 = \text{Rs } 10,000$.

Step 2: Record normal distribution of profit **Journal of the Firm**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 March 2024	Profit and Loss Appropriation A/c Dr.		2,00,000	
	To Vidhi's Capital A/c			40,000
	To Manas's Capital A/c			60,000
	To Ansh's Capital A/c			1,00,000
	(Being profit distributed in the ratio 2 : 3 : 5)			

Step 3: Transfer the guaranteed deficiency The equal burden requires a further transfer of Rs 10,000 from each guarantor to Ansh.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 March 2024	Vidhi's Capital A/c Dr.		10,000	
	Manas's Capital A/c Dr.		10,000	
	To Ansh's Capital A/c			20,000
	(Being Ansh's guaranteed deficiency borne equally by Vidhi and Manas)			

Net credits are Rs 30,000 to Vidhi, Rs 50,000 to Manas and Rs 1,20,000 to Ansh, totalling Rs 2,00,000. The guarantee changes only the allocation, not the firm's total profit. Capital Accounts are used because the question does not specify fixed capitals.

Step 4: Conclusion Final profit shares are Vidhi Rs 30,000, Manas Rs 50,000 and Ansh Rs 1,20,000. The two journal entries distribute the profit and adjust the Rs 20,000 guaranteed deficiency.

Quick Tip to Solve: Find Ansh's normal half-share first; charge his Rs 20,000 shortfall equally to Vidhi and Manas, not in their normal ratio of 2:3.

19(a). Delight Ltd. purchased assets worth Rs. 4,00,000 and took over liabilities of Rs. 70,000 of Marvel Ltd. for a purchase consideration of Rs. 3,60,000. Delight Ltd. paid the purchase consideration by issuing 11% debentures of Rs. 100 each at a premium of 20%. Pass necessary journal entries in the books of Delight Ltd. [3 marks]

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor for the business. Net assets equal assets taken over minus liabilities assumed; consideration exceeding net assets is goodwill.
- Debentures issued at a premium settle the vendor at their issue price. Credit Debentures Account with face value and Securities Premium Account with the excess issue price.

Step 1: Calculate goodwill and the debentures issued **Working Notes** Net assets of Marvel Ltd. taken over by Delight Ltd. are

$$\text{Rs } 4,00,000 - \text{Rs } 70,000 = \text{Rs } 3,30,000.$$

The agreed consideration is Rs 3,60,000, so the excess represents goodwill:

$$\text{Goodwill} = \text{Rs } 3,60,000 - \text{Rs } 3,30,000 = \text{Rs } 30,000.$$

Each Rs 100 debenture is issued at Rs 120. Hence

$$\text{Number issued} = 3,60,000/120 = 3,000,$$
$$\text{Nominal value} = 3,000 \times 100 = \text{Rs } 3,00,000,$$
$$\text{Securities premium} = 3,000 \times 20 = \text{Rs } 60,000.$$

The 11% rate is the interest rate; it does not determine the issue price or the number of debentures.

Step 2: Record the acquisition and settlement **Journal of Delight Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		4,00,000	
	Goodwill A/c Dr.		30,000	
	To Sundry Liabilities A/c			70,000
	To Marvel Ltd.			3,60,000
	(Being assets and liabilities taken over and goodwill recognised for the excess consideration)			
	Marvel Ltd. Dr.		3,60,000	
	To 11% Debentures A/c			3,00,000
	To Securities Premium A/c			60,000
	(Being 3,000 debentures of Rs 100 each issued at a premium of 20% in full settlement)			

The acquisition entry balances at Rs 4,30,000 on each side. The settlement entry balances at Rs 3,60,000 and closes the amount due to Marvel Ltd.

Step 3: Conclusion Delight Ltd. recognises goodwill of Rs 30,000 and issues 3,000 debentures, crediting 11% Debentures Account by Rs 3,00,000 and Securities Premium Account by Rs 60,000.

Quick Tip to Solve: Divide purchase consideration by Rs 120, the issue price, rather than by Rs 100, the face value; use net assets separately to calculate goodwill.

OR

19(b). Prime Ltd. took over assets of Rs. 6,00,000 and liabilities of Rs. 1,00,000 of Rabi Ltd. for a purchase consideration of Rs. 3,60,000. Prime Ltd. issued 10% debentures of Rs. 100 each at a discount of 10% in full satisfaction of purchase consideration. Pass necessary journal entries in the books of Prime Ltd. [3 marks]

Solution:

Concept:

- Net assets equal assets taken over less liabilities assumed. Credit their excess over purchase consideration to Capital Reserve Account.
- Debentures issued at a discount settle the vendor at the issue price. Their full face value is credited to Debentures Account, and the discount is debited separately.

Step 1: Calculate the capital reserve and issue amounts **Working Notes** The value of net assets acquired from Rabi Ltd. is

$$\text{Rs } 6,00,000 - \text{Rs } 1,00,000 = \text{Rs } 5,00,000.$$

Prime Ltd. pays Rs 3,60,000 for these net assets. Therefore,

$$\text{Capital reserve} = \text{Rs } 5,00,000 - \text{Rs } 3,60,000 = \text{Rs } 1,40,000.$$

Each Rs 100 debenture is issued for Rs 90 after a 10% discount:

$$\text{Number issued} = 3,60,000/90 = 4,000,$$
$$\text{Face value issued} = 4,000 \times 100 = \text{Rs } 4,00,000,$$
$$\text{Discount on issue} = 4,000 \times 10 = \text{Rs } 40,000.$$

The issue discount determines the issue price; the debenture interest rate does not.

Step 2: Enter the acquisition and debenture settlement **Journal of Prime Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		6,00,000	
	To Sundry Liabilities A/c			1,00,000
	To Rabi Ltd.			3,60,000
	To Capital Reserve A/c			1,40,000
	(Being business acquired and capital reserve recognised)			
	Rabi Ltd. Dr.		3,60,000	
	Discount on Issue of Debentures A/c Dr.		40,000	
	To 10% Debentures A/c			4,00,000
	(Being 4,000 debentures of Rs 100 issued at 10% discount in full settlement)			

The entries balance at Rs 6,00,000 and Rs 4,00,000 respectively; Rabi Ltd. is fully paid.

Step 3: Conclusion Prime Ltd. credits capital reserve by Rs 1,40,000 and issues 4,000 debentures with a nominal value of Rs 4,00,000, recording discount on issue of Rs 40,000.

Quick Tip to Solve: Compare net assets with purchase consideration for capital reserve; divide consideration by Rs 90 to determine the number of discounted debentures.

20. The capital of the firm of Rajat and Karan is Rs. 15,00,000 and the market rate of interest is 12%. Annual salary of Rajat and Karan is Rs. 20,000 and Rs. 30,000 respectively. The profits for the last three years were Rs. 2,40,000, Rs. 2,80,000 and Rs. 3,20,000. Goodwill of the firm is to be valued on the basis of two years purchase of last three years' average super profits. Calculate the goodwill of the firm. [3 marks]

Solution:

Concept:

- Super profit is the excess of maintainable average annual profit over normal profit. Normal profit is capital employed multiplied by the normal rate of return.
- Deduct the annual remuneration of the working partners from the average business profit to obtain maintainable profit for goodwill valuation. Goodwill equals super profit multiplied by the agreed number of years' purchase.

Step 1: Find the adjusted average annual profit **Working Notes** First find the arithmetic mean of the three annual profits:

$$\begin{aligned}\text{Total profit} &= \text{Rs } (2,40,000 + 2,80,000 + 3,20,000)\\ &= \text{Rs } 8,40,000,\\ \text{Average profit} &= \text{Rs } 8,40,000 \div 3 = \text{Rs } 2,80,000.\end{aligned}$$

The partners' combined annual salary is Rs 20,000 + Rs 30,000 = Rs 50,000. Deduct it once from average annual profit:

$$\text{Adjusted average profit} = \text{Rs } 2,80,000 - \text{Rs } 50,000 = \text{Rs } 2,30,000.$$

Step 2: Calculate normal profit and super profit Apply the market rate of 12% to the capital of Rs 15,00,000 to obtain the normal annual return expected on that capital:

$$\text{Normal profit} = \text{Rs } 15,00,000 \times \frac{12}{100} = \text{Rs } 1,80,000.$$

The surplus earned above this normal return is

$$\text{Super profit} = \text{Rs } 2,30,000 - \text{Rs } 1,80,000 = \text{Rs } 50,000.$$

Step 3: Apply two years' purchase Multiply the average annual super profit by the agreed purchase factor of two:

$$\text{Goodwill} = \text{Rs } 50,000 \times 2 = \text{Rs } 1,00,000.$$

Use three years to average the profits, but two years as the goodwill multiplier.

Step 4: Conclusion The goodwill of Rajat and Karan's firm is Rs 1,00,000, based on average annual super profit of Rs 50,000 and two years' purchase.

Quick Tip to Solve: Deduct the Rs 50,000 combined annual salaries before comparing average profit with the 12% normal return; multiply the resulting super profit by two.

21. Pass necessary journal entries for issue of debentures for the following transactions:

(i) Kiero Ltd. issued 80,000, 9% debentures of Rs. 100 each at par, redeemable at a premium of 10%.

(ii) Naro Ltd. issued 50,000, 10% debentures of Rs. 100 each at a premium of 5%, redeemable at a premium of 10%. [4 marks]

Solution:

Concept:

- Debentures are credited at their face value; Bank is debited with the issue proceeds. Any premium collected on issue is credited separately to Securities Premium Account.
- Premium payable on redemption is a liability recognised when debentures are issued, with an equal debit to Loss on Issue of Debentures Account when there is no issue discount.

Step 1: Calculate the amounts for Kiero Ltd. **Working Notes:** The face value of the issue is $80,000 \times \text{Rs } 100 = \text{Rs } 80,00,000$. Since the debentures are issued at par, the bank receives the same amount. The redemption premium is $80,00,000 \times 10\% = \text{Rs } 8,00,000$. The interest rate of 9% determines periodic interest and does not change the issue entry.

Step 2: Record the issue in Kiero Ltd.'s journal **Journal of Kiero Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		80,00,000	
	Loss on Issue of Debentures A/c Dr.		8,00,000	
	To 9% Debentures A/c			80,00,000
	To Premium on Redemption of Debentures A/c			8,00,000
	(Being 80,000 debentures of Rs 100 each issued at par, redeemable at a premium of 10%)			

Step 3: Calculate the amounts for Naro Ltd. **Working Notes:** The nominal value is $50,000 \times \text{Rs } 100 = \text{Rs } 50,00,000$. Issue premium is $50,00,000 \times 5\% = \text{Rs } 2,50,000$, so the proceeds are Rs 52,50,000. Redemption premium is $50,00,000 \times 10\% = \text{Rs } 5,00,000$. Securities premium and loss on issue are recorded separately in the issue entry; no subsequent write-off entry is asked for.

Step 4: Record the issue in Naro Ltd.'s journal **Journal of Naro Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		52,50,000	
	Loss on Issue of Debentures A/c Dr.		5,00,000	
	To 10% Debentures A/c			50,00,000
	To Securities Premium A/c			2,50,000
	To Premium on Redemption of Debentures A/c			5,00,000
	(Being 50,000 debentures of Rs 100 each issued at 5% premium, redeemable at 10% premium)			

Step 5: Conclusion Kiero Ltd.'s entry totals Rs 88,00,000 on each side and Naro Ltd.'s entry totals Rs 57,50,000 on each side. Their redemption-premium liabilities are Rs 8,00,000 and Rs 5,00,000 respectively.

Quick Tip to Solve: Use face value for the Debentures credit, issue price for Bank, and calculate redemption premium separately; the coupon rates of 9% and 10% are not issue premiums.

22. Raja, Bharat and Vedika were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as on 31st March, 2024 was as follows:

Balance Sheet of Raja, Bharat and Vedika as on 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	80,000	Bank	15,000
General Reserve	50,000	Stock	70,000
Capitals:		Debtors	85,000
Raja 1,10,000		Furniture	1,20,000
Bharat 1,00,000		Machinery	1,40,000
Vedika 90,000	3,00,000		
Total	4,30,000	Total	4,30,000

Vedika died on 31st July, 2024. According to the partnership deed, her legal representatives are entitled to the following:

(i) Balance in her capital account

(ii) Interest on capital @ 8% p.a.

(iii) Her share in the profit upto the date of death to be calculated on the basis of last year's profit. Vedika's share of profit was Rs. 3,000.

(iv) Her share of goodwill calculated on the basis of two years purchase of average profits of last three years. The average profit of last three years was Rs. 40,000. Vedika's drawings upto the date of death were Rs. 12,000.

Prepare Vedika's Capital Account to be rendered to her executors. [4 marks]

Solution:

Concept:

- A deceased partner's capital is credited with the opening capital, share of accumulated reserves, interest on capital, profit to the date of death and goodwill; drawings are debited.
- Vedika's old profit share is $1/5$. Interest on capital is calculated for the period from 1st April to 31st July, namely four months. The net amount due is transferred to her Executors' Account.

Step 1: Calculate reserve and interest entitlements **Working Notes:** General Reserve represents accumulated profits belonging to all partners in their old ratio of $2:2:1$. Vedika's share is therefore

$$\text{Rs } 50,000 \times \frac{1}{5} = \text{Rs } 10,000.$$

Her capital at the start of the year is Rs 90,000. Interest at 8% per annum for four months is

$$\text{Rs } 90,000 \times \frac{8}{100} \times \frac{4}{12} = \text{Rs } 2,400.$$

No interest on drawings is specified, so only the given drawings are debited.

Step 2: Calculate goodwill and record the stated profit share **Working Notes:** Firm's goodwill is two years' purchase of the average annual profit:

$$\text{Goodwill} = \text{Rs } 40,000 \times 2 = \text{Rs } 80,000.$$

Vedika's share is Rs $80,000 \times 1/5 =$ Rs $16,000$. Raja and Bharat continue in their relative ratio of $2:2=1:1$; each compensates her by Rs 8,000 through the capital accounts. The question states Vedika's share of profit as Rs 3,000 in the entitlement to profit up to death; this given share is credited directly, without applying her share fraction or four-month fraction again.

Step 3: Prepare Vedika's Capital Account **Vedika's Capital Account**

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Drawings A/c	12,000	By Balance b/d	90,000	
	To Executors' A/c	1,09,400	By General Reserve A/c	10,000	
			By Interest on Capital A/c	2,400	
			By Profit and Loss Suspense A/c	3,000	
			By Raja's Capital A/c	8,000	
			By Bharat's Capital A/c	8,000	
	Total	1,21,400	Total	1,21,400	

The credit total is $90,000+10,000+2,400+3,000+8,000+8,000=1,21,400$. Deducting drawings of Rs 12,000 gives the amount transferred to the executors. This transfer closes Vedika's Capital Account; no capital balance is carried forward after death.

Step 4: Conclusion The amount payable to Vedika's executors is $\boxed{\text{Rs } 1,09,400}$. Vedika's Capital Account balances at Rs 1,21,400 on each side after the transfer.

Quick Tip to Solve: Credit Vedika with one-fifth of reserve and goodwill, calculate capital interest for four months, and use the expressly given profit share of Rs 3,000 directly.

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23. PL Ltd. was registered with an authorised capital of Rs. 10,00,000 divided into 1,00,000 equity shares of Rs. 10 each. The company offered to the public for subscription 90,000 equity shares. Applications were received for 82,000 equity shares and shares were allotted to all the applicants. All money due was received with the exception of first and final call money of Rs. 2 per share on 2,000 shares allotted to Atishay. His shares were forfeited.

Answer the following questions: [6 marks]

23(i). The amount of 'Calls in Arrears' disclosed in 'Notes to Accounts' will be: [1 mark]

(A) Rs. 4,000

(B) Rs. 16,000

(C) Nil

(D) Rs. 20,000

Correct Answer: (C) Nil

Solution:

Concept:

- Calls in arrears are amounts called up but unpaid on shares that remain subscribed. Forfeiture cancels the defaulting shares and clears their unpaid calls.
- In a forfeiture entry, Share Capital is debited with called-up capital, Calls in Arrears is credited with the unpaid amount, and Share Forfeiture is credited with capital already received.

Step 1: Compute the unpaid call before forfeiture Atishay did not pay Rs 2 per share on 2,000 shares. Thus the unpaid amount before cancellation was $2,000 \times \text{Rs } 2 = \text{Rs } 4,000$. The other shareholders paid every amount due.

Step 2: Determine the balance after forfeiture Since Atishay's shares have been forfeited, the Rs 4,000 debit balance in Calls in Arrears is cleared by a credit of the same amount. There are no other unpaid calls. Option (A) is the balance before forfeiture; Rs 16,000 in option (B) is the amount previously received on the forfeited shares, and Rs 20,000 in option (D) is their called-up capital. None is an outstanding calls-in-arrears balance after forfeiture.

Step 3: Conclusion Calls in Arrears disclosed in the Notes to Accounts is Nil. Hence, the correct option is (C).

Quick Tip to Solve: Check whether defaulting shares have already been forfeited: their unpaid calls are then cancelled and are no longer shown as calls in arrears.

23(ii). The number of shares of PL Ltd. after forfeiture will be: [1 mark]

(A) 98,000

(B) 88,000

(C) 82,000

(D) 80,000

Correct Answer: (D) 80,000

Solution:

Concept:

- Subscribed shares are shares actually taken up and allotted. The authorised capital is the maximum permitted issue, while issued shares are those offered for subscription.
- Forfeiture cancels the defaulting shareholder's allotment, reducing subscribed shares by the number forfeited. It does not revise the authorised or originally issued number.

Step 1: Identify the shares actually allotted Although 1,00,000 shares were authorised and 90,000 were offered, applications were received for only 82,000 shares. All these applicants received allotment, so subscribed shares before forfeiture numbered 82,000.

Step 2: Deduct the forfeited shares Atishay's 2,000 allotted shares were cancelled for non-payment of the call. Shares remaining subscribed are

$$82,000 - 2,000 = 80,000.$$

Option (A), 98,000, incorrectly subtracts from authorised shares; option (B), 88,000, subtracts from issued shares; option (C), 82,000, ignores the forfeiture. The calculation must start with the actual allotment of 82,000 shares.

Step 3: Conclusion PL Ltd. has 80,000 subscribed shares after forfeiture. Hence, the correct option is (D).

Quick Tip to Solve: Start with the 82,000 shares actually allotted, then subtract Atishay's 2,000 shares; neither authorised nor offered shares is the starting base.

23(iii). In the 'Notes to Accounts', the amount disclosed under 'Share Forfeiture Account' will be: [1 mark]

(A) Rs. 16,000

(B) Rs. 4,000

(C) Rs. 20,000

(D) Nil

Correct Answer: (A) Rs. 16,000

Solution:

Concept:

- Share Forfeiture Account is credited with capital money already received on the shares forfeited, excluding any securities premium.
- Where a fully called share of face value Rs 10 has an unpaid call of Rs 2, the capital received per share is Rs 10 − Rs 2 = Rs 8.

Step 1: Find the amount retained per forfeited share The first and final call of Rs 2 alone remained unpaid. Therefore Atishay had already paid Rs 8 towards capital on each of his shares. Forfeiture cancels his membership rights, but the company retains this paid amount in Share Forfeiture Account.

Step 2: Multiply by the forfeited number The credit to Share Forfeiture Account is

$$2,000 \times \text{Rs } 8 = \text{Rs } 16,000.$$

Rs 4,000 in option (B) is the unpaid call, and Rs 20,000 in option (C) is the full called-up value of the cancelled shares. Option (D), Nil, would ignore the Rs 16,000 already received; no reissue or transfer out of Share Forfeiture Account is stated.

Step 3: Conclusion Share Forfeiture Account is disclosed at Rs 16,000. Hence, the correct option is (A).

Quick Tip to Solve: Forfeiture keeps the amount already paid: multiply 2,000 by $10 - 2$, rather than by the unpaid call or the full face value.

23(iv). In the 'Notes to Accounts', the amount disclosed under 'Issued Capital' will be: [1 mark]

(A) Rs. 10,00,000

(B) Rs. 9,00,000

(C) Rs. 8,20,000

(D) Rs. 8,00,000

Correct Answer: (B) Rs. 9,00,000

Solution:

Concept:

- Issued capital is the nominal value of shares offered by the company to the public for subscription.
- Authorised capital is the maximum permitted capital; subscribed capital relates to shares actually

taken up by applicants.

Step 1: Identify the shares offered PL Ltd. offered 90,000 equity shares of Rs 10 each. Therefore,

$$\text{Issued capital} = 90,000 \times \text{Rs } 10 = \text{Rs } 9,00,000.$$

The number of applications received does not change the amount originally issued.

Step 2: Distinguish the other options Rs 10,00,000 in (A) is authorised capital. Rs 8,20,000 in (C) is the nominal value of the 82,000 shares initially subscribed. Rs 8,00,000 in (D) is the nominal value of 80,000 shares remaining after forfeiture. Neither undersubscription nor the subsequent forfeiture reduces the original issue of 90,000 shares.

Step 3: Conclusion The issued capital disclosed in Notes to Accounts is $\boxed{\text{Rs } 9,00,000}$. Hence, the correct option is (B).

Quick Tip to Solve: For issued capital, multiply the shares offered (90,000), not the shares applied for, by their face value.

23(v). Balance in 'Share Forfeiture Account' will be shown in 'Notes to Accounts' in the balance sheet of PL Ltd. under: [1 mark]

(A) Authorised capital

(B) Issued capital

(C) Subscribed capital

(D) Will not be shown in 'Notes to Accounts'

Correct Answer: (C) Subscribed capital

Solution:

Concept:

- The Share Forfeiture Account records capital money already received on shares subsequently forfeited.
- The amount originally paid on forfeited shares is disclosed with subscribed capital in the Share Capital note until the relevant treatment on reissue.

Step 1: Find the retained amount Atishay paid Rs 8 per share because the unpaid first and final call was Rs 2 out of the face value of Rs 10. The amount retained on his 2,000 forfeited shares is

$$2,000 \times (10 - 2) = \text{Rs } 16,000.$$

This is the credit balance of Share Forfeiture Account.

Step 2: Identify the correct disclosure heading The amount originally paid on forfeited shares is added in the subscribed-capital portion of the Share Capital note. It is not authorised capital, which denotes the registration limit, or issued capital, which denotes the shares offered. It must be disclosed, so the statement in option (D) is also incorrect.

Step 3: Conclusion The Share Forfeiture Account balance is shown under $\boxed{\text{Subscribed capital}}$ in Notes to Accounts. Hence, the correct option is (C).

Quick Tip to Solve: Identify forfeiture as money already received on subscribed shares; show it with subscribed capital in the note.

23(vi). The amount of 'Share Capital' disclosed in the balance sheet of PL Ltd. will be: [1 mark]

(A) Rs. 8,00,000

(B) Rs. 8,16,000

(C) Rs. 9,16,000

(D) Rs. 7,90,000

Correct Answer: (B) Rs. 8,16,000

Solution:

Concept:

- After forfeiture, share capital includes fully paid shares still outstanding and the amount originally paid on forfeited shares.
- Forfeiture removes the called-up capital and calls in arrears associated with the forfeited shares; the money already received remains in Share Forfeiture Account.

Step 1: Calculate capital on the remaining shares Out of 82,000 allotted shares, 2,000 were forfeited. Thus 80,000 fully paid shares remain:

$$80,000 \times \text{Rs } 10 = \text{Rs } 8,00,000.$$

The unpaid Rs 4,000 call on forfeited shares is no longer deducted as outstanding calls in arrears.

Step 2: Add money retained on forfeited shares The company retains $2,000 \times \text{Rs } 8 = \text{Rs } 16,000$. Therefore,

$$\text{Share Capital} = \text{Rs } 8,00,000 + \text{Rs } 16,000 = \text{Rs } 8,16,000.$$

Option (A) omits the forfeited-share amount. Option (C) incorrectly builds on issued capital rather than subscribed paid-up capital; option (D) agrees with neither component.

Step 3: Conclusion The balance-sheet Share Capital amount is $\boxed{\text{Rs } 8,16,000}$. Hence, the correct option is (B).

Quick Tip to Solve: After forfeiture, add the amount already received on forfeited shares to the face value of the shares still outstanding.

24. Pass the necessary journal entries for the following transactions on the dissolution of a partnership firm of Vibha and Ajit after various assets (other than cash) and external liabilities have been transferred to Realisation Account:

(i) Creditors worth Rs. 46,000 accepted Rs. 9,000 cash and furniture of Rs. 32,000 in full settlement of their claim.

(ii) The firm had stock of Rs. 20,000. Ajit took over 40% of the stock at a discount of 10% while the remaining stock was sold for Rs. 18,000.

(iii) Vibha was appointed to look after dissolution work for which she was allowed a remuneration of Rs. 16,000. Vibha agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 15,000 were paid by Vibha.

(iv) Ajit's loan of Rs. 45,000 was settled at Rs. 42,000.

(v) A machine which was not recorded in the books was taken over by Vibha at Rs. 23,000, whereas its expected value was Rs. 28,000.

(vi) The firm had a debit balance of Rs. 20,000 in the Profit and Loss Account on the date of dissolution. [6 marks]

Solution:

Concept:

- Record settlements through Realisation Account after the transfer of assets and external liabilities.
- A partner taking an asset is debited in the capital account. Partner loans remain separate liabilities; settlement concessions are realisation gains.
- Accumulated losses are charged to partners in their profit-sharing ratio, taken as equal when no ratio is specified.

Step 1: (i) Settle the creditors Creditors and furniture are already transferred to Realisation Account. No entry is required for furniture accepted by creditors; record only the cash paid.

Journal of Vibha and Ajit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Bank A/c (Being creditors settled by payment of Rs 9,000 and transfer of furniture already in Realisation Account)		9,000	9,000

Step 2: (ii) Dispose of the stock Ajit's takeover value is Rs $20,000 \times 40\% \times 90\% =$ Rs $7,200$. Record the remaining stock at its sale proceeds of Rs 18,000.

Journal of Vibha and Ajit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Ajit's Capital A/c Dr. To Realisation A/c (Being 40% stock taken over by Ajit at a discount of 10%)		7,200	7,200
	Bank A/c Dr. To Realisation A/c (Being remaining stock sold for cash)		18,000	18,000

Step 3: (iii) Record the agreed remuneration Credit Vibha with the agreed remuneration. No entry is made for the Rs 15,000 expenses, which she agreed to bear and paid personally.

Journal of Vibha and Ajit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Vibha's Capital A/c (Being remuneration allowed to Vibha for dissolution work and bearing dissolution expenses)		16,000	 16,000

Step 4: (iv) Settle Ajit's loan Debit the full loan and credit the actual payment. The concession, Rs $45,000$ − Rs $42,000$ = Rs $3,000$, is credited to Realisation Account.

Journal of Vibha and Ajit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Ajit's Loan A/c Dr. To Bank A/c To Realisation A/c (Being Ajit's loan settled at Rs 42,000 and the balance treated as realisation gain)		45,000	 42,000 3,000

Step 5: (v) Record takeover of the unrecorded machine Credit Realisation Account at the agreed takeover value of Rs 23,000. The expected value of Rs 28,000 is not used.

Journal of Vibha and Ajit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Vibha's Capital A/c Dr. To Realisation A/c (Being unrecorded machine taken over by Vibha at its agreed value)		23,000	 23,000

Step 6: (vi) Transfer the accumulated loss Close the accumulated loss against capital accounts. As no ratio is given, each partner bears Rs $20,000 \div 2$ = Rs $10,000$.

Journal of Vibha and Ajit

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Vibha's Capital A/c Dr. Ajit's Capital A/c Dr. To Profit and Loss A/c (Being accumulated loss transferred equally to partners' capital accounts)		10,000 10,000	 20,000

Step 7: Conclusion All six transactions are recorded above. The partner-loan concession is Rs 3,000, and the accumulated loss is Rs 10,000 per partner. Furniture transferred to creditors and expenses paid personally by Vibha require no separate entries.

Quick Tip to Solve: On dissolution, separate assets taken by creditors, assets taken by partners, partner loans and accumulated losses before deciding which accounts to debit.

25(a). Altima Ltd. invited applications for issuing 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 4 per share. The amount was payable as follows:

On application and allotment - Rs. 7 per share (including premium Rs. 1)

On first and final call - Balance

Applications were received for 2,40,000 shares. Applications for 30,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received on application and allotment was returned. Manvi, who was allotted 4,000 shares failed to pay the first and final call money. Her shares were forfeited. All the forfeited shares were reissued at Rs. 4 per share fully paid up.

Pass necessary journal entries in the books of Altima Ltd. [6 marks]

Solution:

Concept:

- Application and allotment receipts are divided between share capital and securities premium. Excess application money refunded is not available against a later call.
- On forfeiture, debit called-up share capital and any called but unpaid premium; credit the unpaid call and the capital amount actually received to Share Forfeiture.
- Reissue discount cannot exceed the forfeited amount on those shares. Only the balance of that amount after reissue is transferred to Capital Reserve.

Step 1: Working Notes: Separate capital, premium and refunds Of Rs 7 received initially, capital is Rs 6 and premium is Rs 1 per share. The total issue price is Rs 14, so the first and final call is Rs 7, comprising capital Rs 4 and premium Rs 3. Applications accepted for pro-rata allotment are $2,40,000 - 30,000 = 2,10,000$ shares; the allotment ratio is $2,00,000 : 2,10,000 = 20 : 21$. Money received is $2,40,000 \times 7 =$ Rs $16,80,000$. Rejected applications require a refund of $30,000 \times 7 =$ Rs $2,10,000$, and pro-rata excess requires $10,000 \times 7 =$ Rs $70,000$. Total refund is Rs 2,80,000. Manvi applied for $4,000 \times 21/20 = 4,200$ shares; her excess Rs 1,400 was refunded. Thus only Rs 24,000 capital and Rs 4,000 premium remain received on her allotted shares.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application and allotment money received on 2,40,000 shares)		16,80,000	 16,80,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c To Bank A/c (Being 2,00,000 shares allotted, premium credited and rejected and excess application money refunded)		16,80,000	 12,00,000 2,00,000 2,80,000

Step 3: Record the call and its receipt The call due is $2,00,000 \times 7 =$ Rs $14,00,000$. Manvi does not pay $4,000 \times 7 =$ Rs $28,000$, so the cash received is Rs 13,72,000. Her unpaid amount includes capital Rs 16,000 and premium Rs 12,000.

Journal of Altima Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		14,00,000	
	To Share Capital A/c			8,00,000
	To Securities Premium A/c			6,00,000
	(Being first and final call of Rs 7 per share due, including premium Rs 3)			
	Bank A/c Dr.		13,72,000	
	To Share First and Final Call A/c			13,72,000
	(Being call received except on Manvi's 4,000 shares)			

Step 4: Record forfeiture and reissue Called-up capital on Manvi's shares is $4,000 \times 10 = \text{Rs } 40,000$. Reverse only the unpaid premium of Rs 12,000; the premium already received remains credited. The forfeiture credit is the capital received, $4,000 \times 6 = \text{Rs } 24,000$.

Journal of Altima Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		40,000	
	Securities Premium A/c Dr.		12,000	
	To Share First and Final Call A/c			28,000
	To Share Forfeiture A/c			24,000
	(Being Manvi's 4,000 shares forfeited for non-payment of call)			
	Bank A/c Dr.		16,000	
	Share Forfeiture A/c Dr.		24,000	
	To Share Capital A/c			40,000
	(Being 4,000 forfeited shares reissued at Rs 4 each as fully paid)			

The reissue discount is $4,000(10-4) = \text{Rs } 24,000$, exactly equal to the forfeiture credit. Hence there is no remaining capital profit and no Capital Reserve entry is passed.

Step 5: Conclusion Total refund is Rs 2,80,000; call receipts are Rs 13,72,000. Share forfeiture of Rs 24,000 is fully used against reissue discount, leaving no transfer to Capital Reserve.

Quick Tip to Solve: Split each instalment into capital and premium first; here the excess is refunded, so it cannot reduce Manvi's unpaid call.

OR

25(b). Pass necessary journal entries for forfeiture and reissue of forfeited shares in the following cases:

(i) Macil Ltd. forfeited 3,000 shares of Rs. 100 each issued at 20% premium for the non-payment of allotment money of Rs. 30 per share and first call of Rs. 40 per share (including premium Rs. 10). The second and final call of Rs. 30 per share (including premium Rs. 10) was not yet called. Out of these, 2,000 shares were reissued at Rs. 80 per share paid up for Rs. 90 per share.

(ii) Avian Ltd. forfeited 10,000 shares of Rs. 10 each on which the first call of Rs. 4 per share was not received and the second and final call of Rs. 1 per share was not yet called. Out of these, 4,000 shares were reissued to Ajay as fully paid up for Rs. 9 per share. [6 marks]

Solution:

Concept:

- Share Capital is debited with the capital called up at forfeiture; a call not yet made is excluded. Securities Premium is debited only for premium already called but unpaid.
- Share Forfeiture is credited with the amount received towards capital. Reissue discount is the difference between the paid-up value credited and the cash received.
- On partial reissue, transfer to Capital Reserve only the forfeiture amount attributable to reissued shares less their reissue discount. Keep the balance on unreissued shares in Share Forfeiture.

Step 1: Working Notes: Calculate amounts for Macil Ltd. The issue price is Rs 120 per share. The second and final call of Rs 30 includes premium Rs 10, so its uncalled capital portion is Rs 20. Called-up capital is therefore $100 - 20 =$ Rs 80 per share. The first call of Rs 40 includes capital Rs 30 and premium Rs 10; allotment Rs 30 is entirely capital. Application money received per share is $120 - 30 - 40 - 30 =$ Rs 20, entirely capital. Thus, on 3,000 shares, debit Share Capital Rs 2,40,000 and Securities Premium Rs 30,000; credit unpaid allotment Rs 90,000, unpaid first call Rs 1,20,000 and Share Forfeiture Rs 60,000. The uncalled final instalment has no entry.

Step 2: Record Macil Ltd.'s forfeiture Journal of Macil Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		2,40,000	
	Securities Premium A/c Dr.		30,000	
	To Share Allotment A/c			90,000
	To Share First Call A/c			1,20,000
	To Share Forfeiture A/c			60,000
	(Being 3,000 shares forfeited for unpaid allotment and first call; final call not yet made)			

The debit total Rs 2,70,000 equals the credit total Rs 2,70,000. Only called unpaid premium is reversed, not the Rs 10 premium in the uncalled final instalment.

Step 3: Record Macil Ltd.'s reissue and capital profit The reissued shares are credited as Rs 90 paid up, as specified. Cash is $2,000 \times 80 =$ Rs $1,60,000$, capital credited is $2,000 \times 90 =$ Rs $1,80,000$, and discount is Rs 20,000. Forfeiture relating to these shares is $60,000 \times 2,000/3,000 =$ Rs $40,000$. Therefore capital profit is $40,000 - 20,000 =$ Rs $20,000$.

Journal of Macil Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 2,000 forfeited shares reissued at Rs 80 each as Rs 90 paid up)		1,60,000 20,000	 1,80,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred to Capital Reserve)		20,000	 20,000

The forfeiture balance on 1,000 unreissued shares is Rs 20,000 and remains in Share Forfeiture.

Step 4: Working Notes: Calculate amounts for Avian Ltd. As the final call of Rs 1 has not been made, the called-up capital is Rs 9 per share. The first call of Rs 4 is unpaid; capital already received is $9 - 4 =$ Rs 5 per share. On forfeiture of 10,000 shares, Share Capital is debited Rs 90,000, unpaid first call is credited Rs 40,000 and Share Forfeiture is credited Rs 50,000. On reissue, Ajay pays $4,000 \times 9 =$ Rs $36,000$ for shares credited as fully paid, Rs 40,000. Discount is Rs 4,000. Attributable forfeiture is $4,000 \times 5 =$ Rs $20,000$, giving capital profit $20,000 - 4,000 =$ Rs $16,000$.

Step 5: Record Avian Ltd.'s journal entries Journal of Avian Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (Being 10,000 shares forfeited for non-payment of first call, Rs 9 per share called up)		90,000	 40,000 50,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 4,000 forfeited shares reissued to Ajay at Rs 9 each as fully paid)		36,000 4,000	 40,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred to Capital Reserve)		16,000	 16,000

After these entries, $6,000 \times 5 =$ Rs $30,000$ remains in Share Forfeiture for the shares not reissued.

Step 6: Conclusion Macil Ltd. transfers Rs 20,000 to Capital Reserve and retains Rs 20,000 in Share Forfeiture. Avian Ltd. transfers Rs 16,000 to Capital Reserve and retains Rs 30,000 in Share Forfeiture.

Quick Tip to Solve: Use the original called-up capital at forfeiture, but the stated paid-up value at reissue; reserve is calculated only on shares actually reissued.

26(a). **Aryan and Adya were partners in a firm sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet on 31st March, 2024 was as follows:**

Balance Sheet of Aryan and Adya as at 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Machinery	3,90,000
Aryan: Rs 3,20,000		Furniture	80,000
Adya: Rs 2,40,000	5,60,000	Debtors: Rs 90,000	
Workmen's Compensation Reserve	20,000	Less: provision for doubtful debts Rs 1,000	89,000
Bank loan	60,000	Stock	77,000
Creditors	48,000	Cash	32,000
		Profit & Loss Account	20,000
Total	6,88,000	Total	6,88,000

Dev was admitted into the firm on 1st April, 2024 for 1/5th share in the profits of the firm on the following terms:

(i) Dev will bring capital proportionate to his share in the profits of the firm.

(ii) Goodwill of the firm was valued at Rs 2,00,000 and Dev will bring his share of goodwill premium in cash.

(iii) Machinery was revalued at Rs 4,50,000.

(iv) A provision for doubtful debts was to be created at 5% on debtors.

(v) A liability of Rs 3,500 included in creditors was not likely to arise.

Prepare Revaluation Account and Partners' Capital Accounts on Dev's admission. [6 marks]

Solution:

Concept:

- Revaluation profit belongs to the old partners in their old ratio, $3:1$. Increases in assets and decreases in liabilities are credited to Revaluation Account.
- An accumulated loss is debited to old partners, whereas an unused reserve is credited. The Profit & Loss Account is printed on the assets side and is therefore an accumulated loss.
- Dev brings goodwill premium for his $1/5$ share. In the absence of another arrangement, Aryan and Adya sacrifice in their old ratio. Dev's capital is based on the combined adjusted capital representing the remaining $4/5$ share.

Step 1: Compute the revaluation adjustments Machinery appreciates by $4,50,000 - 3,90,000 =$ Rs $60,000$. The required provision is $90,000 \times 5\% =$ Rs $4,500$. Since Rs 1,000 already exists, only the increase of Rs 3,500 is a revaluation expense. Creditors decrease by Rs 3,500, giving an equal gain. Hence revaluation profit is $60,000 + 3,500 - 3,500 =$ Rs $60,000$, shared as Aryan Rs 45,000 and Adya Rs 15,000.

Step 2: Prepare Revaluation Account **Revaluation Account**

Dr. Particulars	Amount (Rs)	Particulars	Rs (Cr.)
To Provision for doubtful debts A/c	3,500	By Machinery A/c	60,000
To Aryan's Capital A/c	45,000	By Creditors A/c	3,500
To Adya's Capital A/c	15,000		
Total	63,500	Total	63,500

Step 3: Adjust reserve, accumulated loss and goodwill; determine capital No workmen's compensation

claim is stated, so the reserve of Rs 20,000 is distributed in $3:1$: Aryan Rs 15,000 and Adya Rs 5,000. The accumulated loss of Rs 20,000 is debited in the same amounts. These two adjustments offset each other but must both appear in the capital accounts. Dev's premium is $2,00,000 \times 1/5 = \text{Rs } 40,000$, credited to Aryan Rs 30,000 and Adya Rs 10,000. No withdrawal of premium is specified. Thus,

$$\begin{aligned}\text{Aryan's adjusted capital} &= 3,20,000 + 15,000 - 15,000 + 45,000 + 30,000\\ &= \text{Rs } 3,95,000,\\ \text{Adya's adjusted capital} &= 2,40,000 + 5,000 - 5,000 + 15,000 + 10,000\\ &= \text{Rs } 2,65,000.\end{aligned}$$

Their combined capital of Rs 6,60,000 represents $4/5$ of the firm's capital. Therefore Dev brings $6,60,000 \times (1/5)/(4/5) = \text{Rs } 1,65,000$ as capital, in addition to Rs 40,000 as premium.

Step 4: Prepare the partners capital accounts **Partners' Capital Accounts**

Dr. Particulars	Aryan Rs	Adya Rs	Dev Rs	Particulars	Aryan Rs	Adya Rs	Dev Cr. Rs
To Profit & Loss A/c	15,000	5,000	–	By Balance b/d	3,20,000	2,40,000	–
To Balance c/d	3,95,000	2,65,000	1,65,000	By Workmen's Compensation Reserve	15,000	5,000	–
				By Revaluation A/c	45,000	15,000	–
				By Premium for Goodwill A/c	30,000	10,000	–
				By Cash A/c	–	–	1,65,000
Total	4,10,000	2,70,000	1,65,000	Total	4,10,000	2,70,000	1,65,000

Step 5: Conclusion Revaluation profit is Rs 60,000. Closing capitals are Aryan Rs 3,95,000, Adya Rs 2,65,000 and Dev Rs 1,65,000. Dev brings total cash of Rs 2,05,000, including goodwill premium of Rs 40,000.

Quick Tip to Solve: Check which side holds Profit & Loss: the assets-side Rs 20,000 is a loss. Calculate Dev's capital only after adjusting the old partners for revaluation and goodwill.

OR

26(b). Ashish, Vinit and Reema were partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows:

Balance Sheet of Ashish, Vinit and Reema as at 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Patents	80,000
Ashish: Rs 2,00,000		Furniture	3,00,000
Vinit: Rs 2,00,000		Stock	1,70,000
Reema: Rs 1,00,000	5,00,000	Debtors: Rs 80,000	
General Reserve	50,000	Less: provision for doubtful debts Rs 8,000	72,000
Bills Payable	80,000	Cash	48,000
Creditors	40,000		
Total	6,70,000	Total	6,70,000

(i) Goodwill of the firm was valued at Rs. 60,000 and the same was adjusted into the capital accounts of Ashish and Reema who will share profits in future in the ratio of 3 : 2.

(ii) Value of stock was to be reduced by Rs. 10,000.

(iii) Patents are found undervalued by 20%.

(iv) Vinit was paid Rs. 20,000 immediately on retirement and the balance was transferred to his loan account carrying interest @ 8% p.a.

Pass necessary journal entries on Vinit's retirement. [6 marks]

Solution:

Concept:

- On retirement, accumulated reserves and revaluation profit or loss are distributed among all old partners in their old profit-sharing ratio.
- The retiring partner is compensated for goodwill by gaining partners in their gaining ratio. The amount due after all adjustments is settled by cash and, if agreed, a loan account.

Step 1: Calculate the gaining ratio and goodwill adjustment Ashish's gain is $3/5 - 2/5 = 1/5$, and Reema's gain is $2/5 - 1/5 = 1/5$. Their gaining ratio is $1 : 1$. Vinit's share of goodwill is $60,000 \times 2/5 = \text{Rs } 24,000$; therefore Ashish and Reema each compensate him by Rs 12,000. The goodwill adjustment is made directly through capitals, so no goodwill asset is raised. General Reserve of Rs 50,000 is credited to Ashish, Vinit and Reema in $2 : 2 : 1$, giving Rs 20,000, Rs 20,000 and Rs 10,000, respectively.

Step 2: Calculate revaluation and Vinit settlement Patents are undervalued by 20%, so their book value of Rs 80,000 represents 80% of the correct value. The correct value is $80,000 \times 100/80 = \text{Rs } 1,00,000$, giving an increase of Rs 20,000, while stock falls by Rs 10,000. Revaluation profit is thus Rs 10,000, shared in $2 : 2 : 1$: Ashish Rs 4,000, Vinit Rs 4,000 and Reema Rs 2,000. Vinit's amount due is

$$2,00,000 + 20,000 + 24,000 + 4,000 = \text{Rs } 2,48,000.$$

After the immediate payment of Rs 20,000, Rs 2,28,000 remains as his loan. The stated 8% rate applies after creation of this loan; no elapsed interest period is given on the retirement date, so no

interest entry arises at that date.

Step 3: Record reserve, goodwill and asset adjustments **Journal of Ashish, Vinit and Reema**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	General Reserve A/c Dr.		50,000	
	To Ashish's Capital A/c			20,000
	To Vinit's Capital A/c			20,000
	To Reema's Capital A/c			10,000
	(Being reserve distributed in old ratio $2:2:1$)			
31-3-2024	Ashish's Capital A/c Dr.		12,000	
	Reema's Capital A/c Dr.		12,000	
	To Vinit's Capital A/c			24,000
	(Being Vinit's goodwill share adjusted in gaining ratio $1:1$)			
31-3-2024	Patents A/c Dr.		20,000	
	To Revaluation A/c			20,000
	(Being undervaluation of patents corrected: $80,000 \times 20/80$)			
31-3-2024	Revaluation A/c Dr.		10,000	
	To Stock A/c			10,000
	(Being decrease in value of stock recorded)			

Step 4: Record revaluation profit and settlement **Journal (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Revaluation A/c Dr.		10,000	
	To Ashish's Capital A/c			4,000
	To Vinit's Capital A/c			4,000
	To Reema's Capital A/c			2,000
	(Being revaluation profit distributed in old ratio $2:2:1$)			
31-3-2024	Vinit's Capital A/c Dr.		2,48,000	
	To Cash A/c			20,000
	To Vinit's Loan A/c			2,28,000
	(Being Rs 20,000 paid immediately and balance transferred to loan at 8% p.a.)			

Each entry has equal debit and credit amounts. The last entry closes Vinit's Capital Account in full and establishes the firm's liability to him as a lender.

Step 5: Conclusion Vinit receives goodwill compensation of Rs 24,000 and revaluation profit of Rs 4,000. His final claim of Rs 2,48,000 is settled by cash Rs 20,000 and a loan of Rs 2,28,000 carrying interest at 8% p.a.

Quick Tip to Solve: Compute gains as new share minus old share: equal gains mean Ashish and Reema bear Vinit's goodwill equally, even though their future profit ratio is 3:2.

Part B (20 marks)

OPTION -I (Analysis of Financial Statements)

27(a). The tool of analysis of financial statements which indicates the trend and direction of financial position and operating results is _____. [1 mark]

(A) Comparative Statements

(B) Common Size Statements

(C) Cash Flow Analysis

(D) Ratio Analysis

Correct Answer: (A) Comparative Statements

Solution:

Concept:

- Comparative financial statements place figures for two or more accounting periods side by side to reveal changes in financial position and operating results.
- Absolute changes and percentage changes show the direction and extent of movement over time.

Step 1: Identify the time comparison The words trend and direction require a comparison across periods. Comparative Balance Sheets show changes in assets, equity and liabilities; Comparative Statements of Profit and Loss show changes in revenue, expenses and profit. These comparisons indicate improvement or deterioration over time.

Step 2: Distinguish the other tools Common size statements express each item as a percentage of a common base, primarily showing composition. Cash flow analysis explains movements of cash and cash equivalents. Ratio analysis studies relationships between financial figures. The stated description directly identifies comparative statements, rather than these other tools.

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

Quick Tip to Solve: Associate comparative statements with period-to-period changes; associate common size statements with percentages of a common base.

OR

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

(A) Profitability ratios

(B) Solvency ratios

(C) Turnover ratios

(D) Liquidity ratios

Correct Answer: (C) Turnover ratios

Solution:

Concept:

- Turnover or activity ratios measure how efficiently the business uses its resources to generate business activity.
- Examples include inventory turnover and trade receivables turnover, which relate operations to the relevant resources employed.

Step 1: Match the definition to the ratio group The key phrase is effective utilization of resources. Turnover ratios connect an operating figure with the resource supporting it. For example, inventory turnover relates cost of revenue from operations to average inventory, indicating the frequency with which inventory is used and replaced.

Step 2: Eliminate the other classifications Profitability ratios measure earning capacity, such as profit relative to revenue or investment. Solvency ratios assess long-term financial stability and the ability to meet long-term obligations. Liquidity ratios assess the ability to pay short-term liabilities. None is the category specifically named for operational efficiency through resource utilization.

Step 3: Conclusion The correct option is (C): Turnover ratios.

Quick Tip to Solve: When the question stresses efficient use of inventory, receivables or other resources, identify turnover (activity) ratios.

28. The Debt Equity Ratio of Manak Enterprises is 2.5 : 1. Which of the following transaction will result in increase in this ratio? [1 mark]

(A) Purchase of goods on credit Rs. 2,00,000.

(B) Payment to creditors Rs. 3,00,000.

(C) Issue of debentures Rs. 6,00,000.

(D) Sale of furniture of the book value of Rs. 4,00,000 at a profit of 10%.

Correct Answer: (C) Issue of debentures Rs. 6,00,000.

Solution:

Concept:

- Debt-equity ratio compares long-term debt with shareholders' funds: Debt-equity ratio $= D/E$, where D is long-term debt and E is shareholders' funds.
- Increasing long-term debt increases this ratio if equity remains unchanged; current liabilities are not part of long-term debt.

Step 1: Check the borrowing and creditor transactions Initially, $D = 2.5E$. Issuing debentures of Rs 6,00,000 increases long-term debt without changing equity, so the new ratio is $(2.5E + 6,00,000)/E > 2.5$. Purchasing goods on credit of Rs 2,00,000 and paying creditors Rs 3,00,000 change current liabilities, not long-term debt or shareholders' funds; therefore options (A) and (B) leave the ratio unchanged.

Step 2: Check the sale of furniture Selling furniture with book value Rs 4,00,000 at a profit of 10% produces a profit of Rs 40,000. This increases shareholders' funds while long-term debt stays unchanged. The ratio becomes $D/(E + 40,000)$, which is lower than the original ratio. Thus option (D) decreases, rather than increases, the ratio.

Step 3: Conclusion Issue of debentures of Rs 6,00,000 increases the debt-equity ratio. Hence, the correct option is (C).

Quick Tip to Solve: First separate long-term debt from current creditors; then check whether the transaction changes debt, shareholders' funds, or both.

29(a). Which of the following are operating activities for the purpose of preparing cash flow statement?

(i) Cash payments to suppliers for goods and services.

(ii) Dividend received from investments in other enterprises.

(iii) Cash receipts from royalties, fees, commissions and other revenues.

(iv) Cash repayments of amounts borrowed. [1 mark]

(A) (i), (ii) and (iii)

(B) (i) and (iii)

(C) (i), (iii) and (iv)

(D) (iii) and (iv)

Correct Answer: (B) (i) and (iii)

Solution:

Concept:

- Operating activities are the principal revenue-producing activities of an enterprise and other activities that are neither investing nor financing.
- For a non-financial enterprise, receipts of dividend on investments are investing cash flows, while repayment of borrowings is a financing cash flow.

Step 1: Identify the operating cash flows Item (i), cash paid to suppliers for goods and services, is an operating cash outflow because it relates to the enterprise's ordinary business. Item (iii), cash received from royalties, fees, commissions and other revenues, is an operating cash inflow because it arises from revenue-producing activities.

Step 2: Eliminate the non-operating items Item (ii), dividend received from investments in other enterprises, is an investing inflow in the usual non-financial-enterprise treatment. Item (iv), repayment of amounts borrowed, is a financing outflow since it reduces borrowings. Option (A) wrongly includes (ii), option (C) wrongly includes (iv), and option (D) both includes (iv) and omits (i).

Step 3: Conclusion The operating activities are (i) and (iii). Hence, the correct option is (B).

Quick Tip to Solve: Link suppliers and normal revenue receipts to operations; link investment income to investing and repayment of loan principal to financing.

OR

29(b). Which of the following statements is incorrect? [1 mark]

(A) Payment of dividend and interest will result in cash outflow from financing activities.

(B) Payment of employee benefit expenses will result in cash outflows from operating activities.

(C) Receipt of interest and dividend will result in cash inflow from financing activities.

(D) Operating activities are the principal revenue generating activities of the enterprise.

Correct Answer: (C) Receipt of interest and dividend will result in cash inflow from financing activities.

Solution:

Concept:

- In the cash flow statement of a non-financial enterprise, interest and dividends received are classified as investing cash inflows.
- Interest and dividends paid are financing outflows, while payments to employees in ordinary business are operating outflows.

Step 1: Test the statement about investment income Interest received is the return on lending or debt investments, and dividends received are the return on equity investments in other enterprises. Under the usual non-financial-enterprise classification, both receipts belong to investing activities. They do not raise finance for the enterprise, so statement (C), which calls them financing inflows, is incorrect.

Step 2: Check the remaining statements Statement (A) correctly classifies interest paid and dividend paid as financing outflows. Statement (B) correctly treats employee benefit payments as operating outflows, since employees support normal business activities. Statement (D) correctly identifies operating activities as the principal revenue-generating activities of the enterprise. Thus these three statements should not be selected when the question asks for the incorrect statement.

Step 3: Conclusion Receipt of interest and dividend is an investing inflow, not a financing inflow. Hence, the correct option is (C).

Quick Tip to Solve: For a non-financial enterprise, distinguish returns received on investments from returns paid to its providers of finance.

30. Statement-I: Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Statement-II: Cash payments to acquire fixed assets including intangibles and capitalised research and development results in cash outflow from investing activities.

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

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Only Statement I is true.

(D) Only Statement II is true.

Correct Answer: (A) Both the Statements are true.

Solution:

Concept:

- Investing activities involve acquisition and disposal of long-term assets and investments other than cash equivalents.
- A cash payment to acquire or create a long-term asset is an investing outflow; the asset may be tangible or intangible.

Step 1: Evaluate Statement I Statement I gives the definition of investing activities. Long-term assets include property, plant and equipment and intangible assets. Purchases and sales of investments outside cash equivalents also belong to this category. The exclusion of cash equivalents is correct because transfers within cash and cash equivalents are not reported as separate cash flows. Therefore Statement I is true.

Step 2: Evaluate Statement II and compare the options Payments to acquire fixed assets are investing outflows. The same applies to intangible assets and to research and development expenditure that is capitalised as an asset, since the payment creates a long-term resource. This is different from research expenditure charged as a current operating expense. Therefore Statement II is also true. Option (B) wrongly rejects both statements, and options (C) and (D) wrongly reject one of the two true statements.

Step 3: Conclusion Both Statement I and Statement II are true. Hence, the correct option is (A).

Quick Tip to Solve: Watch the word "capitalised": it identifies asset creation and therefore supports an investing classification for the related cash payment.

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:

(i) Computer software

(ii) Outstanding salary

(iii) Work in progress [3 marks]

Solution:

Concept:

- Schedule III groups assets and liabilities into current and non-current categories. An item is classified according to its nature and its normal operating-cycle or settlement characteristics.
- Intangible assets lack physical substance; inventories include unfinished production, while expenses already incurred but unpaid create liabilities.

Step 1: Determine the nature of each item (i) Computer software provides benefits over more than one accounting period and has no physical substance. It is therefore an intangible fixed asset under non-current assets.

(ii) Outstanding salary is salary expense already incurred but not yet paid. The company owes this amount to employees, and it is normally payable in the short term. It is shown under other current liabilities, rather than as a provision, because it is an accrued expense payable.

(iii) Work in progress represents goods that have entered production but are not yet completed. It forms part of inventories, which are current assets realised through the normal operating cycle.

Step 2: Present the Schedule III classification **Balance Sheet classification**

Item	Major head	Sub-head / further classification
Computer software	Non-current assets	Fixed assets: Intangible assets
Outstanding salary	Current liabilities	Other current liabilities
Work in progress	Current assets	Inventories

These placements distinguish a long-term resource, a short-term obligation and operating-cycle stock. Work in progress remains inventory even though it is not yet available for sale.

Step 3: Conclusion Computer software is an intangible asset under non-current assets; outstanding salary is an other current liability; work in progress is inventory under current assets.

Quick Tip to Solve: Ask whether each item is a resource, an unpaid obligation or stock; then choose its current/non-current head and its specific sub-head.

32. From the following information of CN Ltd., prepare a common size Statement of Profit and Loss for the years ended 31st March, 2023 and 31st March, 2024:

Particulars	2023-24 (Rs.)	2022-23 (Rs.)
Revenue from operations	40,00,000	20,00,000
Purchase of stock-in-trade	8,00,000	4,00,000
Other expenses	4,00,000	2,00,000
Tax @ 50%		

[3 marks]

Solution:

Concept:

- A common-size Statement of Profit and Loss expresses each item as a percentage of revenue from operations for the same year: Percentage $=$ Item amount/Revenue from operations $\times\ 100$.
- Profit before tax equals total revenue less total expenses. Tax is computed on profit before tax; profit after tax is the balance after deducting tax.

Step 1: Calculate profit and tax for each year **Working Notes**

For 2022-23, total expenses are Rs $4,00,000+2,00,000 = 6,00,000$. Profit before tax is Rs $20,00,000-6,00,000 = 14,00,000$. Tax at 50% is Rs 7,00,000, leaving profit after tax of Rs 7,00,000.

For 2023-24, total expenses are Rs $8,00,000 + 4,00,000 = 12,00,000$. Profit before tax is Rs $40,00,000 - 12,00,000 = 28,00,000$. Tax at 50% is Rs 14,00,000, leaving profit after tax of Rs 14,00,000.

Step 2: Convert the amounts into percentages Purchases are $4,00,000/20,00,000 \times 100 = 20\%$ and other expenses are 10% of revenue in 2022-23. Profit before tax is therefore 70%, and tax and profit after tax are each 35%. In 2023-24 every amount doubles along with revenue, so all common-size percentages remain unchanged.

Step 3: Prepare the common-size statement **CN Ltd.**

Common-size Statement of Profit and Loss

For the years ended 31st March, 2023 and 31st March, 2024

Particulars	Note No.	2022-23 Rs	2023-24 Rs	2022-23 %	2023-24 %
I. Revenue from operations		20,00,000	40,00,000	100	100
II. Total revenue		20,00,000	40,00,000	100	100
III. Expenses:					
Purchase of stock-in-trade		4,00,000	8,00,000	20	20
Other expenses		2,00,000	4,00,000	10	10
Total expenses		6,00,000	12,00,000	30	30
IV. Profit before tax (II–III)		14,00,000	28,00,000	70	70
V. Tax expense		7,00,000	14,00,000	35	35
VI. Profit after tax (IV–V)		7,00,000	14,00,000	35	35

Step 4: Conclusion In both years, profit before tax is 70% and profit after tax is 35% of revenue. Absolute profits double while the profit margin stays unchanged.

Quick Tip to Solve: Apply the 50% tax rate to profit before tax, then divide the resulting tax amount by revenue: the common-size tax percentage is 35%, not 50%.

33(a). Calculate opening and closing Trade Payables from the following information:

Total purchases Rs. 15,00,000;

Cash purchases are 25% of credit purchases;

Trade payables turnover ratio is 4 times;

Closing trade payables are two times of opening trade payables. [4 marks]

Solution:

Concept:

- Trade payables turnover ratio measures the number of times average trade payables are paid during a year: Trade payables turnover ratio $= \dfrac{\text{Net credit purchases}}{\text{Average trade payables}}$.
- Average trade payables equal $\dfrac{\text{Opening trade payables} + \text{Closing trade payables}}{2}$. Cash purchases are excluded from credit purchases because they do not create trade payables.

Step 1: Separate cash purchases from credit purchases Let credit purchases be C. Cash purchases are 25% of credit purchases, so they equal $0.25C$. Total purchases therefore represent 125% of credit purchases, not 100% of credit purchases.

$$\begin{aligned} C + 0.25C &= \text{Rs } 15,00,000, \\ 1.25C &= \text{Rs } 15,00,000, \\ C &= \frac{15,00,000}{1.25} = \text{Rs } 12,00,000. \end{aligned}$$

Cash purchases are $25\% \times 12,00,000 = \text{Rs } 3,00,000$. The two purchase amounts total Rs 15,00,000 as given. No purchase returns are specified, so the credit purchases obtained are used in the turnover ratio.

Step 2: Calculate average trade payables Rearrange the turnover formula using credit purchases only. The given turnover of 4 times means that annual credit purchases are four times the average balance owed to suppliers.

$$\begin{aligned} \text{Average trade payables} &= \frac{\text{Credit purchases}}{\text{Turnover ratio}} \\ &= \frac{12,00,000}{4} = \text{Rs } 3,00,000. \end{aligned}$$

Step 3: Determine the opening and closing balances Let opening trade payables be x. Closing trade payables are twice the opening balance, so they are $2x$. Substitute both balances into the average:

$$\begin{aligned} \frac{x + 2x}{2} &= 3,00,000, \\ 3x &= 6,00,000, \\ x &= 2,00,000, \\ 2x &= 4,00,000. \end{aligned}$$

As a check, the average of Rs 2,00,000 and Rs 4,00,000 is Rs 3,00,000, and $12,00,000 \div 3,00,000 = 4$ times, agreeing with the given ratio.

Step 4: Conclusion Opening trade payables are $\boxed{\text{Rs } 2,00,000}$, and closing trade payables are $\boxed{\text{Rs } 4,00,000}$.

Quick Tip to Solve: When cash purchases are 25% of credit purchases, divide total purchases by 1.25 to find credit purchases; do not deduct 25% of total purchases.

OR

33(b). From the following information, calculate 'Return on Investment':

Shareholders Funds Rs. 16,00,000

10% Debentures Rs. 8,00,000

Current Liabilities Rs. 2,00,000

Current Assets Rs. 5,00,000

Non-Current Assets Rs. 21,00,000

Net profit after tax was Rs. 3,00,000 and the tax amounted to Rs. 1,00,000. [4 marks]

Solution:

Concept:

- Return on Investment (ROI) measures the return earned on capital employed: $\text{ROI} = \dfrac{\text{Profit before interest and tax}}{\text{Capital employed}} \times 100$.
- Capital employed equals shareholders' funds plus non-current liabilities. It can also be calculated as total assets less current liabilities. Debentures form part of the long-term capital employed.
- Add tax and interest on long-term borrowings back to profit after tax to obtain profit before interest and tax, because the return must relate to both owners' and lenders' funds.

Step 1: Calculate interest on debentures The 10% debentures carry annual interest at 10% of their face value. Using the given debenture amount of Rs 8,00,000:

$$\text{Debenture interest} = 8,00,000 \times \frac{10}{100} = \text{Rs } 80,000.$$

This financing cost must be added back when calculating the return on total capital employed, which includes debenture holders' funds.

Step 2: Find profit before interest and tax Net profit after tax is Rs 3,00,000. First add the actual tax expense of Rs 1,00,000 to obtain profit before tax, then add debenture interest to obtain profit before interest and tax (PBIT).

$$\begin{aligned} \text{Profit before tax} &= 3,00,000 + 1,00,000 \\ &= \text{Rs } 4,00,000, \\ \text{PBIT} &= 4,00,000 + 80,000 \\ &= \text{Rs } 4,80,000. \end{aligned}$$

Using the after-tax profit directly would understate the return attributable to the combined long-term funds.

Step 3: Determine and cross-check capital employed Using the sources of long-term finance:

$$\begin{aligned}\text{Capital employed} &= \text{Shareholders' funds} + \text{Debentures}\\ &= 16,00,000 + 8,00,000\\ &= \text{Rs } 24,00,000.\end{aligned}$$

Check this using the asset approach. Current liabilities are deducted from current assets to find the working capital financed by long-term funds:

$$\begin{aligned}\text{Working capital} &= 5,00,000 - 2,00,000 = \text{Rs } 3,00,000,\\ \text{Capital employed} &= 21,00,000 + 3,00,000\\ &= \text{Rs } 24,00,000.\end{aligned}$$

Both approaches give the same denominator.

Step 4: Apply the return on investment formula Match profit before interest and tax with the total long-term capital that generated it:

$$\text{ROI} = \frac{4,80,000}{24,00,000} \times 100 = 20\%.$$

Thus, every Rs 100 of capital employed earned Rs 20 before interest and tax during the year.

Step 5: Conclusion Return on Investment is $\boxed{20\%}$.

Quick Tip to Solve: For ROI, add both tax and debenture interest to profit after tax; cross-check capital employed using non-current assets plus working capital.

34. (a) From the following information, calculate Cash Flows from Investing Activities:

Particulars	31-3-2024 (Rs.)	31-3-2023 (Rs.)
Machinery (at cost)	3,80,000	3,00,000
Accumulated Depreciation	62,000	45,000

Additional Information: A machine costing Rs. 50,000 on which accumulated depreciation was Rs. 20,000 was sold at a profit of 10%.

(b) From the following information, calculate Cash flows from Financing Activities:

Particulars	31-3-2024 (Rs.)	31-3-2023 (Rs.)
Equity Share Capital	12,00,000	8,00,000
11% Debentures	3,00,000	4,00,000
Securities Premium	1,40,000	1,00,000

Additional Information: Interest paid on debentures amounted to Rs. 40,000. [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire machinery and cash received on its sale. The sale proceeds equal the carrying amount plus the profit on disposal.
- Financing activities change the owners' capital or borrowings. For a non-financial enterprise, proceeds of shares, repayment of debentures and interest paid on debentures are financing cash flows.

Step 1: (a) Calculate the proceeds from the machinery sold **Working Notes**

The machine's carrying amount is its original cost less the accumulated depreciation relating to it. Thus:

$$\text{Carrying amount} = 50,000 - 20,000 = \text{Rs } 30,000,$$

$$\text{Profit on sale} = 30,000 \times \frac{10}{100} = \text{Rs } 3,000,$$

$$\text{Sale proceeds} = 30,000 + 3,000 = \text{Rs } 33,000.$$

The profit percentage is applied to the carrying amount. The full proceeds of Rs 33,000 are the investing inflow; the profit alone is not the cash received.

Step 2: (a) Determine the purchase of machinery and investing cash flow As the machinery balances are at cost, add the cost of machinery disposed of to the increase in the cost balance. Accumulated depreciation must not be deducted from these cost figures:

$$\begin{aligned}\text{Purchases} &= \text{Closing cost} - \text{Opening cost} + \text{Cost sold} \\ &= 3,80,000 - 3,00,000 + 50,000 = \text{Rs } 1,30,000.\end{aligned}$$

No non-cash acquisition is stated, so this purchase is treated as a cash payment. For completeness, the year's depreciation is $62,000 - 45,000 + 20,000 = \text{Rs } 37,000$; it is a non-cash charge and does not enter investing cash flow.

Cash Flow Statement (Extract): Investing Activities

Particulars	Amount (Rs)
Proceeds from sale of machinery	33,000
Purchase of machinery	(1,30,000)
Net cash used in investing activities	**(97,000)**

Step 3: (b) Calculate the capital receipts and financing payments The increase in equity share capital is $12,00,000 - 8,00,000 = \text{Rs } 4,00,000$. The increase in securities premium, $1,40,000 - 1,00,000 = \text{Rs } 40,000$, is included in the proceeds of the share issue. Thus the cash received from issue of shares is Rs 4,40,000. No non-cash issue or other premium adjustment is stated.

Debentures decrease by $4,00,000 - 3,00,000 = \text{Rs } 1,00,000$, representing redemption and hence a financing outflow. Use the actual interest payment of Rs 40,000 supplied in the question; the 11% rate is not used to replace this known cash payment.

Step 4: (b) Prepare the financing activities extract **Cash Flow Statement (Extract): Financing Activities**

Particulars	Amount (Rs)
Proceeds from issue of equity shares, including premium	4,40,000
Redemption of debentures	(1,00,000)
Interest paid on debentures	(40,000)
Net cash from financing activities	**3,00,000**

Receipts are positive and payments are shown in parentheses. The net amount is $4,40,000 - 1,00,000 - 40,000 = \text{Rs } 3,00,000$.

Step 5: Conclusion (a) Net cash used in investing activities is **Rs 97,000**, i.e. a cash outflow. (b) Net cash from financing activities is **Rs 3,00,000**, i.e. a cash inflow.

Quick Tip to Solve: With machinery shown at cost, add back the original cost of the asset sold to find purchases. For financing, include share premium and use the stated interest actually paid.

OPTION - II (Computerised Accounting)

27(a). Which of the following is not an advantage of Computerised Accounting System? [1 mark]

(A) Timely generation of reports in desired format.

(B) Unprogrammed and un-specific reports cannot be generated.

(C) Economy in processing of accounting data.

(D) Efficient record keeping.

Correct Answer: (B) Unprogrammed and un-specific reports cannot be generated.

Solution:

Concept:

- A Computerised Accounting System (CAS) processes accounting data rapidly and generates reports in the formats for which it is programmed.
- An advantage is a useful capability; an inability to produce a required type of report is a limitation.

Step 1: Identify the limitation stated in the options Option (B) says that unprogrammed and un-specific reports cannot be generated. This describes a restriction arising from the system's dependence on programmed reporting requirements, so it cannot be an advantage.

Step 2: Check the other choices Timely reports in desired formats, option (A), improve the availability of information. Economy in processing, option (C), reduces processing effort and cost. Efficient record keeping, option (D), improves storage and retrieval. These are advantages of CAS, whereas (B) states a limitation.

Step 3: Conclusion Unprogrammed and un-specific reports cannot be generated is not an advantage of CAS. Hence, the correct option is (B).

Quick Tip to Solve: Underline "not an advantage" and look for the option describing an inability instead of a useful feature.

OR

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

(A) easy processing of data and keeping the records.

(B) generation of mnemonic codes.

(C) to secure accounting reports.

(D) the encryption of data.

Correct Answer: (A) easy processing of data and keeping the records.

Solution:

Concept:

- Codification assigns systematic codes to accounts or data items so that they can be identified and classified consistently.
- Codes simplify the recording, sorting, retrieval and processing of accounting information.

Step 1: Identify the purpose of codification A code provides a short, consistent identifier for an account or item. This makes it easier to enter transactions, group related records and process the data. Thus easy processing of data and keeping records states the need for codification.

Step 2: Distinguish the other choices Mnemonic codes in option (B) are one type of code, not the overall purpose of codification. Securing reports in (C) and encrypting data in (D) are information-security functions. Assigning account codes does not itself provide encryption or protect reports against unauthorised access.

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

Quick Tip to Solve: Link codification with identifying and classifying records; do not confuse account codes with encryption for security.

28. To see all the available shape styles, which of the following button is to be clicked? [1 mark]

(A) More

(B) Custom

(C) Chart root

(D) Picture

Correct Answer: (A) More

Solution:

Concept:

- The Shape Styles gallery provides predefined combinations of shape formatting such as fill, outline and effects.
- A gallery initially shows a limited set of choices; its More button expands it to display the available styles.

Step 1: Identify the gallery expansion control The question asks how to see all available shape styles. Clicking the More button opens the expanded Shape Styles gallery so that the user can see and select from the full set of styles.

Step 2: Eliminate the unrelated buttons Custom in option (B) suggests a customised setting rather than the gallery expansion control. Chart root in (C) does not name the Shape Styles expansion button. Picture in (D) refers to a different object or formatting context and does not expand the shape-style choices.

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

Quick Tip to Solve: When the question asks to display all choices in a style gallery, look for the More button that expands the gallery.

29(a). To safeguard assets and optimise the use of resources of a business: [1 mark]

(A) shield and secure its assets only.

(B) try to earn sufficient profits only.

(C) keep internal checks and controls.

(D) ensure accuracy in accounting records only.

Correct Answer: (C) keep internal checks and controls.

Solution:

Concept:

- Internal controls are policies and procedures that help safeguard assets, support reliable records and promote efficient operations.
- Internal checks arrange duties and verification so that one person's work helps check another's work, reducing errors and misuse.

Step 1: Match the control measure to both objectives Safeguarding assets and optimising resources require a system of authorisation, verification and accountability. Keeping internal checks and controls addresses both protection of assets and efficient use of resources, so option (C) provides the appropriate measure.

Step 2: Compare the limited alternatives Option (A) focuses on protecting assets only and leaves efficient resource use unaddressed. Earning sufficient profits alone, option (B), does not ensure that assets are protected. Accuracy of records alone, option (D), also does not cover every operational safeguard. These are narrower than the comprehensive system described in (C).

Step 3: Conclusion A business should keep internal checks and controls. Hence, the correct option is (C).

Quick Tip to Solve: When protection of assets and efficient operations appear together, choose the comprehensive internal-control measure.

OR

29(b). Which of the following item is not included in Account group-loans (liabilities) in the Account group of Balance Sheet? [1 mark]

(A) Bank overdraft

(B) Sundry creditors

(C) Unsecured loans

(D) Secured loans

Correct Answer: (B) Sundry creditors

Solution:

Concept:

- The Loans (Liabilities) account group classifies amounts borrowed by the business, including secured and unsecured borrowings.
- Trade liabilities for goods or services purchased on credit are grouped separately from borrowings.

Step 1: Identify the trade liability Sundry creditors are amounts payable to suppliers for credit purchases. They belong to the Sundry Creditors subgroup under Current Liabilities, rather than the Loans (Liabilities) group. Thus option (B) is the item excluded from the specified group.

Step 2: Check the borrowing-related alternatives Bank overdraft in (A) is bank borrowing. Unsecured loans in (C) and secured loans in (D) are explicitly borrowings, distinguished by whether security has been provided. These fall within the Loans (Liabilities) grouping used in computerised accounting. The question concerns software account groups rather than merely whether an amount is payable.

Step 3: Conclusion Sundry creditors are not included in the Loans (Liabilities) account group. Hence, the correct option is (B).

Quick Tip to Solve: Distinguish borrowing from trade credit: bank overdrafts and loans are borrowings, while sundry creditors are suppliers' dues.

30. Which of the following is an adjustment voucher normally used for non-cash transaction? [1 mark]

(A) Payment voucher

(B) Receipt voucher

(C) Contra voucher

(D) Journal voucher

Correct Answer: (D) Journal voucher

Solution:

Concept:

- An accounting voucher records a transaction in the computerised accounting system.
- A journal voucher records non-cash adjustments, such as depreciation, outstanding expenses and transfers between accounts.

Step 1: Identify the adjustment voucher Depreciation reduces the book value of an asset and records an expense without a receipt or payment of cash. Such an adjustment is entered through a journal voucher. Therefore journal voucher matches the non-cash nature specified in the question.

Step 2: Check the other vouchers A payment voucher records payments and a receipt voucher records receipts. A contra voucher records transfers involving cash and bank accounts, such as cash deposited into the bank. These are not the normal voucher for general non-cash adjustments.

Step 3: Conclusion A journal voucher is normally used for non-cash adjustments. Hence, the correct option is (D).

Quick Tip to Solve: For depreciation or an outstanding-expense adjustment, check that no cash or bank movement occurs; choose the journal voucher.

31. What is meant by 'Data', 'Information' and 'Transaction'? [3 marks]

Solution:

Concept:

- Data are raw facts; processing and organising data gives meaningful information.
- A transaction is an economic event involving an exchange of value that can be measured in money and recorded in the accounts.

Step 1: Define data Data are raw, unprocessed facts and figures collected about events or activities. By themselves they may not convey a complete meaning for a decision. For example, an invoice number, customer name, date, quantity sold and selling price are individual items of sales data.

Step 2: Define information Information is data that have been processed, organised and presented in a meaningful form so that users can understand them and make decisions. For example, a monthly sales report prepared by classifying and totalling sales invoices is information. The report answers how much was sold during the month rather than merely presenting unrelated figures.

Step 3: Define transaction A transaction is a business event involving an exchange of economic value between parties or accounts, capable of being expressed in monetary terms. For example, purchasing goods for Rs 10,000 on credit is a transaction: purchases increase and the amount payable to the supplier increases. The invoice supplies data, which the accounting system processes into reports.

Step 4: Conclusion Data are raw facts and figures; information is processed, meaningful data; a transaction is a measurable economic event recorded in accounting.

Quick Tip to Solve: Use one sales invoice to distinguish the terms: its individual facts are data, the sale is a transaction, and a sales summary is information.

32. List six features of an Accounting Software. [3 marks]

Solution:

Concept:

- Accounting software records, processes and reports financial transactions using a computerised system.
- Its features should support convenient entry, dependable processing and useful accounting reports.

Step 1: List the first three features **1. Simplicity:** Clear menus and convenient data-entry screens make accounting operations easy to learn and perform.

2. Integration: Entry of a transaction updates the related records and ledgers together, reducing repeated entry of the same data.

3. Transparency: Users can trace a reported balance to the underlying ledger entries and supporting vouchers, making records understandable and verifiable.

Step 2: List the remaining three features **4. Accuracy and speed:** The software quickly performs calculations, posting and report generation using programmed rules. Correct results require correct input data and settings.

5. Scalability: The system can accommodate growth in the volume of transactions, number of users and reporting needs of a business.

6. Reliability: The system processes data consistently and produces dependable outputs when operated correctly; storage and backup facilities support continuity of accounting work.

Step 3: Conclusion Six features are simplicity, integration, transparency, accuracy and speed, scalability, and reliability.

Quick Tip to Solve: Link each feature to an accounting task: easy entry, connected ledgers, traceable balances, fast processing, growth and dependable records.

33(a). Each and every data from Notepad file can be saved as an Excel data file. This provides a lead that Excel worksheet consists of four types of data in cell. Name and state these data types. [4 marks]

Solution:

Concept:

- A spreadsheet cell can contain text, numerical, logical or error data. Its data type determines how its contents are interpreted.
- Cell formatting changes the display of a value; it need not change the underlying data type. Formula results also have data types.

Step 1: Explain text data **Text (string) data:** These consist of letters, words, symbols or combinations of characters used as labels and descriptions. Examples are `Sales`, a customer name and an account code stored as text. Text is normally left-aligned by default. A string of digits deliberately stored as text, such as a telephone number, is a label rather than an amount for ordinary arithmetic.

Step 2: Explain numerical data **Numerical data:** These are numbers on which arithmetic can be

performed, such as quantities, prices and amounts. Examples are 250, -40 and 12.5. Numbers are normally right-aligned by default. A percentage is stored as a number, and dates and times are also represented internally by numerical values with appropriate display formats.

Step 3: Explain logical data **Logical data:** These express one of two truth values, `TRUE` or `FALSE`. They commonly result from comparisons and are used to test conditions. For example, the formula `=5>3` returns `TRUE`; `=5<3` returns `FALSE`. These are logical values, not merely descriptive labels.

Step 4: Explain error data **Error data:** These are special values that indicate a problem in a formula or its calculation. For example, `#DIV/0!` appears when a calculation attempts division by zero, while `#VALUE!` can indicate use of an unsuitable type of argument. The error value helps identify what must be corrected before the formula can yield the required result.

Step 5: Conclusion The four cell data types are text, numerical, logical and error data.

Quick Tip to Solve: Distinguish the stored value from its appearance: dates are numerical values, TRUE/FALSE are logical values, and a formula can return any of the four data types.

OR

33(b). What is meant by 'Data Validation'? What is facilitated by 'Error Alert Tab'? [4 marks]

Solution:

Concept:

- Data validation controls the type of data or the values that a user is permitted to enter in a worksheet cell or selected range.
- Validation criteria specify acceptable entries; an error alert tells the user when an entered value does not satisfy those criteria.

Step 1: Explain data validation Data validation is the spreadsheet facility used to define restrictions on data entered into cells. For example, a cell may accept only whole numbers within a specified range, dates within a specified period, or values selected from a predefined list. A rule allowing whole numbers from 1 to 100 would identify 150 or a text entry as invalid. This helps maintain consistent and appropriate data in an accounting worksheet; it does not by itself establish that every permitted entry is factually correct.

Step 2: Explain what the Error Alert tab facilitates The Error Alert tab in the Data Validation dialogue box facilitates displaying an error message when a user enters invalid data. The user can select whether an alert is to be shown, choose its style, and enter a suitable title and explanatory error message. For the range above, the message could be "Enter a whole number from 1 to 100." Thus the message explains the restriction and helps the user correct the entry.

Step 3: Distinguish the available alert styles **Stop** prevents acceptance of an invalid entry and requires it to be corrected or cancelled. **Warning** warns the user but permits the user to confirm and retain the invalid entry. **Information** informs the user of the invalid entry and also permits it to be accepted. The selected style therefore determines how strictly the validation restriction is enforced during data entry.

Step 4: Conclusion Data validation specifies the acceptable data for cells. The Error Alert tab sets the message, title and alert style used when an entry violates the specified validation rule.

Quick Tip to Solve: Remember the distinction: the validation rule defines what is allowed, while the Error Alert tab defines the response to an invalid entry.

34. 'Different chart elements can be formatted and edited as per requirement.' State various options available to a user, when he/she wants to change 'shape style'. [6 marks]

Solution:

Concept:

- Shape styles control the visual appearance of a selected chart element, such as a column, a chart area or a legend box.
- The main formatting controls are Shape Fill, Shape Outline and Shape Effects; a predefined style can apply a coordinated combination of these settings.

Step 1: Select the chart element and a predefined style Select the chart and the particular element to be formatted, then use the Shape Styles group on the chart's Format tab. The style gallery offers predefined combinations of fill, outline and effects. Selecting a gallery style quickly applies a consistent appearance to the chosen element. The individual controls can then be used to modify that appearance as required.

Step 2: Describe Shape Fill **Shape Fill** changes the inside of the selected chart element. The user may select a solid colour, choose No Fill, or use a picture, gradient or texture. A gradient produces a gradual change between colours or shades; a texture gives a patterned surface. For example, a column may be given a blue fill so that its data series is easily distinguished from another series. Fill changes the enclosed area, rather than the line around its edge.

Step 3: Describe Shape Outline **Shape Outline** changes the border of the selected element. It allows the user to choose the outline colour, its weight or thickness, and its line style, such as a solid or dashed line. No Outline removes the visible border. For example, a dark, solid outline can make the chart area stand out against the worksheet background. Outline settings affect the boundary and can be selected independently of the fill settings.

Step 4: Describe Shape Effects **Shape Effects** adds visual effects to the selected element. Available choices include shadow, reflection, glow, soft edges, bevel and three-dimensional rotation, where supported by the selected element. A shadow adds depth, a glow highlights the edge, and a bevel gives the edge a raised appearance. The user selects a suitable effect or preset and adjusts its available options. Effects should preserve the readability of chart labels and the clarity of the values being compared.

Step 5: Conclusion A user can apply a predefined shape style or customise it through **Shape Fill**, **Shape Outline** and **Shape Effects**. These control the interior, border and visual effects of the selected chart element, respectively.

Quick Tip to Solve: Recall "inside–edge–effect": Fill formats the inside, Outline formats the border, and Effects adds features such as shadows or bevels.