CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-2-1

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. Arun, Bashir and Joseph were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admitted Daksh as a new partner who acquired his share entirely from Arun. If Arun sacrificed 1/5th from his share to Daksh, Daksh's share in the profits of the firm will be : [1 mark]

(A) 1/10

(B) 1/5

(C) 3/10

(D) 2/5

Correct Answer: (A) 1/10

Solution:

Concept:

- A new partner acquires the fraction actually sacrificed by the existing partner, rather than the stated fraction of total profits.
- Arun's old share is his ratio term divided by the sum of all ratio terms.

Step 1: Determine Arun's old share The old ratio is $5 : 3 : 2$, whose total is 10. Therefore Arun holds $5/10 = 1/2$ of the firm's profits.

Step 2: Calculate the fraction transferred Daksh receives one-fifth of Arun's own share:

$$\text{Daksh's share} = \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}.$$

Option (B) treats the sacrifice as a fraction of the whole firm; options (C) and (D) do not equal the stated transfer.

Step 3: Conclusion Daksh's share is $\boxed{1/10}$. Hence, the correct option is (A).

Quick Tip to Solve: When a fraction is sacrificed from a partner's share, multiply it by that partner's old share.

2. Eliza, Fenn and Garry were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. Fenn was guaranteed Rs. 25,000 as his share in the profits. Any deficiency arising on that account was to be met by Eliza. The firm earned a profit of Rs. 80,000 for the year ended 31st March, 2024. The amount of profit credited to Fenn's capital account will be : [1 mark]

(A) Rs. 30,000

(B) Rs. 40,000

(C) Rs. 25,000

(D) Rs. 10,000

Correct Answer: (A) Rs. 30,000

Solution:

Concept:

- A profit guarantee is a minimum entitlement; it does not replace a higher ordinary profit share.
- Deficiency equals the guaranteed amount minus the ordinary share only when that difference is positive.

Step 1: Compute the ordinary entitlement The ratio totals $4 + 3 + 1 = 8$. Fenn's normal share is

$$\text{Rs } 80,000 \times \frac{3}{8} = \text{Rs } 30,000.$$

Step 2: Compare with the guarantee The normal share of Rs 30,000 exceeds the guaranteed Rs 25,000. Consequently no deficiency arises and Eliza bears no additional charge. Rs 25,000 is only the minimum, Rs 40,000 corresponds to Eliza's normal share, and Rs 10,000 corresponds to Garry's normal share.

Step 3: Conclusion Fenn's Capital Account is credited with $\boxed{\text{Rs } 30,000}$. Hence, the correct option is (A).

Quick Tip to Solve: Compute the normal share first; apply the guarantee only if that share falls below the minimum.

3. Wayne, Shaan and Bryan were partners in a firm. Shaan had advanced a loan of Rs. 1,00,000 to the firm. On 31st March, 2024 the firm was dissolved. After transferring various assets (other than cash & bank) and outside liabilities to Realisation Account, Shaan took over furniture of book value of Rs. 90,000 in part settlement of his loan amount. For the payment of balance amount of Shaan's loan Bank Account will be credited with : [1 mark]

(A) Rs. 1,00,000

(B) Rs. 90,000

(C) Rs. 1,90,000

(D) Rs. 10,000

Correct Answer: (D) Rs. 10,000

Solution:

Concept:

- An asset taken over in part settlement reduces the outstanding partner's loan by the agreed settlement value.
- Only the remaining cash payment is credited to Bank Account; the non-cash settlement does not reduce bank.

Step 1: Reduce the outstanding loan Shaan's loan is Rs 1,00,000. Furniture worth Rs 90,000 is accepted in part settlement, leaving

$$\text{Unpaid loan} = \text{Rs } 1,00,000 - \text{Rs } 90,000 = \text{Rs } 10,000.$$

Step 2: Identify the bank payment The remaining Rs 10,000 is paid through bank. Bank is credited because this payment reduces the firm's bank balance. Rs 1,00,000 ignores the furniture settlement, Rs 90,000 is the non-cash portion, and Rs 1,90,000 incorrectly adds the two amounts.

Step 3: Conclusion Bank Account will be credited with $\boxed{\text{Rs } 10,000}$. Hence, the correct option is (D).

Quick Tip to Solve: Subtract the value of the asset accepted from the loan before identifying the bank payment.

4. Pulkit and Ravinder were partners in a firm sharing profits and losses in the ratio of 3 : 2. Sikander was admitted as a new partner for 1/5th share in the profits of the firm. Pulkit, Ravinder and Sikander decided to share future profits in the ratio of 2 : 2 : 1. Sikander brought Rs. 5,00,000 as his capital and Rs. 10,00,000 as his share of premium for goodwill. The amount of premium for goodwill that will be credited to the old partners' capital accounts will be : [1 mark]

(A) Pulkit's Capital Account Rs. 10,00,000

(B) Pulkit's Capital Account Rs. 6,00,000 and Ravinder's Capital Account Rs. 4,00,000

(C) Pulkit's Capital Account Rs. 5,00,000 and Ravinder's Capital Account Rs. 5,00,000

(D) Pulkit's Capital Account Rs. 2,00,000

Correct Answer: (A) Pulkit's Capital Account Rs. 10,00,000

Solution:

Concept:

- Premium for goodwill compensates the old partners in their sacrificing ratio.
- A partner's sacrifice equals old share minus new share; an unchanged share gives no entitlement to this premium.

Step 1: Calculate each old partner's sacrifice Pulkit's old share is $3/5$ and new share is $2/5$, so he sacrifices $1/5$. Ravinder's old and new shares both equal $2/5$, so his sacrifice is zero.

Step 2: Allocate the premium Pulkit alone gives up the entire $1/5$ acquired by Sikander. Thus the full premium of Rs 10,00,000 is credited to Pulkit's Capital Account. Allocating Rs 6,00,000 and Rs 4,00,000 uses the old ratio incorrectly; equal allocation also ignores sacrifice. Rs 2,00,000 wrongly multiplies an already stated premium by Sikander's share.

Step 3: Conclusion Pulkit's Capital Account receives $\boxed{\text{Rs } 10,00,000}$. Hence, the correct option is (A).

Quick Tip to Solve: Compare old and new shares first; a partner whose share is unchanged receives no premium.

5. Kajal and Laura were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted Maddy for 1/4th share in future profits. Maddy brought Rs. 8,00,000 as his capital and Rs. 4,00,000 as his share of premium for goodwill. Kajal, Laura and Maddy decided to share profits in future in the ratio of 2 : 1 : 1. After all adjustments in respect of goodwill, revaluation of assets and liabilities etc. Kajal's capital was Rs. 15,00,000 and Laura's capital was Rs. 8,00,000. It was agreed that partners' capitals should be in proportion to their new profit sharing ratio taking Maddy's capital as base. The adjustment was made by bringing in or withdrawing the necessary cash as the case may be. The cash brought in by Kajal was : [1 mark]

(A) Rs. 1,00,000

(B) Rs. 8,00,000

(C) Rs. 16,00,000

(D) Rs. 12,00,000

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

Solution:

Concept:

- When capitals are fixed in the new profit-sharing ratio, the incoming partner's capital can determine the firm's total required capital.
- Cash introduced equals required capital minus adjusted existing capital when the required amount is larger.

Step 1: Find Kajal's required capital Maddy's Rs 8,00,000 capital represents one part of the new ratio $2 : 1 : 1$. Kajal requires two such parts:

$$\text{Required capital} = \text{Rs } 8,00,000 \times 2 = \text{Rs } 16,00,000.$$

Step 2: Calculate the cash adjustment Kajal already has Rs 15,00,000 after all adjustments. She must bring Rs $16,00,000 - \text{Rs } 15,00,000 = \text{Rs } 1,00,000$. Rs 16,00,000 is the required balance, not fresh cash; Rs 8,00,000 is Maddy's base capital, and Rs 12,00,000 does not follow from the new ratio.

Step 3: Conclusion Kajal brings in $\boxed{\text{Rs } 1,00,000}$. Hence, the correct option is (A).

Quick Tip to Solve: Use the incoming partner's capital to value one ratio part, then subtract existing adjusted capital.

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

Reason (R) : By virtue of the Companies Act 2013, the Central Government is empowered to prescribe maximum number of partners in a firm. The Central Government has prescribed the maximum number of partners in a firm to be 50.

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

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

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

(C) Assertion (A) is true, but Reason (R) is false.

(D) Both Assertion (A) and Reason (R) are false.

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

Solution:

Concept:

- Under the general partnership framework tested here, the prescribed maximum number of partners is 50.
- An assertion-reason answer requires checking both truth values and the causal connection between them.

Step 1: Judge the assertion Assertion (A) states the maximum number of partners in a partnership firm as 50. This agrees with the prescribed general limit, so the assertion is true.

Step 2: Judge the reason Reason (R) correctly states that the Companies Act, 2013 empowers the Central Government to prescribe the maximum and that the prescribed number is 50. The reason is therefore true.

Step 3: Check the explanatory link The assertion states the limit, while the reason supplies the statutory authority and the prescription establishing that very limit. It directly explains the assertion. Therefore (B) is excluded; (C) and (D) incorrectly treat one or both statements as false.

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

Quick Tip to Solve: For assertion-reason items, check the explanation separately after deciding both truth values.

7. Nandita and Prabha were partners in a firm. Nandita withdrew Rs. 3,00,000 during the year for personal use. The partnership deed provides for charging interest on drawings @ 10% p.a. Interest on Nandita's drawings for the year ended 31st March, 2024 will be : [1 mark]

(A) Rs. 9,000

(B) Rs. 30,000

(C) Rs. 18,000

(D) Rs. 15,000

Correct Answer: (D) Rs. 15,000

Solution:

Concept:

- When the dates of drawings made during the year are not specified, interest is calculated for an average period of six months.
- Interest on drawings equals total drawings multiplied by annual rate and the fraction of the year.

Step 1: Identify the applicable period Nandita withdrew Rs 3,00,000 during the year, but no individual dates are given. Apply the usual average period of six months rather than treating all withdrawals as made at the start of the year.

Step 2: Calculate the interest

$$\text{Interest} = \text{Rs } 3,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 15,000.$$

Rs 30,000 charges a full year incorrectly. Rs 9,000 and Rs 18,000 use time periods or rates not supported by the question.

Step 3: Conclusion Interest on Nandita's drawings is $\boxed{\text{Rs } 15,000}$. Hence, the correct option is (D).

Quick Tip to Solve: If annual drawings have no specified dates, use six months as the average interest period.

8. Radhika, Mehar and Shubha were partners in a firm sharing profits and losses in the ratio of 9 : 8 : 7. If Radhika's share of profit at the end of the year amounted to Rs. 5,40,000, Shubha's share of profit will be : [1 mark]

(A) Rs. 5,40,000

(B) Rs. 4,80,000

(C) Rs. 60,000

(D) Rs. 4,20,000

Correct Answer: (D) Rs. 4,20,000

Solution:

Concept:

- Partners' profit amounts are proportional to the terms of their agreed profit-sharing ratio.
- The value of one ratio part equals a known partner's profit divided by that partner's ratio term.

Step 1: Find the profit per ratio part Radhika's nine parts equal Rs 5,40,000. Therefore

$$\text{One part} = \frac{\text{Rs } 5,40,000}{9} = \text{Rs } 60,000.$$

Step 2: Find Shubha's seven parts Shubha receives $7 \times$ Rs $60,000 =$ Rs $4,20,000$. Rs 5,40,000 is Radhika's nine-part share, Rs 4,80,000 is Mehar's eight-part share, and Rs 60,000 is merely one ratio part. These cannot represent Shubha's seven-part entitlement.

Step 3: Conclusion Shubha's share is $\boxed{\text{Rs } 4,20,000}$. Hence, the correct option is (D).

Quick Tip to Solve: Divide the known share by its ratio term and multiply by the required partner's ratio term.

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9. Suhas and Vilas were partners in a firm with capitals of Rs. 4,00,000 and Rs. 3,00,000 respectively. They admitted Prabhas as a new partner for 1/5th share in future profits. Prabhas brought Rs. 2,00,000 as his capital. Prabhas' share of goodwill will be : [1 mark]

(A) Rs. 1,00,000

(B) Rs. 10,00,000

(C) Rs. 9,00,000

(D) Rs. 20,000

Correct Answer: (D) Rs. 20,000

Solution:

Concept:

- The incoming partner's capital divided by his profit share gives the implied capitalised value of the firm.
- Hidden goodwill is implied total value less actual combined capitals; the incoming partner bears his agreed fraction of that goodwill.

Step 1: Find implied total value and goodwill Prabhas contributes Rs 2,00,000 for $1/5$, implying Rs $2,00,000 \times 5 =$ Rs $10,00,000$. Actual combined capitals are Rs $4,00,000 +$ Rs $3,00,000 +$ Rs $2,00,000 =$ Rs $9,00,000$. Thus hidden goodwill is Rs 1,00,000.

Step 2: Calculate Prabhas' share of goodwill

$$\text{Prabhas' share} = \text{Rs } 1,00,000 \times \frac{1}{5} = \text{Rs } 20,000.$$

Rs 1,00,000 is the whole firm's goodwill; Rs 10,00,000 is its implied total value, and Rs 9,00,000 is actual combined capital. None is his individual goodwill share.

Step 3: Conclusion Prabhas' share of goodwill is $\boxed{\text{Rs } 20,000}$. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish total hidden goodwill from the incoming partner's fractional share of that goodwill.

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10. Offer of securities or invitation to subscribe securities to a select group of persons by a company (other than by way of public offer) is known as : [1 mark]

(A) Sweat equity

(B) Incorporation cost

(C) Private placement of shares

(D) Employee stock option plan

Correct Answer: (C) Private placement of shares

Solution:

Concept:

- Private placement is an offer of securities to a selected group of persons, rather than an invitation to the public.
- The mode of offering securities, rather than the nature of the consideration, identifies this transaction.

Step 1: Identify the defining feature The company selects the persons to whom it offers securities. The explicit exclusion of a public offer makes this a private placement.

Step 2: Check the alternatives Sweat equity refers to equity issued for know-how, intellectual property or value additions. Incorporation cost is an expense of forming a company. An employee stock option plan gives employees an option to acquire shares. None describes a general offer to selected persons.

Step 3: Conclusion The correct option is (C): Private placement of shares.

Quick Tip to Solve: Look for the words selected group and other than public offer to identify private placement.

11. Ajay Ltd. forfeited 100 shares of Rs. 10 each for non-payment of first call of Rs. 1 per share and second and final call of Rs. 3 per share. The minimum price per share at which these shares can be reissued will be : [1 mark]

(A) Rs. 6

(B) Rs. 4

(C) Rs. 10

(D) Rs. 16

Correct Answer: (B) Rs. 4

Solution:

Concept:

- Forfeited shares may be reissued at a discount up to the amount forfeited on those shares.
- Minimum reissue price = face value - amount already received and forfeited per share.

Step 1: Find the amount forfeited The unpaid calls per share are $1 + 3 = \text{Rs } 4$. Therefore, the amount already received per share is $10 - 4 = \text{Rs } 6$. On 100 shares, the forfeited amount is $100 \times 6 = \text{Rs } 600$.

Step 2: Apply the maximum discount The maximum reissue discount is Rs 6 per share, so the

minimum price is $10 - 6 = \text{Rs } 4$. Rs 6 and Rs 10 are permissible prices but are not the minimum; Rs 16 is above face value and also cannot be the minimum.

Step 3: Conclusion The correct option is (B): Rs 4 per share.

Quick Tip to Solve: Subtract the amount forfeited from face value; do not mistake the forfeited amount for the minimum price.

12(a). The amount of share capital which a company is authorised to issue by its Memorandum of Association is known as _____. [1 mark]

(A) Nominal capital

(B) Issued capital

(C) Reserve capital

(D) Subscribed capital

Correct Answer: (A) Nominal capital

Solution:

Concept:

- Nominal capital, also called authorised or registered capital, is the maximum share capital permitted by the Memorandum of Association.
- Issued and subscribed capital describe subsequent stages in raising capital, not the ceiling fixed by the Memorandum.

Step 1: Identify the capital ceiling The question asks for the amount a company is authorised to issue under its Memorandum of Association. This is nominal capital, regardless of how much has actually been offered or subscribed.

Step 2: Eliminate the other terms Issued capital is the portion offered for subscription. Subscribed capital is the portion taken up by subscribers. Reserve capital is the portion of uncalled capital reserved for calling only on winding up. None of these terms denotes the authorised ceiling.

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

Quick Tip to Solve: Associate the Memorandum of Association and authorised limit directly with nominal capital.

OR

12(b). According to Securities and Exchange Board of India (SEBI), guidelines, minimum subscription of capital cannot be less than 90% of _____. [1 mark]

(A) Authorised capital

(B) Issued capital

(C) Reserve capital

(D) Subscribed capital

Correct Answer: (B) Issued capital

Solution:

Concept:

- Minimum subscription is the minimum amount that must be subscribed before the company can proceed with allotment.
- For this question, the specified threshold is 90% of issued capital, the capital offered for subscription.

Step 1: Choose the relevant base The subscription requirement relates to the capital offered to investors. Hence, the relevant base is issued capital; the amount subscribed is compared against this offered amount.

Step 2: Check the alternatives Authorised capital is only the permitted maximum and may exceed the offer. Reserve capital is uncalled capital reserved for winding up. Subscribed capital is the result of applications, so it is not the base for the stated threshold. Thus, minimum subscription is $0.90 \times$ issued capital.

Step 3: Conclusion The correct option is (B): Issued capital.

Quick Tip to Solve: For a minimum subscription percentage, use the capital offered to investors as the denominator.

13(a). Debentures on which a company does not give any undertaking for the repayment of money borrowed are called : [1 mark]

(A) Bearer Debentures

(B) Secured Debentures

(C) Perpetual Debentures

(D) Registered Debentures

Correct Answer: (C) Perpetual Debentures

Solution:

Concept:

- Perpetual or irredeemable debentures have no undertaking by the company to repay the principal at a specified time.
- Debenture classifications by repayment, security and transferability must be distinguished.

Step 1: Identify the repayment condition The defining condition is the absence of an undertaking for repayment of the borrowed money. This describes perpetual debentures, also termed irredeemable debentures.

Step 2: Test the alternatives Bearer debentures are transferable by delivery, while registered debentures are recorded in the holder's name and transferred through the prescribed procedure. Secured debentures are backed by a charge on assets. These categories address transfer or security and do not express the absence of a repayment undertaking.

Step 3: Conclusion The correct option is (C): Perpetual Debentures.

Quick Tip to Solve: Classify by the feature asked: repayment points to redeemable or perpetual, rather than security or transfer.

OR

13(b). If the amount of debentures issued is more than the amount of the net assets taken over by a company, the difference will be treated as : [1 mark]

(A) Capital Reserve

(B) Goodwill

(C) Purchase Consideration

(D) General Reserve

Correct Answer: (B) Goodwill

Solution:

Concept:

- Net assets taken over = agreed value of assets acquired - liabilities assumed.
- When purchase consideration exceeds net assets, the excess is goodwill; the reverse produces capital reserve.

Step 1: Compare the two values Here the debentures issued settle the purchase consideration. Their amount exceeds the net assets taken over, so the company pays more than the separately identifiable net assets received.

Step 2: Identify the balancing item The difference is Goodwill = purchase consideration – net assets. Capital reserve arises in the opposite situation. Purchase consideration is the whole amount payable, not merely this difference. General reserve is an appropriation of profits and has no role in this acquisition difference.

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

Quick Tip to Solve: Compare consideration with net assets: consideration above net assets gives goodwill; below gives capital reserve.

14(a). The following journal entry appears in the books of Latvion Ltd. :

Date	Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Bank A/c ..... Dr.	4,75,000	
	Loss on issue of debentures A/c ..... Dr.	75,000	
	To 12% Debentures A/c		5,00,000
	To Premium on Redemption of Debentures A/c		50,000

The discount on issue of debentures is : [1 mark]

(A) 15%

(B) 5%

(C) 10%

(D) 95%

Correct Answer: (B) 5%

Solution:

Concept:

- Discount on issue equals the face value of debentures less the proceeds received on issue.
- Loss on issue includes both issue discount and premium payable on redemption.

Step 1: Separate the two losses The debentures credited have a face value of Rs 5,00,000, while bank receives Rs 4,75,000. Thus, issue discount is $5,00,000 - 4,75,000 = \text{Rs } 25,000$. The other Rs 50,000 of the total Rs 75,000 loss is redemption premium.

Step 2: Calculate and check the rate

$$\text{Discount rate} = \frac{25,000}{5,00,000} \times 100 = 5\%.$$

The 15% option wrongly includes redemption premium; 10% is the redemption premium rate; 95% is the issue price as a percentage of face value.

Step 3: Conclusion The correct option is (B): 5%.

Quick Tip to Solve: Remove redemption premium from total loss before finding the percentage of discount on issue.

OR

14(b). Zeba Limited issued 15,000, 9% debentures of Rs. 100 each at 10% discount on 1st April, 2023. It has a balance of Rs. 1,00,000 in Securities Premium Account. The 'Discount on issue of Debentures' of Rs. 1,50,000 will be written off : [1 mark]

(A) Rs. 1,00,000 out of Securities Premium Account and Rs. 50,000 out of Statement of Profit and Loss

(B) Rs. 50,000 out of Securities Premium Account and Rs. 1,00,000 out of Statement of Profit and Loss

(C) Rs. 1,50,000 out of Securities Premium Account

(D) Rs. 1,50,000 out of Statement of Profit and Loss

Correct Answer: (A) Rs. 1,00,000 out of Securities Premium Account and Rs. 50,000 out of Statement of Profit and Loss

Solution:

Concept:

- Discount on issue is the face value issued multiplied by the discount rate.
- Available Securities Premium is used to write off discount on issue; the remaining amount is charged to the Statement of Profit and Loss.

Step 1: Verify the discount The face value issued is $15,000 \times 100 = \text{Rs } 15,00,000$. Therefore, the discount is $15,00,000 \times 10\% = \text{Rs } 1,50,000$, agreeing with the question.

Step 2: Allocate the write-off The available Securities Premium balance is Rs 1,00,000. Use that amount first, leaving $1,50,000 - 1,00,000 = \text{Rs } 50,000$ for the Statement of Profit and Loss. Option (B) leaves available premium unused, (C) exceeds its balance, and (D) ignores the available premium.

Step 3: Conclusion The correct option is (A): Rs 1,00,000 from Securities Premium and Rs 50,000 from the Statement of Profit and Loss.

Quick Tip to Solve: Compare the discount with available Securities Premium, then charge only the uncovered balance to profit and loss.

15(a). Anisha, Deepa and Charu were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2024, they decided to change their profit-sharing ratio to 2 : 3 : 5. Each partner's gain or sacrifice due to change in profit-sharing ratio will be : [1 mark]

(A) Anisha's sacrifice 3/10; Charu's gain 3/10

(B) Anisha's gain 3/10; Charu's sacrifice 3/10

(C) Anisha's sacrifice 3/10; Deepa's gain 3/10

(D) Deepa's gain 3/10; Charu's sacrifice 3/10

Correct Answer: (A) Anisha's sacrifice 3/10; Charu's gain 3/10

Solution:

Concept:

- Sacrifice = old share - new share; a negative result represents a gain.
- Express both ratios with the same denominator before comparing each partner's share.

Step 1: Calculate each change Both ratios total 10. Anisha: $5/10 - 2/10 = 3/10$, a sacrifice. Deepa: $3/10 - 3/10 = 0$, no change. Charu: $2/10 - 5/10 = -3/10$, a gain of $3/10$.

Step 2: Check the options and the total The total sacrifice $3/10$ equals the total gain $3/10$. Option (A) states these changes correctly. Option (B) reverses the directions; (C) wrongly gives Deepa a gain; (D) wrongly gives Deepa a gain and Charu a sacrifice. Deepa remains unaffected because her share is unchanged.

Step 3: Conclusion The correct option is (A): Anisha sacrifices $3/10$, and Charu gains $3/10$.

Quick Tip to Solve: Write old share minus new share for every partner; positive means sacrifice and negative means gain.

OR

15(b). Preet and Saral were partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2024 they decided to change their profit sharing ratio to 1 : 1. On the date of reconstitution goodwill of the firm was valued at Rs. 1,00,000. The journal entry for treatment of goodwill on account of change in profit-sharing ratio will be : [1 mark]

(A) Preet's Capital A/c ..... Dr. 1,00,000

To Saral's Capital A/c 1,00,000

(B) Saral's Capital A/c ..... Dr. 1,00,000

To Preet's Capital A/c 1,00,000

(C) Preet's Capital A/c ..... Dr. 10,000

To Saral's Capital A/c 10,000

(D) Saral's Capital A/c ..... Dr. 10,000

To Preet's Capital A/c 10,000

Correct Answer: (D) Saral's Capital A/c ..... Dr. 10,000

To Preet's Capital A/c 10,000

Solution:

Concept:

- Goodwill compensation equals the firm's goodwill multiplied by the share gained or sacrificed. The gaining partner is debited and the sacrificing partner is credited.
- The old ratio identifies existing rights; the new ratio identifies future rights. No goodwill asset is raised for a direct adjustment between partners.

Step 1: Identify the sacrifice and gain Preet's sacrifice is $3/5 - 1/2 = 1/10$, while Saral's gain is $1/2 - 2/5 = 1/10$. Saral must therefore compensate Preet by Rs $1,00,000 \times 1/10 =$ Rs $10,000$.

Step 2: Record the compensation

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Saral's Capital A/c Dr. To Preet's Capital A/c (Being goodwill adjusted for change in ratio)		10,000	10,000

Options (A) and (C) reverse the parties. Option (B) has the correct parties but incorrectly transfers the entire goodwill instead of the gained share.

Step 3: Conclusion Saral's Capital A/c is debited and Preet's Capital A/c is credited by Rs 10,000. Hence, the correct option is (D).

Quick Tip to Solve: First identify who gains: that partner pays compensation and is debited.

16(a). Ishan, Jatin and Kapil were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Jatin retired and his share was taken up by Ishan and Kapil in the ratio 1 : 1. The new profit-sharing ratio between Ishan and Kapil after Jatin's retirement will be : [1 mark]

(A) 5 : 1

(B) 1 : 1

(C) 5 : 4

(D) 7 : 3

Correct Answer: (D) 7 : 3

Solution:

Concept:

- The continuing partner's new share is the old share plus the share acquired from the retiring partner.
- The ratio in which the retiring share is acquired is the gaining ratio; it need not equal the new profit-sharing ratio.

Step 1: Divide the retiring share Jatin's share is $4/10$. As Ishan and Kapil acquire it equally, each gains $(4/10) \times (1/2) = 2/10$. Their pre-existing shares remain part of their total future entitlement.

Step 2: Calculate and test the new ratio Ishan's new share is $5/10 + 2/10 = 7/10$; Kapil's new share is $1/10 + 2/10 = 3/10$. They sum to one. Option (A) merely retains the old ratio between the survivors. Option (B) confuses equal acquisition with equal total shares. Option (C) does not reflect Kapil's resulting share.

Step 3: Conclusion The new profit-sharing ratio is $7 : 3$. Hence, the correct option is (D).

Quick Tip to Solve: Add the acquired share to each old share before forming the new ratio.

OR

16(b). Sakshi, Kiara and Gunjan were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Kiara retired on 1-4-2023. After all adjustments the amount due to Kiara was Rs. 5,00,000. The payment was to be made in two yearly instalments of Rs. 2,50,000 each plus interest @ 10% per annum on the unpaid balance. The amount of first instalment paid on 31-03-2024 will be : [1 mark]

(A) Rs. 3,00,000

(B) Rs. 2,75,000

(C) Rs. 5,50,000

(D) Rs. 2,50,000

Correct Answer: (A) Rs. 3,00,000

Solution:

Concept:

- The payment of a retiring partner's loan includes the agreed principal instalment plus interest on the unpaid opening balance.
- Interest is calculated as principal multiplied by annual rate multiplied by time in years.

Step 1: Calculate first-year interest The opening unpaid amount on 1 April 2023 is Rs 5,00,000. No principal is paid before 31 March 2024. Therefore, interest for the full year is Rs $5,00,000 \times 10/100 =$ Rs $50,000$.

Step 2: Add principal and compare options The first payment is Rs $2,50,000 +$ Rs $50,000 =$ Rs $3,00,000$. Option (B) wrongly calculates interest on only half the outstanding amount. Option (C) adds the whole principal, although only half is due. Option (D) omits the agreed interest. After paying this instalment, principal still outstanding is Rs 2,50,000.

Step 3: Conclusion The first instalment including interest is Rs 3,00,000. Hence, the correct option is (A).

Quick Tip to Solve: For the first interest calculation, use the full opening loan balance, then add the principal instalment.

17. Anubha and Yuvika were partners in a firm sharing profits and losses in the ratio of 3 : 2. From 1st April 2024, they decided to share future profits and losses in the ratio of 2 : 3. On this date, their balance sheet showed a balance of Rs. 50,000 in General Reserve and a debit balance of Rs. 2,50,000 in Profit and Loss Account. Partners decided to write off Profit and Loss Account but decided not to distribute the General Reserve. Pass the necessary journal entries for the above transactions on the reconstitution of the firm. Show your workings clearly. [3 marks]

Solution:

Concept:

- Accumulated losses relating to the period before reconstitution are borne by existing partners in their old profit-sharing ratio.

- When an existing reserve remains undistributed, the gaining partner compensates the sacrificing partner for the change in rights over that reserve.

Step 1: Write off the accumulated loss The debit balance in Profit and Loss Account represents past losses. Anubha bears Rs $2,50,000 \times 3/5 =$ Rs $1,50,000$; Yuvika bears Rs $2,50,000 \times 2/5 =$ Rs $1,00,000$. Debit their capital accounts and credit Profit and Loss Account to eliminate its debit balance.

Step 2: Work out the reserve adjustment Anubha sacrifices $3/5 - 2/5 = 1/5$, and Yuvika gains $3/5 - 2/5 = 1/5$. General Reserve remains at Rs 50,000. If it were subsequently distributed in the new ratio, Anubha would receive Rs 10,000 less than her old entitlement. Thus Yuvika must compensate Anubha by Rs $50,000 \times 1/5 =$ Rs $10,000$.

Step 3: Pass the entries on 1 April 2024

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Anubha's Capital A/c Dr.		1,50,000	
	Yuvika's Capital A/c Dr.		1,00,000	
	To Profit and Loss A/c			2,50,000
	(Being accumulated loss written off in old ratio)			
1-4-2024	Yuvika's Capital A/c Dr.		10,000	
	To Anubha's Capital A/c			10,000
	(Being adjustment for undistributed reserve)			

Step 4: Conclusion Profit and Loss Account is written off in the old ratio of $3:2$. General Reserve remains Rs 50,000, with a Rs 10,000 capital adjustment from Yuvika to Anubha.

Quick Tip to Solve: Keep the reserve account untouched when the partners expressly decide not to distribute it.

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18. Sunny and Ujjwal were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2024 Timmy was admitted as a new partner for 1/5th share in profits which he acquired equally from Sunny and Ujjwal.

On the date of Timmy's admission the Balance Sheet of Sunny and Ujjwal showed investments at Rs. 5,00,000 and a balance of Rs. 2,00,000 in Investment Fluctuation Reserve.

Pass necessary journal entries for treatment of Investment fluctuation reserve on the date of Timmy's admission in each of the following cases :

(i) Market value of Investments was Rs. 5,00,000.

(ii) Market value of Investments was Rs. 3,00,000.

(iii) Market value of Investments was Rs. 2,00,000. [3 marks]

Solution:

Concept:

- Investment Fluctuation Reserve first absorbs a fall in the value of existing investments. Any surplus reserve belongs to the old partners in their old profit-sharing ratio.
- Any fall beyond the reserve is debited to Revaluation Account and borne by the old partners. The

incoming partner does not bear losses arising before admission.

Step 1: Case (i): market value Rs 5,00,000 There is no fall from the book value of Rs 5,00,000. Distribute the entire reserve of Rs 2,00,000 between Sunny and Ujjwal in the old ratio $3:2$: Rs 1,20,000 and Rs 80,000 respectively.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Investment Fluctuation Reserve A/c Dr.		2,00,000	
	To Sunny's Capital A/c			1,20,000
	To Ujjwal's Capital A/c			80,000
	(Being surplus reserve distributed in old ratio)			

Step 2: Case (ii): market value Rs 3,00,000 The fall is Rs $5,00,000$ − Rs $3,00,000$ = Rs $2,00,000$, exactly equal to the reserve. Use the entire reserve; no amount is transferred to capital accounts.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Investment Fluctuation Reserve A/c Dr.		2,00,000	
	To Investments A/c			2,00,000
	(Being fall in investments absorbed by reserve)			

Step 3: Case (iii): market value Rs 2,00,000 The fall is Rs 3,00,000. Reserve absorbs Rs 2,00,000, leaving a revaluation loss of Rs 1,00,000. Sunny bears Rs 60,000 and Ujjwal Rs 40,000 in their old ratio. Timmy acquires shares equally from the old partners, but that sacrifice affects future profits and does not change the allocation of this pre-admission loss.

Journal

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Investment Fluctuation Reserve A/c Dr.		2,00,000	
	Revaluation A/c Dr.		1,00,000	
	To Investments A/c			3,00,000
	(Being fall in investments recorded)			
1-4-2024	Sunny's Capital A/c Dr.		60,000	
	Ujjwal's Capital A/c Dr.		40,000	
	To Revaluation A/c			1,00,000
	(Being revaluation loss transferred in old ratio)			

Step 4: Conclusion The reserve is distributed in case (i), fully used in case (ii), and supplemented by a Rs 1,00,000 revaluation loss in case (iii).

Quick Tip to Solve: Compare the fall in investment value with the reserve before deciding whether any balance goes to capital accounts.

19(a). Apoorv Ltd. acquired building worth Rs. 15,50,000, Machinery worth Rs. 11,40,000 and Furniture worth Rs. 1,10,000 from Dhruv Ltd. and took over its liabilities of Rs. 2,00,000 for a purchase consideration of Rs. 25,00,000. Apoorv Ltd. paid the purchase consideration by issuing 12% debentures of Rs. 100 each at a premium of 25%.

Pass the necessary journal entries in the books of Apoorv Ltd. for the above transactions. [3 marks]

Solution:

Concept:

- Net identifiable assets equal assets taken over less liabilities assumed. Excess net assets over purchase consideration is capital reserve.
- Debentures issued at premium settle the vendor at their issue price. The face value is credited to Debentures Account and premium to Securities Premium Account.

Step 1: Determine capital reserve Total assets acquired are Rs $15,50,000$ + Rs $11,40,000$ + Rs $1,10,000$ = Rs $28,00,000$. Liabilities taken over are Rs 2,00,000, so net assets are Rs 26,00,000. Purchase consideration is Rs 25,00,000. The favourable difference of Rs 1,00,000 is capital reserve, not goodwill.

Step 2: Compute the debentures issued Issue price per debenture is Rs $100 + 25\%$ of Rs 100 = Rs 125. Number issued is $25,00,000/125 = 20,000$. Their nominal value is Rs 20,00,000 and securities premium is Rs 5,00,000. The 12% rate describes the coupon and does not determine the number issued.

Step 3: Record acquisition and settlement

Journal of Apoorv Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Building A/c Dr.		15,50,000	
	Machinery A/c Dr.		11,40,000	
	Furniture A/c Dr.		1,10,000	
	To Liabilities A/c			2,00,000
	To Dhruv Ltd.			25,00,000
	To Capital Reserve A/c			1,00,000
	(Being assets and liabilities acquired for agreed consideration)			
	Dhruv Ltd. Dr.		25,00,000	
	To 12% Debentures A/c			20,00,000
	To Securities Premium A/c			5,00,000
	(Being 20,000 debentures issued at 25% premium to vendor)			

Step 4: Conclusion Apoorv Ltd. records capital reserve of Rs 1,00,000 and issues 20,000 debentures of Rs 100 each at Rs 125 to settle Dhruv Ltd.

Quick Tip to Solve: Divide the purchase consideration by the issue price, including premium, to obtain the number of debentures.

OR

19(b). Ajanta Ltd. purchased machinery worth Rs. 36,00,000 from Sujata Ltd. Ajanta Ltd. paid half the amount to Sujata Ltd. through a bank draft and the balance by issuing 8% debentures of Rs. 100 each at a discount of 10%.

Pass the necessary journal entries in the books of Ajanta Ltd. for the above transactions. [3 marks]

Solution:

Concept:

- A machinery purchase is recorded at its cost, while the vendor is credited for the purchase consideration payable.
- Debentures issued at a discount settle the vendor at their issue price. Discount on Issue of Debentures Account records the difference between nominal value and issue value.

Step 1: Calculate the consideration settled in cash and debentures The machinery costs Rs 36,00,000. Half is paid through a bank draft:

$$\text{Bank payment} = 36,00,000 \times \frac{1}{2} = \text{Rs } 18,00,000.$$

The vendor's remaining claim is also Rs 18,00,000. Each Rs 100 debenture is issued at a discount of 10%, so its issue price is Rs 90.

$$\text{Number of debentures} = 18,00,000/90 = 20,000,$$
$$\text{Nominal value} = 20,000 \times 100 = \text{Rs } 20,00,000,$$
$$\text{Discount on issue} = 20,000 \times 10 = \text{Rs } 2,00,000.$$

The 8% rate is the interest rate on the debentures; it does not determine the amount of purchase consideration settled.

Step 2: Record the transactions Journal of Ajanta Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Machinery A/c Dr.		36,00,000	
	To Sujata Ltd.			36,00,000
	(Being machinery purchased on credit)			
	Sujata Ltd. Dr.		18,00,000	
	To Bank A/c			18,00,000
	(Being half the consideration paid by bank draft)			
	Sujata Ltd. Dr.		18,00,000	
	Discount on Issue of Debentures A/c Dr.		2,00,000	
	To 8% Debentures A/c			20,00,000
	(Being 20,000 debentures of Rs 100 issued at 10% discount to settle the balance due)			

Step 3: Conclusion Ajanta Ltd. issues 20,000 debentures of Rs 100 each; the nominal liability is Rs 20,00,000 and the discount is Rs 2,00,000.

Quick Tip to Solve: Divide the vendor balance by Rs 90, the issue price, before calculating the face value of the debentures.

20(a). Aakash and Baadal entered into partnership on 1st October, 2023 with the capitals of Rs. 80,00,000 and Rs. 60,00,000 respectively. They decided to share profits and losses equally. Partners were entitled to interest on capital @ 10% per annum as per the provisions of the partnership deed.

Baadal is given a guarantee that his share of profit, after charging interest on capital will not be less than Rs. 7,00,000 per annum.

Any deficiency arising on that account shall be met by Aakash. The profit of the firm for the year ended 31st March, 2024 amounted to Rs. 13,00,000.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. [3 marks]

Solution:

Concept:

- Interest on capital is calculated for the actual period for which capital is employed: capital multiplied by annual rate and time in years.
- A guarantee of profit after interest on capital applies to the residual share of profit. An annual guarantee is proportionately reduced for a shorter accounting period; its deficiency is borne by the guaranteeing partner.

Step 1: Calculate interest and the residual profit The partnership commenced on 1st October, 2023, so the period up to 31st March, 2024 is six months.

$$\text{Aakash: interest} = 80,00,000 \times 10\% \times 6/12 = \text{Rs } 4,00,000,$$
$$\text{Baadal: interest} = 60,00,000 \times 10\% \times 6/12 = \text{Rs } 3,00,000,$$
$$\text{Residual profit} = 13,00,000 - 7,00,000 = \text{Rs } 6,00,000.$$

Their normal equal shares of this residual profit are Rs 3,00,000 each.

Step 2: Adjust Baadal's guaranteed profit Baadal's guarantee is Rs 7,00,000 per annum after charging interest on capital. For six months it is $7,00,000 \times 6/12 = \text{Rs } 3,50,000$. His normal residual share is Rs 3,00,000, giving a deficiency of Rs 50,000. Aakash alone bears this deficiency. Thus the residual profit is credited as Rs 2,50,000 to Aakash and Rs 3,50,000 to Baadal. Interest on capital is credited separately and is not included in this guaranteed residual share.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31st March, 2024

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Interest on Capital:		By Profit and Loss A/c	13,00,000	
	Aakash	4,00,000	(Net profit)		
	Baadal	3,00,000			
	To Profit transferred to:				
	Aakash's Capital A/c	2,50,000			
	Baadal's Capital A/c	3,50,000			
	Total	13,00,000	Total	13,00,000	

The entire net profit has been appropriated, so there is no closing balance to carry down.

Step 4: Conclusion After interest on capital, Aakash receives Rs 2,50,000 and Baadal Rs 3,50,000 as profit. Total credits including interest are Rs 6,50,000 each.

Quick Tip to Solve: Convert both the annual interest and the annual guarantee to six months before comparing the guaranteed profit with the normal share.

OR

20(b). Parul and Rajul were partners in a firm, sharing profits and losses in the ratio of 5 : 3. The balance in their fixed capital accounts on 1st April, 2023 were : Parul Rs. 6,00,000 and Rajul Rs. 8,00,000. The partnership deed provided for allowing interest on capital at 12% per annum. The net profit of the firm for the year ended 31st March, 2024 was Rs. 1,26,000.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. Show your working clearly. [3 marks]

Solution:

Concept:

- In the absence of a provision making interest a charge, interest on capital is an appropriation of profit and cannot exceed the profit available.
- When available profit is insufficient to pay full interest, divide it in the ratio of interest entitlements, rather than the normal profit-sharing ratio.

Step 1: Calculate the full annual interest entitlement The fixed capitals remain employed throughout the year from 1st April, 2023 to 31st March, 2024. Hence:

$$\begin{aligned} \text{Parul: interest} &= 6,00,000 \times 12\% = \text{Rs } 72,000, \\ \text{Rajul: interest} &= 8,00,000 \times 12\% = \text{Rs } 96,000, \\ \text{Total interest} &= 72,000 + 96,000 = \text{Rs } 1,68,000. \end{aligned}$$

The net profit of Rs 1,26,000 is less than this total by Rs 42,000. Since interest is an appropriation, the firm cannot allow the full entitlement and create a loss for distribution.

Step 2: Restrict interest to the available profit The ratio of the partners' interest entitlements is $72,000 : 96,000 = 3 : 4$. Allocate the available Rs 1,26,000 in that ratio:

$$\begin{aligned} \text{Parul's allowed interest} &= 1,26,000 \times 3/7 = \text{Rs } 54,000, \\ \text{Rajul's allowed interest} &= 1,26,000 \times 4/7 = \text{Rs } 72,000. \end{aligned}$$

These amounts exhaust the profit. The normal profit-sharing ratio of 5:3 applies only to any residual profit, which here is nil. Since capitals are fixed, the appropriations are credited to current accounts.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account for the year ended 31st March, 2024

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Interest on Capital:		By Profit and Loss A/c	1,26,000	
	Parul's Current A/c	54,000	(Net profit)		
	Rajul's Current A/c	72,000			
	Total	1,26,000	Total	1,26,000	

There is no residual profit and no balance to carry down in the appropriation account.

Step 4: Conclusion Interest on capital allowed is Rs 54,000 to Parul and Rs 72,000 to Rajul; no residual profit remains for division in the ratio 5:3.

Quick Tip to Solve: When profit is less than total interest, use the interest entitlement ratio 3:4 and exhaust only the available profit.

21. Ridyum Limited issued 5,000, 9% debentures of Rs. 500 each at a premium of 10%. The amount was payable as follows :

On Application - Rs. 200 per debenture

On Allotment - Balance (including premium)

The debentures were fully subscribed and all amounts were duly received.

Pass the necessary journal entries for issue of debentures in the books of Ridyum Limited. [4 marks]

Solution:

Concept:

- The issue price equals face value plus premium. Debentures are credited only with their nominal value; the excess is credited to Securities Premium Account.
- Application and allotment accounts record the amounts received or due at each stage. A receipt debits Bank; transfer of application money credits Debentures.

Step 1: Calculate the amounts payable Premium per debenture $= 500 \times 10\% =$ Rs 50; issue price $= 500 + 50 =$ Rs 550. Application money is Rs 200, so allotment money is $550 - 200 =$ Rs 350 per debenture, including the Rs 50 premium.

$$\begin{aligned}\text{Nominal value} &= 5,000 \times 500 = \text{Rs } 25,00,000,\\ \text{Application money} &= 5,000 \times 200 = \text{Rs } 10,00,000,\\ \text{Allotment money} &= 5,000 \times 350 = \text{Rs } 17,50,000,\\ \text{Securities premium} &= 5,000 \times 50 = \text{Rs } 2,50,000.\end{aligned}$$

Of the allotment amount, Rs 15,00,000 represents the remaining nominal value. The 9% coupon does not change the issue proceeds; no interest entry is required for the issue.

Step 2: Record application and allotment transactions Journal of Ridyum Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being application money received on 5,000 debentures at Rs 200 each)		10,00,000	 10,00,000
	Debenture Application A/c Dr. To 9% Debentures A/c (Being application money transferred to debentures on allotment)		10,00,000	 10,00,000
	Debenture Allotment A/c Dr. To 9% Debentures A/c To Securities Premium A/c (Being allotment money due, including premium of Rs 50 per debenture)		17,50,000	 15,00,000 2,50,000
	Bank A/c Dr. To Debenture Allotment A/c (Being full allotment money received)		17,50,000	 17,50,000

Both application and allotment accounts close because all amounts due have been received. Total Bank receipts are Rs 27,50,000, equal to the nominal debenture liability plus securities premium.

Step 3: Conclusion The issue credits 9% Debentures Account with Rs 25,00,000 and Securities Premium Account with Rs 2,50,000; total money received is Rs 27,50,000.

Quick Tip to Solve: Subtract application money from the issue price, including premium, to find allotment; never credit the premium to Debentures Account.

22. Simar, Tanvi and Umara were partners in a firm sharing profits and losses in the ratio of 5 : 6 : 9. On 31st March, 2024 their Balance Sheet was as follows :

Balance sheet of Simar, Tanvi and Umara as at 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Fixed Assets	25,00,000
Simar	13,00,000	Stock	10,00,000
Tanvi	12,00,000	Debtors	8,00,000
Umara	14,00,000	Cash	7,00,000
Total capitals	39,00,000		
General Reserve	7,00,000	Profit and Loss Account (2023–24)	2,00,000
Trade Payables	6,00,000		
Total	52,00,000	Total	52,00,000

Umara died on 30th June, 2024. The partnership deed provided for the following on the death of a partner :

(i) Goodwill of the firm be valued at 3 years purchase of average profits for the last 5 years. The profit/loss for the previous four years were :

2022-23 : Rs. 3,10,000 (loss) 2021-22 : Rs. 3,00,000 (profit)

2020-21 : Rs. 4,00,000 (profit) 2019-20 : Rs. 2,50,000 (profit)

(ii) Umara's share of profit or loss till the date of her death was to be calculated on the basis of profit or loss for the year ended 31st March 2024.

(a) Calculate Goodwill of the firm.

(b) Pass the necessary journal entry for the treatment of goodwill on Umara's death.

(c) Calculate Umara's share in the profit or loss of the firm till the date of her death.

(d) Pass the necessary journal entry to record Umara's share of profit or loss till the date of her death. [4 marks]

Solution:

Concept:

- Goodwill equals average profit for the specified years multiplied by years of purchase. A debit balance of Profit and Loss Account on the assets side represents an accumulated loss.
- The deceased partner's goodwill share is credited to her capital and debited to gaining partners in their gaining ratio. With no changed ratio given, surviving partners retain their relative old shares.
- Time-based interim profit or loss equals the previous annual result multiplied by the fraction of the year elapsed and the deceased partner's old profit-sharing fraction.

Step 1: (a) Calculate the firm's goodwill The Profit and Loss Account of Rs 2,00,000 appears on the assets side of the balance sheet; hence 2023–24 has a loss of Rs 2,00,000. Include this fifth year along with the four results supplied. Treat losses as negative:

$$\begin{aligned}\text{Five-year total} &= 2,50,000 + 4,00,000 + 3,00,000 \\ &\quad - 3,10,000 - 2,00,000 = \text{Rs } 4,40,000,\\ \text{Average annual profit} &= 4,40,000/5 = \text{Rs } 88,000,\\ \text{Goodwill} &= 88,000 \times 3 = \text{Rs } 2,64,000.\end{aligned}$$

Step 2: (b) Adjust Umara's share of goodwill Umara's share is $9/20$. Thus her goodwill entitlement is $2,64,000 \times 9/20 = \text{Rs } 1,18,800$. Simar and Tanvi gain in the ratio $5:6$, since they continue in their relative old ratio. Their debits are respectively $1,18,800 \times 5/11 = \text{Rs } 54,000$ and $1,18,800 \times 6/11 = \text{Rs } 64,800$.

Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 June 2024	Simar's Capital A/c Dr.		54,000	
	Tanvi's Capital A/c Dr.		64,800	
	To Umara's Capital A/c			1,18,800
	(Being Umara's goodwill share adjusted through gaining partners' capital accounts in the ratio 5:6)			

Step 3: (c) Calculate Umara's loss up to death The period from 1 April to 30 June 2024 is three months. Since the basis year has a loss, the interim result must also be a loss:

$$\text{Umara's loss} = 2,00,000 \times \frac{3}{12} \times \frac{9}{20} = \text{Rs } 22,500.$$

The firm's estimated loss for these three months is Rs 50,000, of which Umara bears 45%. The credit balance of General Reserve is not the previous year's profit and does not replace the specified loss basis.

Step 4: (d) Record the interim loss Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 June 2024	Umara's Capital A/c Dr.		22,500	
	To Profit and Loss Suspense A/c			22,500
	(Being Umara's share of estimated loss up to her death recorded on the previous annual loss basis)			

A loss reduces Umara's capital, so her capital is debited. Profit and Loss Suspense is credited pending determination of the current year's actual result. This entry is separate from the goodwill adjustment.

Step 5: Conclusion Goodwill is Rs 2,64,000. Credit Umara Rs 1,18,800 for goodwill, debiting Simar Rs 54,000 and Tanvi Rs 64,800. Umara's interim loss is Rs 22,500: debit her Capital Account and credit Profit and Loss Suspense Account.

Quick Tip to Solve: First inspect which side contains Profit and Loss Account: an assets-side balance is a loss and must enter both calculations with the correct sign.

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

(i) Rajesh took over stock of Rs. 4,00,000 at a discount of 20%.

(ii) Somesh agreed to take over the firm's furniture, not recorded in the books of the firm at Rs. 80,000.

(iii) Land and Building of the book value of Rs. 60,00,000 was sold for Rs. 90,00,000 through a broker who charged 10% commission.

(iv) Ashish, an old customer, whose account for Rs. 70,000 was written off as bad in the previous year, paid 60% of the amount.

(v) Sundry Creditors of Rs. 3,00,000 were settled at a discount of 10%.

(vi) Realisation expenses amounting to Rs. 21,000 were paid by Yogesh. [6 marks]

Solution:

Concept:

- After assets and external liabilities have been transferred to Realisation, receipts from assets credit Realisation and payments for liabilities or realisation expenses debit it.
- An asset taken over by a partner debits that partnerś Capital Account. A firm expense paid personally by a partner credits that partnerś Capital Account. Unrecorded asset recoveries also credit Realisation.

Step 1: Determine the amounts to record Rajesh takes stock at $4,00,000(1-0.20) = \text{Rs } 3,20,000$. Somesh is charged the agreed value of Rs 80,000 for unrecorded furniture. Land and building realise Rs 90,00,000; brokerage is $90,00,000 \times 10\% = \text{Rs } 9,00,000$. The sale and brokerage are recorded separately to show the gross proceeds and the expense clearly. Recovery from Ashish is $70,000 \times 60\% = \text{Rs } 42,000$. Creditors require $3,00,000 \times 90\% = \text{Rs } 2,70,000$. Yogesh is credited Rs 21,000 for the expense he pays on behalf of the firm.

Step 2: Record the dissolution entries Journal of the firm of Rajesh, Somesh and Yogesh

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Rajesh's Capital A/c Dr.		3,20,000	
	To Realisation A/c			3,20,000
	(Being stock taken over by Rajesh at 20% discount)			
	Somesh's Capital A/c Dr.		80,000	
	To Realisation A/c			80,000
	(Being unrecorded furniture taken over by Somesh)			
	Bank A/c Dr.		90,00,000	
	To Realisation A/c			90,00,000
	(Being land and building sold through a broker)			
	Realisation A/c Dr.		9,00,000	
	To Bank A/c			9,00,000
	(Being brokerage paid at 10% of sale proceeds)			
	Bank A/c Dr.		42,000	
	To Realisation A/c			42,000
	(Being 60% of the debt previously written off recovered from Ashish)			
	Realisation A/c Dr.		2,70,000	
	To Bank A/c			2,70,000
	(Being creditors settled at 10% discount)			
	Realisation A/c Dr.		21,000	
	To Yogesh's Capital A/c			21,000
	(Being realisation expenses paid personally by Yogesh)			

Step 3: Check the treatment after transfer The stock and land book values have already been transferred to Realisation; they are not transferred again. Likewise, the creditorsóriginal balance is already in Realisation, so only the actual settlement payment is recorded now. Ashishś account was written off in a previous year and has no current book balance, so the recovery is credited directly to Realisation. The unrecorded furniture also produces a Realisation credit without any preliminary asset-transfer entry. Yogesh pays the expenses personally, so the firm owes him reimbursement through his capital balance; its Bank Account is not credited for that transaction.

Step 4: Conclusion The journal records partner takeovers of Rs 3,20,000 and Rs 80,000, gross sale proceeds of Rs 90,00,000, brokerage of Rs 9,00,000, recovery of Rs 42,000, creditors settlement of Rs 2,70,000 and expenses of Rs 21,000 paid by Yogesh.

Quick Tip to Solve: After transfer to Realisation, record actual receipts and settlements; do not transfer the same book balances again.

24. Following is the extract of the Balance Sheet of Vikalp Ltd. as per Schedule-III, Part-I of Companies Act as at 31st March, 2024 along with Notes to accounts:

Vikalp Ltd.

Balance Sheet as at 31st March, 2024

Particulars	Note No.	31-03-2024 (Rs)	31-03-2023 (Rs)
I. Equity and Liabilities			
(1) Shareholders Funds			
(a) Share capital	1	59,60,000	50,00,000

Notes to accounts as at 31st March, 2023:

Note No.	Particulars	31-3-2023 (Rs)
1.	Share Capital:	
	Authorised capital	
	9,00,000 equity shares of Rs 10 each	90,00,000
	Issued capital:	
	5,00,000 equity shares of Rs 10 each	50,00,000
	Subscribed capital:	
	Subscribed and fully paid up	
	5,00,000 equity shares of Rs 10 each	50,00,000
	Subscribed but not fully paid up	Nil
	Total	50,00,000

Notes to accounts as at 31st March, 2024:

Note No.	Particulars	31-3-2024 (Rs)
1.	Share Capital:	
	Authorised capital	
	9,00,000 equity shares of Rs 10 each	90,00,000
	Issued capital:	
	6,00,000 equity shares of Rs 10 each	60,00,000
	Subscribed capital:	
	Subscribed and fully paid up	
	5,80,000 equity shares of Rs 10 each	58,00,000
	Subscribed but not fully paid up	
	20,000 equity shares of Rs 10 each, fully called up	2,00,000
	Less: calls in arrears, 20,000 equity shares at Rs 2 per share	(40,000)
	Subscribed but not fully paid up (net)	1,60,000
	Total	59,60,000

Answer the following questions: [6 marks]

24(i). The total face value of equity shares issued during the year 2023-2024 was : [1 mark]

(A) Rs. 10,00,000

(B) Rs. 9,80,000

(C) Rs. 4,20,000

(D) Rs. 11,00,000

Correct Answer: (A) Rs. 10,00,000

Solution:

Concept:

- Issued capital is measured at the face value of shares issued. Calls in arrears reduce the amount received, but do not reduce the face value issued.

Step 1: Compare issued shares The issued shares increased from $5,00,000$ at 31st March, 2023 to $6,00,000$ at 31st March, 2024. Thus, the number issued during the year is $6,00,000 - 5,00,000 = 1,00,000$.

Step 2: Multiply by face value Each share has a face value of Rs 10. Therefore, the face value issued during the year is $1,00,000 \times 10 =$ Rs $10,00,000$. The change in paid-up share capital is not the face value issued: arrears affect receipts. None of Rs 9,80,000, Rs 4,20,000 or Rs 11,00,000 equals the increase in issued capital.

Step 3: Conclusion The face value issued was Rs $10,00,000$. Hence, the correct option is (A).

Quick Tip to Solve: Use the issued-capital figures, not the net paid-up capital after arrears.

24(ii). The number of shares on which the called up amount was not received were : [1 mark]

(A) 1,00,000

(B) 80,000

(C) 3,00,000

(D) 20,000

Correct Answer: (D) 20,000

Solution:

Concept:

- Calls in arrears represent called-up amounts not paid by shareholders. Divide total arrears by the unpaid amount per share to count the defaulting shares.

Step 1: Identify the unpaid amount The 2024 note reports calls in arrears of Rs 40,000, calculated at Rs 2 per share. All these shares are fully called up, but they are not fully paid up.

Step 2: Count the shares

$$\text{Defaulting shares} = \frac{40,000}{2} = 20,000.$$

This also agrees with the 20,000 shares shown as subscribed but not fully paid up. The alternatives 1,00,000, 80,000 and 3,00,000 do not reconcile with the reported arrears at Rs 2 per share.

Step 3: Conclusion The called-up amount was not received on $20,000$ shares. Hence, the correct option is (D).

Quick Tip to Solve: Divide arrears by arrears per share, rather than by the face value.

24(iii). On 1st April, 2024 Vikalp Limited forfeited all the shares on which the called up amount was not received. On forfeiture, 'Share Capital Account' will be debited by : [1 mark]

(A) Rs. 1,60,000

(B) Rs. 40,000

(C) Rs. 2,00,000

(D) Rs. 2,40,000

Correct Answer: (C) Rs. 2,00,000

Solution:

Concept:

- On forfeiture, Share Capital is debited with called-up capital; Share Forfeiture is credited with the capital money already received.

Step 1: Identify called-up capital cancelled The company forfeits 20,000 shares. Each has a face value of Rs 10 and is fully called up. The debit to Share Capital cancels the entire called-up amount on these shares.

Step 2: Compute and distinguish amounts

$$\text{Share Capital debit} = 20,000 \times 10 = \text{Rs } 2,00,000.$$

Rs 40,000 is the unpaid call, while Rs 1,60,000 is the capital already received and credited to Share Forfeiture. Rs 2,40,000 exceeds the called-up capital and is incorrect.

Step 3: Conclusion Share Capital Account is debited by Rs $2,00,000$. Hence, the correct option is (C).

Quick Tip to Solve: Debit the full called-up capital on forfeiture, even when part remains unpaid.

24(iv). On forfeiture, 'Share Forfeiture Account' will be credited with : [1 mark]

(A) Rs. 1,60,000

(B) Rs. 40,000

(C) Rs. 2,00,000

(D) Rs. 2,40,000

Correct Answer: (A) Rs. 1,60,000

Solution:

Concept:

- On forfeiture, Share Capital is debited with called-up capital; Share Forfeiture is credited with the capital money already received.

Step 1: Find money received per share The forfeited shares are fully called up at Rs 10 each, with Rs 2 per share unpaid. Consequently, the capital amount already received is $10 - 2 = \text{Rs } 8$ per share.

Step 2: Calculate forfeiture credit

$$\text{Share Forfeiture credit} = 20,000 \times 8 = \text{Rs } 1,60,000.$$

Rs 40,000 represents unpaid calls and cannot be credited as money received. Rs 2,00,000 is the called-up capital cancelled; Rs 2,40,000 exceeds even that amount.

Step 3: Conclusion Share Forfeiture Account is credited with Rs $1,60,000$. Hence, the correct option is (A).

Quick Tip to Solve: Forfeiture credit equals capital actually received on the forfeited shares.

24(v). If all the forfeited shares are reissued at Rs. 8 per share fully paid up, the amount credited to 'Capital Reserve A/c' will be : [1 mark]

(A) Rs. 40,000

(B) Rs. 1,60,000

(C) Rs. 2,00,000

(D) Rs. 1,20,000

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

Solution:

Concept:

- On reissue of forfeited shares, discount is charged to Share Forfeiture. The remaining forfeiture balance attributable to reissued shares is transferred to Capital Reserve.

Step 1: Calculate the reissue discount The 20,000 shares of face value Rs 10 are reissued as fully paid for Rs 8 each. The discount is $20,000(10 - 8) = \text{Rs } 40,000$. The forfeiture balance before reissue is $20,000(10 - 2) = \text{Rs } 1,60,000$.

Step 2: Transfer the surplus

$$\text{Capital Reserve} = 1,60,000 - 40,000 = \text{Rs } 1,20,000.$$

Rs 40,000 is the discount, Rs 1,60,000 is the original forfeiture balance, and Rs 2,00,000 is the face value. None is the surplus after allowing the reissue discount.

Step 3: Conclusion The amount credited to Capital Reserve is Rs $1,20,000$. Hence, the correct option is (D).

Quick Tip to Solve: Deduct the reissue discount from forfeiture credit before transferring the surplus.

24(vi). If the forfeited shares are reissued at the minimum permissible price, the amount credited to 'Capital Reserve Account' will be : [1 mark]

(A) Rs. 2,00,000

(B) Rs. 1,60,000

(C) Rs. 40,000

(D) NIL

Correct Answer: (D) NIL

Solution:

Concept:

- The discount on reissue cannot exceed the amount forfeited on those shares. At the minimum permissible reissue price, the entire related forfeiture balance is used to cover discount.

Step 1: Find the minimum reissue price Capital already received on each forfeited share is $10 - 2 =$ Rs 8. Thus, the maximum reissue discount is Rs 8 per share and the minimum price for a fully paid Rs 10 share is $10 - 8 =$ Rs 2.

Step 2: Find the residual balance Total forfeiture credit is $20,000 \times 8 =$ Rs $1,60,000$. At minimum price the discount is also $20,000 \times 8 =$ Rs $1,60,000$. Therefore, no forfeiture surplus remains for Capital Reserve. Rs 2,00,000, Rs 1,60,000 and Rs 40,000 each incorrectly leave a positive reserve.

Step 3: Conclusion The amount credited to Capital Reserve is nil. Hence, the correct option is (D).

Quick Tip to Solve: At minimum permissible reissue price, discount consumes all the related forfeiture balance.

25(a). Alexia Limited invited applications for issuing 1,00,000 equity shares of Rs. 10 each at premium of Rs. 10 per share.

The amount was payable as follows :

On application Rs. 9 per share (Including premium Rs. 6 per share)

On allotment Rs. 8 per share (Including premium Rs. 4 per share)

On first and final call Rs. 3 per share.

Applications were received for 1,50,000 equity shares and allotment was made to the applicants as follows :

Category A : Applicants for 90,000 shares were allotted 70,000 shares.

Category B : Applicants for 60,000 shares were allotted 30,000 shares.

Excess money received on application was adjusted towards allotment and first and final call.

Shekhar, who had applied for 1200 shares failed to pay the first and final call. Shekhar belonged to category B.

Pass necessary journal entries for the above transactions in the books of Alexia Limited. Open calls in arrears and calls in advance account, wherever necessary. [6 marks]

Solution:

Concept:

- Application money is divided between share capital, securities premium and excess receipts. Excess is adjusted category-wise against allotment before any remaining sum becomes calls in advance.
- Calls in arrears represent only the unpaid call after adjusting the individual shareholderś advance. Premium is credited separately from nominal capital.

Step 1: Compute category-wise excess and adjustments Category A: application received $90,000 \times 9 =$ Rs $8,10,000$; application required $70,000 \times 9 =$ Rs $6,30,000$. Excess Rs 1,80,000 is adjusted against allotment of Rs 5,60,000, leaving Rs 3,80,000 payable.

Category B: application received Rs 5,40,000 and required Rs 2,70,000. Excess Rs 2,70,000 covers allotment of Rs 2,40,000 and leaves Rs 30,000 in advance. Thus Rs 4,20,000 is adjusted against allotment in total. No allotment cash is required from category B.

Step 2: Determine Shekhar's unpaid call Shekhar receives $1,200 \times 30,000/60,000 = 600$ shares. His application payment is Rs 10,800; the application requirement is Rs 5,400. Of his Rs 5,400 excess, Rs 4,800 meets allotment, leaving Rs 600 as advance. The call due is $600 \times 3 =$ Rs $1,800$, so the unpaid balance is Rs 1,200. Total call cash is $3,00,000 - 30,000 - 1,200 =$ Rs $2,68,800$.

Step 3: Record the transactions Journal of Alexia Limited

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		13,50,000	
	To Share Application A/c			13,50,000
	(Being application money received on 1,50,000 shares)			
	Share Application A/c Dr.		13,50,000	
	To Share Capital A/c			3,00,000
	To Securities Premium A/c			6,00,000
	To Share Allotment A/c			4,20,000
	To Calls in Advance A/c			30,000
	(Being application money adjusted on allotment)			
	Share Allotment A/c Dr.		8,00,000	
	To Share Capital A/c			4,00,000
	To Securities Premium A/c			4,00,000
	(Being allotment money due on 1,00,000 shares)			
	Bank A/c Dr.		3,80,000	
	To Share Allotment A/c			3,80,000
	(Being balance allotment money received)			
	Share First and Final Call A/c Dr.		3,00,000	
	To Share Capital A/c			3,00,000
	(Being first and final call due)			
	Calls in Advance A/c Dr.		30,000	
	To Share First and Final Call A/c			30,000
	(Being advance adjusted against call)			
	Bank A/c Dr.		2,68,800	
	Calls in Arrears A/c Dr.		1,200	
	To Share First and Final Call A/c			2,70,000
	(Being call received except the unpaid balance)			

Step 4: Open the requested accounts Calls in Advance Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share First and Final Call	30,000	By Share Application	30,000	
	Total	30,000	Total	30,000	

Calls in Arrears Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share First and Final Call	1,200	By Balance c/d	1,200	
	Total	1,200	Total	1,200	
	To Balance b/d	1,200			

Step 5: Conclusion Calls in arrears are Rs 1,200. The Rs 30,000 calls in advance is fully adjusted, leaving no closing advance balance.

Quick Tip to Solve: For pro-rata allotment, calculate excess and call advances separately for each category and then for the defaulting shareholder.

OR

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

(i) Premier Ltd. forfeited 600 shares of Rs. 10 each issued at a premium of Rs. 3 per share (payable with allotment) for non-payment of allotment money of Rs. 7 per share including premium. The first and final call of Rs. 3 per share was not yet made. The forfeited shares were reissued at Rs. 13 per share fully paid up.

(ii) Risha Ltd. forfeited 1000 shares of Rs. 10 each, Rs. 8 per share called up issued at a premium of Rs. 2 per share to Atul, for non-payment of allotment money of Rs. 6 per share (including premium). Out of these, 800 shares were reissued at Rs. 7 per share, Rs. 8 paid up. [6 marks]

Solution:

Concept:

- On forfeiture, debit Share Capital with called-up nominal capital. Reverse securities premium only where that premium was due but unpaid.
- Credit Share Forfeiture with nominal capital already received. On reissue, discount is debited to Share Forfeiture; only the surplus for reissued shares goes to Capital Reserve.

Step 1: Find the forfeiture figures for Premier Ltd. The first and final call has not been made, so nominal capital called up per share is $10 - 3 =$ Rs 7. Allotment of Rs 7 includes Rs 3 premium and Rs 4 capital; hence application capital received is $7 - 4 =$ Rs 3 per share. Debit Share Capital $600 \times 7 =$ Rs $4,200$, reverse unpaid premium $600 \times 3 =$ Rs $1,800$, and credit unpaid allotment Rs 4,200. The balancing forfeiture credit is Rs 1,800. Reissue at Rs 13 fully paid gives capital of Rs 6,000 and a fresh premium of Rs 1,800. There is no reissue discount, so the whole forfeiture balance becomes capital reserve.

Step 2: Record case (i) Journal of Premier Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		4,200	
	Securities Premium A/c Dr.		1,800	
	To Share Allotment A/c			4,200
	To Share Forfeiture A/c			1,800
	(Being 600 shares forfeited for unpaid allotment)			
	Bank A/c Dr.		7,800	
	To Share Capital A/c			6,000
	To Securities Premium A/c			1,800
	(Being 600 shares reissued fully paid at Rs 13 each)			
	Share Forfeiture A/c Dr.		1,800	
	To Capital Reserve A/c			1,800
	(Being profit on all forfeited shares transferred)			

Step 3: Find the forfeiture and reissue figures for Risha Ltd. Called-up capital is $1,000 \times 8 =$ Rs $8,000$. Unpaid allotment of Rs 6 contains Rs 2 premium and Rs 4 nominal capital. Capital received is therefore Rs 4 per share, making the forfeiture credit Rs 4,000. Reverse the unpaid premium of Rs 2,000.

On reissue of 800 shares, cash received is $800 \times 7 =$ Rs $5,600$, capital credited is $800 \times 8 =$ Rs $6,400$, and discount is Rs 800. Forfeiture relating to those shares is $800 \times 4 =$ Rs $3,200$. Transfer $3,200 - 800 =$

Rs 2,400 to Capital Reserve. The remaining Rs 800 relates to 200 unreissued shares and stays in Share Forfeiture.

Step 4: Record case (ii) Journal of Risha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		8,000	
	Securities Premium A/c Dr.		2,000	
	To Share Allotment A/c			6,000
	To Share Forfeiture A/c			4,000
	(Being 1,000 shares forfeited for unpaid allotment)			
	Bank A/c Dr.		5,600	
	Share Forfeiture A/c Dr.		800	
	To Share Capital A/c			6,400
	(Being 800 shares reissued at Rs 7 as Rs 8 paid up)			
	Share Forfeiture A/c Dr.		2,400	
	To Capital Reserve A/c			2,400
	(Being profit relating to 800 reissued shares transferred)			

Step 5: Conclusion Capital Reserve is Rs 1,800 for Premier Ltd. and Rs 2,400 for Risha Ltd.; Risha Ltd. retains Rs 800 in Share Forfeiture for unreissued shares.

Quick Tip to Solve: For partial reissue, transfer only the forfeiture attached to the shares actually reissued, less their reissue discount.

26(a). Bittu and Chintu were partners in a firm sharing profit and losses in the ratio of 4 : 3. Their Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Bittu and Chintu as at 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Bittu	8,00,000	Fixed Assets	15,40,000
Chintu	6,00,000	Stock	3,50,000
General Reserve	2,10,000	Debtors	1,40,000
Creditors	4,90,000	Bank	70,000
Total	21,00,000	Total	21,00,000

On 1st April, 2024, Diya was admitted in the firm for 1/7th share in the profits on the following terms :

(i) New profit sharing ratio between Bittu, Chintu and Diya will be 3 : 3 : 1.

(ii) Fixed Assets were found to be overvalued by Rs. 1,40,000.

(iii) Creditors were paid Rs. 4,20,000 in full settlement.

(iv) Diya brought proportionate capital and Rs. 5,60,000 as her share of goodwill premium by cheque.

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

Solution:

Concept:

- Revaluation loss and accumulated reserves belong to the old partners in their old ratio, Bittu : Chintu $= 4:3$.
- Goodwill premium compensates the sacrificing partner. Proportionate capital of the incoming partner is based on the adjusted combined capitals of the old partners and their combined share.

Step 1: Determine sacrifice and revaluation loss Bittu's sacrifice is $4/7 - 3/7 = 1/7$, whereas Chintu's sacrifice is $3/7 - 3/7 = 0$. Thus the entire premium of Rs 5,60,000 is credited to Bittu. Reduction of fixed assets causes a loss of Rs 1,40,000. Settlement of creditors produces a gain of $4,90,000 - 4,20,000 =$ Rs $70,000$. Net revaluation loss is therefore Rs 70,000, debited to Bittu and Chintu as Rs 40,000 and Rs 30,000 respectively.

Revaluation Account (1st April, 2024)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Fixed Assets	1,40,000	By Creditors	70,000
		By Bittu's Capital	40,000
		By Chintu's Capital	30,000
Total	1,40,000	Total	1,40,000

Step 2: Distribute reserve and calculate proportionate capital General Reserve is credited in the old ratio: Bittu receives $2,10,000 \times 4/7 =$ Rs $1,20,000$; Chintu receives Rs 90,000. Their adjusted capitals are:

$$\begin{aligned} Bittu &= 8,00,000 + 1,20,000 - 40,000 + 5,60,000 \\ &= \text{Rs } 14,40,000, \\ Chintu &= 6,00,000 + 90,000 - 30,000 = \text{Rs } 6,60,000. \end{aligned}$$

The combined adjusted capital of Rs 21,00,000 represents $6/7$ of the firm's capital. Hence Diya's capital is $21,00,000 \times (1/7)/(6/7) =$ Rs $3,50,000$. Her total cheque is Rs 9,10,000, including the separate goodwill premium.

Step 3: Prepare the capital accounts Bittu's Capital Account (amounts in Rs)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Revaluation	40,000	By Balance b/d	8,00,000
To Balance c/d	14,40,000	By General Reserve	1,20,000
		By Premium for Goodwill	5,60,000
Total	14,80,000	Total	14,80,000

Chintu's Capital Account (amounts in Rs)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Revaluation	30,000	By Balance b/d	6,00,000
To Balance c/d	6,60,000	By General Reserve	90,000
Total	6,90,000	Total	6,90,000

Diya's Capital Account (amounts in Rs)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Balance c/d	3,50,000	By Bank	3,50,000
Total	3,50,000	Total	3,50,000

Step 4: Conclusion Revaluation loss is Rs 70,000. Closing capitals: Bittu Rs 14,40,000; Chintu Rs 6,60,000; Diya Rs 3,50,000.

Quick Tip to Solve: Calculate sacrifice first: Chintu sacrifices nothing, so credit the entire goodwill premium to Bittu before finding Diyaś capital.

OR

26(b). Rupal, Shanu and Trisha were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. Their Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Rupal, Shanu and Trisha as at 31st March, 2024

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals: Rupal	8,00,000	Fixed Assets	8,20,000
Shanu	6,00,000	Stock	2,80,000
Trisha	2,00,000	Debtors	5,00,000
General Reserve	3,20,000	Cash	7,20,000
Creditors	4,00,000		
Total	23,20,000	Total	23,20,000

Trisha retired from the firm on 1st April, 2024 on the following terms :

(i) Trisha's share of profit was entirely taken by Shanu.

(ii) Fixed assets were found to be undervalued by Rs. 2,40,000.

(iii) Stock was revalued at Rs. 2,00,000.

(iv) Goodwill of the firm was valued at Rs. 8,00,000 on Trisha's retirement.

(v) The total capital of the new firm was fixed at Rs. 16,00,000 which was adjusted according to the new profit sharing ratio of the partners. For this necessary cash was paid off or brought in by the partners as the case may be.

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

Solution:

Concept:

- Revaluation profit and General Reserve are distributed among all old partners in their old ratio $4:3:1$.
- The gaining partner compensates the retiring partner for goodwill. Continuing partners adjust their capitals to the agreed total in their new profit-sharing ratio.

Step 1: Find the new ratio and goodwill adjustment Rupal retains $4/8$. Shanu takes Trisha's whole $1/8$, so his new share is $3/8 + 1/8 = 4/8$. The new ratio is therefore $1:1$, and Shanu alone gains. Trisha's goodwill entitlement is $8,00,000 \times 1/8 =$ Rs $1,00,000$. Debit Shanu's capital and credit Trisha's capital by this amount; goodwill is adjusted without raising a goodwill asset.

Step 2: Prepare the Revaluation Account Fixed assets increase by Rs 2,40,000. Stock decreases by $2,80,000 - 2,00,000 =$ Rs $80,000$. Revaluation profit is Rs 1,60,000, shared as Rs 80,000, Rs 60,000 and Rs 20,000.

Revaluation Account (1st April, 2024)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Stock	80,000	By Fixed Assets	2,40,000
To Rupal's Capital	80,000		
To Shanu's Capital	60,000		
To Trisha's Capital	20,000		
Total	2,40,000	Total	2,40,000

Step 3: Calculate capital adjustments General Reserve of Rs 3,20,000 is allocated as Rs 1,60,000 to

Rupal, Rs 1,20,000 to Shanu and Rs 40,000 to Trisha. After all adjustments, Rupal has $8,00,000 + 1,60,000 + 80,000 =$ Rs $10,40,000$; Shanu has $6,00,000 + 1,20,000 + 60,000 - 1,00,000 =$ Rs $6,80,000$. Trisha's amount due is $2,00,000 + 40,000 + 20,000 + 1,00,000 =$ Rs $3,60,000$.

Each continuing partner must have $16,00,000/2 =$ Rs $8,00,000$. Therefore Rupal withdraws Rs 2,40,000 and Shanu brings in Rs 1,20,000. Trisha's capital is settled through cash.

Step 4: Prepare the capital accounts Rupal's Capital Account (amounts in Rs)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Cash	2,40,000	By Balance b/d	8,00,000
To Balance c/d	8,00,000	By General Reserve	1,60,000
		By Revaluation	80,000
Total	10,40,000	Total	10,40,000

Shanu's Capital Account (amounts in Rs)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Trisha (goodwill)	1,00,000	By Balance b/d	6,00,000
To Balance c/d	8,00,000	By General Reserve	1,20,000
		By Revaluation	60,000
		By Cash	1,20,000
Total	9,00,000	Total	9,00,000

Trisha's Capital Account (amounts in Rs)

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Cash	3,60,000	By Balance b/d	2,00,000
		By General Reserve	40,000
		By Revaluation	20,000
		By Shanu (goodwill)	1,00,000
Total	3,60,000	Total	3,60,000

Step 5: Conclusion Revaluation profit is Rs 1,60,000. Trisha receives Rs 3,60,000; Rupal withdraws Rs 2,40,000 and Shanu brings Rs 1,20,000. Closing capitals are Rs 8,00,000 each.

Quick Tip to Solve: Only Shanu gains Trishaś share, so only Shanu bears her goodwill; then adjust both continuing capitals to Rs 8,00,000.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

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

(A) Cash received from debtors

(B) Sold goods on credit

(C) Purchased goods on credit

(D) Purchased goods on cash

Correct Answer: (B) Sold goods on credit

Solution:

Concept:

- Quick ratio equals quick assets divided by current liabilities. Inventory is excluded from quick assets.
- At an initial ratio of $1:1$, quick assets and current liabilities are equal.

Step 1: Identify the transaction increasing the numerator Goods sold on credit increase trade receivables, which are quick assets. The reduction in inventory does not reduce quick assets because inventory is excluded. Current liabilities remain unchanged. Thus the numerator increases while the denominator stays unchanged, raising the ratio above $1:1$.

Step 2: Check the other options Cash received from debtors merely replaces receivables with cash, leaving quick assets unchanged (A). Credit purchase of goods raises inventory and current liabilities, without raising quick assets, so the ratio falls (C). Cash purchase of goods reduces cash, hence quick assets, while current liabilities stay unchanged, so the ratio falls (D).

Step 3: Conclusion Hence, the correct option is (B): Sold goods on credit.

Quick Tip to Solve: Exclude inventory before tracing the transaction: credit sales add debtors, while purchases of inventory do not add quick assets.

28. Statement-I : Snow Limited earned a profit of Rs. 2,00,000 after charging depreciation of Rs. 50,000 on machinery. So, operating profit before working capital changes would be Rs. 2,50,000.
Statement-II : Depreciation is added back to net profit as it does not result in any cash flow.
Choose the correct option from the following : [1 mark]

(A) Only Statement-I is true.
(B) Only Statement-II is true.
(C) Both the Statements are false.
(D) Both the Statements are true.

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

Solution:

Concept:

- Under the indirect method, a non-cash expense deducted in arriving at net profit is added back to determine operating profit before working capital changes.
- Depreciation allocates the cost of a fixed asset; recording depreciation itself does not involve payment of cash.

Step 1: Evaluate Statement-I The profit of Rs 2,00,000 is after depreciation of Rs 50,000. Since no other adjustment is given, operating profit before working capital changes is $2,00,000 + 50,000 =$ Rs $2,50,000$. Thus Statement-I is true.

Step 2: Evaluate Statement-II and the options Depreciation reduces accounting profit but does not cause a cash outflow in the period. Adding it back reverses that non-cash deduction; it does not treat depreciation as a cash receipt. Statement-II is therefore true. Options (A) and (B) wrongly reject one true statement, while option (C) wrongly rejects both.

Step 3: Conclusion Both statements are true. Hence, the correct option is (D).

Quick Tip to Solve: Add back depreciation to profit after depreciation before adjusting working capital.

29(a). _____ is not a tool of 'Analysis of Financial Statements'. [1 mark]

(A) Income Statement
(B) Ratio Analysis
(C) Comparative Statements
(D) Cash Flow Statement

Correct Answer: (A) Income Statement

Solution:

Concept:

- A financial statement supplies financial information, while a tool of analysis processes that information to facilitate interpretation.
- Comparative statements, ratio analysis and cash flow analysis are recognised tools of financial statement analysis.

Step 1: Identify the basic statement An income statement reports revenue, expenses and the resulting profit or loss for a period. It is a basic financial statement that provides information for analysis, rather than a tool used to analyse financial statements.

Step 2: Check the remaining options Ratio analysis establishes relationships between financial figures. Comparative statements show changes across periods. A cash flow statement analyses cash inflows and outflows by operating, investing and financing activities. Thus options (B), (C) and (D) are tools of analysis and do not satisfy the question.

Step 3: Conclusion Income Statement is not a tool of analysis of financial statements. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish the original statement providing data from a method used to analyse that data.

OR

29(b). In 'Common size income statement' each item is expressed as a percentage of _____.

[1 mark]

(A) Total Income

(B) Total Expenses

(C) Profit After Tax

(D) Revenue from Operations

Correct Answer: (D) Revenue from Operations

Solution:

Concept:

- A common size income statement expresses each item relative to a uniform base, allowing comparison between businesses or periods.
- For an income statement, revenue from operations is the base and is taken as 100 percent.

Step 1: State the calculation For every income statement item,

$$\text{Common size percentage} = \frac{\text{Amount of the item}}{\text{Revenue from operations}} \times 100.$$

Revenue from operations itself therefore appears as 100%.

Step 2: Check the alternatives Total income includes other income and is not the prescribed base for this statement. Total expenses and profit after tax are individual figures to be expressed against revenue from operations; neither is the common denominator. Consequently options (A), (B) and (C) are unsuitable.

Step 3: Conclusion Each item is expressed as a percentage of Revenue from Operations. Hence, the correct option is (D).

Quick Tip to Solve: Use revenue from operations as the denominator for every common size income statement item.

30(a). Short-term highly liquid investments qualify as cash equivalents if they are realisable into known amounts of cash from the date of acquisition within a period of : [1 mark]

(A) 6 months or less

(B) 9 months or less

(C) 12 months or less

(D) 3 months or less

Correct Answer: (D) 3 months or less

Solution:

Concept:

- Cash equivalents are short-term, highly liquid investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value.
- The usual qualifying maturity is three months or less from the date of acquisition.

Step 1: Apply the acquisition-date rule The relevant period is measured from the date on which the investment is acquired. An investment meeting the liquidity and risk conditions normally qualifies as a cash equivalent when its maturity from that date is three months or less.

Step 2: Compare the time limits The limits of six, nine and twelve months in options (A), (B) and (C) exceed the prescribed short maturity for cash equivalents. Merely calling an investment short-term is insufficient: its ready convertibility and insignificant value risk must also be present. Option (D) gives the appropriate three-month limit.

Step 3: Conclusion The period is 3 months or less from acquisition. Hence, the correct option is (D).

Quick Tip to Solve: Measure the three-month maturity from acquisition, not merely from the balance sheet date.

OR

30(b). Which of the following item is not included in cash and cash equivalents ? [1 mark]

(A) Trade Receivables

(B) Demand deposits with bank

(C) Short-term marketable securities

(D) Cheques in hand

Correct Answer: (A) Trade Receivables

Solution:

Concept:

- Cash includes cash on hand and demand deposits; cash equivalents are qualifying highly liquid short-term investments.
- Trade receivables are amounts due from customers and are classified separately from cash and cash equivalents.

Step 1: Identify the excluded asset Trade receivables arise from credit sales. Their collection requires customers to settle their debts; the receivable itself is neither cash on hand nor a demand bank deposit nor a qualifying cash-equivalent investment. Thus it is excluded.

Step 2: Check the other choices Demand deposits with a bank form part of cash because they are withdrawable on demand. Cheques in hand are included in cash. In the context of this question, short-term marketable securities refer to qualifying highly liquid investments held as cash equivalents. These alternatives are therefore included, leaving trade receivables as the required exception.

Step 3: Conclusion Trade Receivables are not included in cash and cash equivalents. Hence, the correct option is (A).

Quick Tip to Solve: A customer balance becomes cash only on collection; do not classify receivables as cash equivalents.

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

(i) Work in progress

(ii) Securities premium

(iii) Creditors [3 marks]

Solution:

Concept:

- Schedule III classifies assets and equity/liabilities under major heads and then places individual items in the relevant sub-heads.
- Work in progress is inventory, securities premium is a reserve, and creditors arising from ordinary purchases are trade payables.

Step 1: Classify the three items Balance Sheet classification under Schedule III, Part I

Item	Major head	Sub-head
Work in progress	Current Assets	Inventories
Securities premium	Shareholders' Funds	Reserves and Surplus
Creditors	Current Liabilities	Trade Payables

Step 2: Explain the asset classification Work in progress represents goods whose production is incomplete at the reporting date. It belongs to the inventory held within the normal operating cycle, so it is shown under Inventories within Current Assets rather than as property, plant and equipment.

Step 3: Explain the equity and liability classifications Securities premium is the amount received on issue of securities above their nominal value. It is a capital reserve balance shown within Reserves and Surplus under Shareholders' Funds. Creditors, in the ordinary trade sense used in the question, are suppliers to whom amounts are payable for goods or services received in the normal course of business. They are therefore shown as Trade Payables within Current Liabilities.

Step 4: Conclusion Work in progress: Current Assets–Inventories; securities premium: Shareholders' Funds–Reserves and Surplus; creditors: Current Liabilities–Trade Payables.

Quick Tip to Solve: Classify the nature first: unfinished goods are inventory, issue premium is equity, and supplier dues are trade payables.

32. From the following information, prepare a Comparative Statement of Profit and Loss of Smart Ltd. :

Particulars	2023-24 (Rs.)	2022-23 (Rs.)
Revenue from operations	24,00,000	20,00,000
Cost of materials consumed	6,00,000	4,00,000
Employee benefit expenses	4,00,000	2,00,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A comparative statement shows each figure for both years, its absolute change and its percentage change relative to the earlier year.
- Absolute change $=$ Current year $-$ Previous year, and Percentage change $=\frac{\text{Absolute change}}{\text{Previous year}}\times 100$.

Step 1: Calculate expenses, profit and tax For 2022-23, total expenses are $4,00,000+2,00,000=$ Rs $6,00,000$, giving profit before tax of $20,00,000-6,00,000=$ Rs $14,00,000$. Tax at 50% is Rs 7,00,000 and profit after tax is Rs 7,00,000.

For 2023-24, total expenses are $6,00,000+4,00,000=$ Rs $10,00,000$. Profit before tax is $24,00,000-10,00,000=$ Rs $14,00,000$; tax and profit after tax are each Rs 7,00,000.

Step 2: Prepare the comparative statement Comparative Statement of Profit and Loss of Smart Ltd.

Particulars	2022-23 (Rs)	2023-24 (Rs)	Increase (Rs)	Change (%)
Revenue from operations	20,00,000	24,00,000	4,00,000	20
Expenses:				
Cost of materials consumed	4,00,000	6,00,000	2,00,000	50
Employee benefit expenses	2,00,000	4,00,000	2,00,000	100
Total expenses	6,00,000	10,00,000	4,00,000	66.67
Profit before tax	14,00,000	14,00,000	0	0
Less: Tax expense (50%)	7,00,000	7,00,000	0	0
Profit after tax	7,00,000	7,00,000	0	0

The percentage increase in total expenses is $4,00,000/6,00,000\times 100=66.67\%$, rounded to two decimal places.

Step 3: Conclusion Revenue rises by Rs 4,00,000 (20%), but expenses also rise by Rs 4,00,000; profit after tax remains Rs 7,00,000 in both years.

Quick Tip to Solve: Use 2022-23 as the percentage base; equal absolute increases in revenue and expenses leave profit unchanged.

33(a). From the following information, calculate Opening Trade Receivables and Closing Trade Receivables :

Trade Receivables Turnover Ratio - 4 times

Closing Trade Receivables were Rs. 20,000 more than that in the beginning.

Cost of Revenue from operations - Rs. 6,40,000.

Cash Revenue from operations - 1/3rd of Credit Revenue from Operations

Gross Profit Ratio - 20% [4 marks]

Solution:

Concept:

- The gross profit ratio is gross profit divided by revenue from operations, multiplied by 100. Consequently, cost of revenue from operations is revenue from operations less gross profit.
- Trade receivables turnover ratio is $\dfrac{\text{Credit revenue from operations}}{\text{Average trade receivables}}$, where average trade receivables equal half the sum of opening and closing trade receivables.

Step 1: Calculate total revenue from operations Gross profit is 20% of revenue from operations, so the cost of revenue from operations is $100\% - 20\% = 80\%$ of revenue. Hence,

$$\text{Revenue from operations} = \frac{6,40,000 \times 100}{80} = \text{Rs } 8,00,000.$$

The gross profit is therefore Rs 1,60,000, confirming that revenue less gross profit equals the given cost of Rs 6,40,000.

Step 2: Separate credit revenue from total revenue Cash revenue is one-third of credit revenue. Let credit revenue be C. Total revenue consists of both cash and credit revenue, so

$$\begin{aligned} C + \frac{C}{3} &= 8,00,000, \\ \frac{4C}{3} &= 8,00,000, \\ C &= \text{Rs } 6,00,000. \end{aligned}$$

Cash revenue is thus Rs 2,00,000. Only credit revenue is used in the trade receivables turnover ratio.

Step 3: Determine average trade receivables Using the given turnover ratio of 4 times,

$$\text{Average trade receivables} = \frac{6,00,000}{4} = \text{Rs } 1,50,000.$$

Therefore, the sum of opening and closing trade receivables is $2 \times 1,50,000 = \text{Rs } 3,00,000$.

Step 4: Solve for the two balances and verify Let opening trade receivables be Rs x. Closing trade receivables are Rs $(x + 20,000)$. Thus,

$$\begin{aligned} x + (x + 20,000) &= 3,00,000, \\ 2x &= 2,80,000, \\ x &= 1,40,000. \end{aligned}$$

The closing balance is $1,40,000 + 20,000 =$ Rs $1,60,000$. Their average is Rs 1,50,000, and $6,00,000/1,50,000 = 4$ times, as required.

Step 5: Conclusion Opening Trade Receivables = Rs 1,40,000; Closing Trade Receivables = Rs 1,60,000.

Quick Tip to Solve: First remove cash revenue from total revenue; then place the opening and closing balances Rs 10,000 below and above their average.

OR

33(b). From the following information, calculate opening and closing inventory :

Gross Profit Ratio - 25%

Revenue from operations - Rs. 8,00,000

Inventory turnover ratio - 4 times

Opening inventory was 2 times of the closing inventory. [4 marks]

Solution:

Concept:

- Gross profit ratio is $\dfrac{\text{Gross profit}}{\text{Revenue from operations}} \times 100$. Cost of revenue from operations is the difference between revenue and gross profit.
- Inventory turnover ratio is $\dfrac{\text{Cost of revenue from operations}}{\text{Average inventory}}$. Average inventory equals half the sum of opening and closing inventory.

Step 1: Calculate gross profit and cost of revenue Revenue from operations is Rs 8,00,000 and gross profit is 25% of revenue. Hence,

$$\text{Gross profit} = 8,00,000 \times \frac{25}{100} = \text{Rs } 2,00,000,$$
$$\text{Cost of revenue} = 8,00,000 - 2,00,000 = \text{Rs } 6,00,000.$$

Thus, 75% of revenue represents the cost of goods sold. This cost, rather than revenue itself, forms the numerator of the inventory turnover ratio.

Step 2: Calculate average inventory The inventory turnover ratio is 4 times. Applying its formula gives

$$4 = \frac{6,00,000}{\text{Average inventory}}, \qquad \text{Average inventory} = \frac{6,00,000}{4} = \text{Rs } 1,50,000.$$

Since this is the arithmetic mean of the opening and closing balances, their sum must be $2 \times 1,50,000 =$ Rs $3,00,000$.

Step 3: Use the relationship between opening and closing inventory Opening inventory is twice

closing inventory. Let closing inventory be Rs x; opening inventory is then Rs $2x$. Therefore,

$$\frac{2x+x}{2} = 1,50,000,$$
$$3x = 3,00,000,$$
$$x = 1,00,000.$$

It follows that opening inventory is $2 \times 1,00,000 =$ Rs $2,00,000$. The larger amount belongs to opening inventory because the relationship explicitly states that opening inventory is twice closing inventory.

Step 4: Check both conditions The two inventory balances have average

$$\frac{2,00,000+1,00,000}{2} = \text{Rs } 1,50,000.$$

Using this average, the turnover ratio is $6,00,000/1,50,000 = 4$ times. Also, the opening-to-closing ratio is $2,00,000 : 1,00,000 = 2:1$. Both the turnover requirement and the stated balance relationship are satisfied.

Step 5: Conclusion Opening Inventory = Rs 2,00,000; Closing Inventory = Rs 1,00,000.

Quick Tip to Solve: Convert the gross profit ratio into the cost percentage first; then divide twice the average inventory in the given opening-to-closing ratio of 2:1.

34. On 31st March, 2024 following is the Balance Sheet of Bhavik Limited :

Bhavik Ltd.

Balance Sheet as at 31st March 2024

Particulars	Note No.	31-3-2024 (Rs.)	31-3-2023 (Rs.)
I. Equity and Liabilities :			
1. Shareholders funds			
(a) Share Capital		12,00,000	10,00,000
(b) Reserves and Surplus	1	4,00,000	3,00,000
2. Non-current liabilities			
Long-term borrowings	2	6,00,000	10,00,000
3. Current Liabilities			
(a) Trade Payables		5,00,000	1,00,000
(b) Short-term provisions	3	3,00,000	4,00,000
Total		30,00,000	28,00,000
II. Assets :			
1. Non-current Assets			
(a) Property, Plant and Equipment and Intangible Assets Property plant and equipment	4	19,00,000	15,00,000
(b) Non-current Investments		3,00,000	4,00,000
2. Current Assets			
(a) Inventories		4,50,000	3,50,000
(b) Trade Receivables		2,50,000	4,50,000
(c) Cash and Cash Equivalents		1,00,000	1,00,000
Total		30,00,000	28,00,000

Notes to Accounts :

Note No.	Particulars	31-03-2024 (Rs.)	31-03-2023 (Rs.)
1.	Reserves and Surplus i.e. Balance in Statement of Profit and Loss	4,00,000	3,00,000
2.	Long-term borrowings 10% Debentures	6,00,000	10,00,000
3.	Short-term provisions Provision for tax	3,00,000	4,00,000
4.	Property plant and equipment		
	Plant and Machinery	21,50,000	16,00,000
	Less : Accumulated Depreciation	2,50,000	1,00,000
		19,00,000	15,00,000

Additional Information :

(i) During the year a piece of machinery costing Rs. 8,00,000 accumulated depreciation thereon Rs. 50,000 was sold for Rs. 6,50,000

(ii) Debentures were redeemed on 31-03-2024.

Calculate :

(a) Cash flows from Investing Activities

(b) Cash flows from Financing Activities [6 marks]

Solution:

Concept:

- Investing activities include cash paid to acquire plant and cash received from selling plant and non-current investments.
- For a non-financial company, proceeds from issue of shares, redemption of debentures and interest paid are financing cash flows.
- Use gross plant balances to calculate purchases: closing cost equals opening cost plus purchases less cost of machinery sold.

Step 1: Calculate purchases of plant and machinery The plant figures in Note 4 give gross cost separately from accumulated depreciation. Hence use cost, rather than the net carrying amounts, to find purchases:

$$\begin{aligned}\text{Purchases} &= \text{Closing cost} - \text{Opening cost} + \text{Cost sold} \\ &= 21,50,000 - 16,00,000 + 8,00,000 \\ &= \text{Rs } 13,50,000.\end{aligned}$$

The accumulated depreciation of Rs 50,000 on the sold machine is not deducted from its original cost in this calculation. Its carrying amount was Rs 7,50,000 and sale proceeds were Rs 6,50,000, so the loss of Rs 1,00,000 is a non-cash adjustment relevant to operating activities, not a separate investing payment.

Step 2: Prepare cash flow from investing activities There is no additional information about purchases or profit/loss on investments. The decrease in non-current investments from Rs 4,00,000 to Rs 3,00,000 therefore gives sale proceeds of Rs 1,00,000. The machinery sale contributes the actual cash received, Rs 6,50,000.

Bhavik Ltd.: Cash Flow Statement (Extract), year ended 31st March, 2024

Particulars	Amount (Rs)
A. Cash flows from Investing Activities	
Proceeds from sale of machinery	6,50,000
Proceeds from sale of non-current investments	1,00,000
Cash inflows from investing activities	7,50,000
Purchase of plant and machinery	(13,50,000)
Net cash used in Investing Activities	(6,00,000)

Step 3: Calculate financing receipts and payments Share capital increased from Rs 10,00,000 to Rs 12,00,000; the cash proceeds from issue of shares are Rs 2,00,000. Debentures fell from Rs 10,00,000 to Rs 6,00,000, so redemption is Rs 4,00,000. Since redemption took place on 31st March, 2024, the opening debentures remained outstanding throughout the year. Thus interest paid is:

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

There is no outstanding interest adjustment given. The increase in the Statement of Profit and Loss balance is not a financing cash receipt.

Step 4: Prepare cash flow from financing activities Bhavik Ltd.: Cash Flow Statement (Extract), year ended 31st March, 2024

Particulars	Amount (Rs)
B. Cash flows from Financing Activities	
Proceeds from issue of shares	2,00,000
Redemption of debentures	(4,00,000)
Interest paid on debentures	(1,00,000)
Net cash used in Financing Activities	(3,00,000)

Trade payables, inventories, receivables and tax provisions concern operating activities and do not enter either extract requested here.

Step 5: Conclusion (a) Net cash used in Investing Activities is Rs $6,00,000$. (b) Net cash used in Financing Activities is Rs $3,00,000$.

Quick Tip to Solve: Calculate plant purchases from gross cost, add back the cost sold, and charge a full year of interest when redemption occurs on the last day.

OPTION - II (Computerised Accounting)

27(a). A piece of information shown in a graph which is assigned to the data series is known as :

[1 mark]

(A) data point

(B) data label

(C) legend

(D) plot area

Correct Answer: (C) legend

Solution:

Concept:

- A legend identifies a data series or category in a chart through its name, colour, pattern or symbol.
- A data label provides additional information about an individual data marker or point within a series.

Step 1: Identify the level of information The question specifies information assigned to the data series. A series contains related data points and is represented using a common colour, pattern or symbol. The legend provides the identifier that lets the reader recognise that series in the graph.

Step 2: Distinguish the other chart elements A data point is an individual value plotted on the graph. A data label adds details to an individual marker, rather than acting as the identifier for the whole series. The plot area is the region containing the plotted series. Therefore the reference to information assigned to a series identifies the legend.

Step 3: Conclusion The correct option is (C), legend.

Quick Tip to Solve: Check whether the information identifies the whole series: a series identifier is a legend, while marker details are data labels.

OR

27(b). Identify the type of code used by a trading company Ms. Ahana Ltd. :

Codes	Accounts
CA005	Super Ltd.
CA006	Regina Ltd.
CA007	Nasir & Sons Ltd.

[1 mark]

(A) Block codes

(B) Mnemonic codes

(C) Encryptic codes

(D) Sequential codes

Correct Answer: (D) Sequential codes

Solution:

Concept:

- Sequential codes allot consecutive numbers to accounts or other items in an ordered series.
- A common alphabetic prefix can identify the class while the successive numerical part identifies individual accounts.

Step 1: Read the pattern in the codes The three accounts have codes CA005, CA006 and CA007. The prefix CA remains the same, while the numerical suffix increases consecutively from 005 to 006 to 007.

Step 2: Classify the coding method The distinguishing feature is the consecutive assignment of numbers, so this is sequential coding. Block coding reserves separate number ranges for groups; mnemonic coding uses abbreviations that help recall the identity of an account. The identical prefix alone does not make these individual company codes mnemonic. Encryptic coding conceals information and is not illustrated by this simple ordered sequence.

Step 3: Conclusion The correct option is (D), Sequential codes.

Quick Tip to Solve: Ignore the shared prefix first; consecutive suffixes 005, 006 and 007 identify sequential coding.

28. The software of computerised accounting system can be used for any size of business and type of organization as it enables changing the volume of data processing in tune with the change in the size of business. Which feature of Computerised Accounting System is being highlighted in above lines ? [1 mark]

(A) Scalability

(B) Simple

(C) Speed

(D) Reliability

Correct Answer: (A) Scalability

Solution:

Concept:

- Scalability is the capacity of a computerised accounting system to adjust its processing volume as the business grows or changes size.
- Speed concerns processing time, while reliability concerns dependable and consistent operation.

Step 1: Identify the key condition The business may be of any size, and the software can change the volume of data processing in line with changes in that size. The focus is therefore its ability to accommodate a changing workload.

Step 2: Match the condition with the feature Scalability directly describes this capacity to expand or adjust processing volume. Simplicity concerns ease of use; speed concerns how quickly transactions are processed; reliability concerns dependable results. None of these other features specifically expresses adaptation to the size of the business.

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

Quick Tip to Solve: When a question links changing business size with changing processing volume, select scalability.

29(a). Which of the following is a part of Asset group 'Current Assets' in account group of Assets ? [1 mark]

(A) Duties and Taxes

(B) Miscellaneous Expenditures

(C) Reserves & Surplus

(D) Direct Expenses

Correct Answer: (B) Miscellaneous Expenditures

Solution:

Concept:

- In the prescribed account-group hierarchy, Miscellaneous Expenditures is classified within the Current Assets group.
- Duties and Taxes, Reserves and Surplus, and Direct Expenses belong to different account groups.

Step 1: Identify the asset-group entry Among the listed options, Miscellaneous Expenditures is the entry placed under Current Assets in the computerised accounting account-group classification referred to by the question. The classification asked here is the software account hierarchy.

Step 2: Eliminate the other groups Duties and Taxes is a liability-related group. Reserves and Surplus belongs with capital and owners' funds. Direct Expenses is an expense group used in determining trading results. Thus these three options are not entries under the Current Assets group in the stated hierarchy.

Step 3: Conclusion The correct option is (B), Miscellaneous Expenditures.

Quick Tip to Solve: Use the prescribed software group hierarchy here: Miscellaneous Expenditures is the asset-group option.

OR

29(b). Null value is the special value which represents : [1 mark]

(A) Stores value items

(B) Data with many values

(C) Absence of data items

(D) Single value data item

Correct Answer: (C) Absence of data items

Solution:

Concept:

- A null value is a special database value representing the absence of a data item.
- Null is distinct from an actual stored number, zero, a blank string, or a collection of values.

Step 1: Interpret null A field containing null has no available data item recorded in it. Null may be used when a value is unknown, missing or not applicable; it does not provide a substantive value for that field.

Step 2: Compare the alternatives A stored value item or a single value data item is actual data. Data with many values describes multiple data items rather than a missing value. Only the option referring to absence of data items matches the meaning of the special null value.

Step 3: Conclusion The correct option is (C), Absence of data items.

Quick Tip to Solve: Treat null as missing information; do not confuse it with the numeric value zero or an empty text value.

30. To see all available shape styles which of the following button is clicked ? [1 mark]

(A) Chart tool

(B) Picture

(C) Custom

(D) More

Correct Answer: (D) More

Solution:

Concept:

- The Shape Styles gallery displays preset combinations of shape fill, outline and effects.
- The More button expands a gallery to display all available choices.

Step 1: Identify the required control The question asks for the button that reveals every available shape style. Clicking the More button beside the Shape Styles gallery expands it so that styles hidden from the initial row can also be selected.

Step 2: Check the alternatives Chart tool concerns charts, and Picture concerns pictures; neither is the gallery expansion control for shapes. Custom is also not the button used to display the complete Shape Styles gallery. The named expansion control is More.

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

Quick Tip to Solve: For a ribbon gallery, look for the More button to expand the complete list of choices.

31. Name the error which occurs when Excel doesn't recognize a 'Text' formula. Give any two solutions to correct it. [3 marks]

Solution:

Concept:

- Excel displays the $\#NAME?$ error when it cannot recognise text used in a formula, such as a misspelt function or an undefined name.
- Text constants in a formula must be enclosed in double quotation marks; function names and defined names must be entered correctly.

Step 1: Name and explain the error The error is $\#NAME?$. It indicates that Excel cannot interpret a name or text appearing in a formula. For example, a misspelt function name may be treated as an unknown name. It is different from a division-by-zero error or an invalid numerical argument: the immediate difficulty is identifying the text or name in the formula.

Step 2: First correction: check names and spelling Check the spelling of the function name and replace it with the correct Excel function. Also check any named range used in the formula: it must be defined in the workbook and its name must be spelt correctly. For example, enter $=\mathrm{SUM}(A1:A5)$ with the correct function name rather than a misspelling.

Step 3: Second correction: enclose text in quotes If the formula contains a literal text value, place that text inside double quotation marks. For example, use $=\mathrm{IF}(A1>0,\text{"Yes"},\text{"No"})$. Without the

quotes, Excel can interpret Yes or No as names; if they have not been defined, it cannot recognise them. After correcting the formula, confirm the entry and check the displayed result.

Step 4: Conclusion The error is $\#NAME?$. Two remedies are to correct function or defined-name spelling and to enclose literal text in double quotation marks.

Quick Tip to Solve: When a formula shows $\#NAME?$, check spelling and quotation marks before changing its calculation.

32. State the advantages of 'Pivot Table' report. [3 marks]

Solution:

Concept:

- A Pivot Table is an interactive report that summarises and analyses a structured source data set.
- Its row, column, value and filter fields allow the same records to be examined from different viewpoints.

Step 1: Summarise large amounts of data A Pivot Table quickly condenses many detailed records into a compact and meaningful report. It can calculate totals, counts and averages for selected categories without the user writing a separate formula for every category. For example, a long list of sales transactions can be summarised into total sales for each product or region.

Step 2: Rearrange and compare information The fields can be moved between rows and columns to change the arrangement of the report. This makes comparisons easy: the user can compare product-wise, department-wise or period-wise results from the same underlying records. Subtotals and grand totals help identify the contribution of each group and its relationship to the overall result.

Step 3: Filter, group and update the report The user can filter unwanted categories and focus on selected items, and can group related records, such as dates into months. It is also possible to examine the detail underlying a summary figure. When source records change, refreshing the Pivot Table updates its summary using the applicable source range. Thus, repeated analysis is faster and involves less manual rearrangement of the original data.

Step 4: Conclusion Pivot Table reports provide quick summarisation, flexible rearrangement and comparison, filtering and grouping, and convenient refreshing of summaries when source data changes.

Quick Tip to Solve: Describe Pivot Table benefits through actions: summarise, rearrange, compare, filter, group and refresh.

33(a). What is data formatting ? What tools are used to format data ? [4 marks]

Solution:

Concept:

- Data formatting means changing how data is displayed in a worksheet to improve readability, consistency and presentation.
- Formatting normally changes appearance or display format while preserving the underlying data value and the formula used for calculations.

Step 1: Explain data formatting Data formatting is the process of applying suitable appearance and display settings to worksheet data. It makes headings distinct, amounts comparable and the report easier to read. For example, the number 2500 may be displayed with a thousands separator and two decimal places, while a heading may be bold and centred. Applying such formatting does not itself alter the underlying numerical amount.

Step 2: Use font and alignment tools Font tools change the typeface, font size, bold, italic, underline and font colour. These distinguish titles, headings and important figures. Alignment tools set left, centre or right alignment, vertical alignment, indentation and text orientation. Wrap Text displays a long heading on multiple lines within a cell, while Merge and Centre can be used for a title spanning several columns.

Step 3: Use number-format tools Number formats control the display of values as general numbers, currency or accounting amounts, percentages, dates and times. Decimal-place controls and thousands separators make financial figures consistent and easier to compare. For example, a rate can be shown as a percentage and a transaction date in a uniform date format. The format should suit the meaning of the data.

Step 4: Use borders, fill, styles and cell sizing Borders separate headings, totals and sections; fill colour highlights selected cells. Cell Styles provide consistent combinations of formatting, while Conditional Formatting applies appearance rules according to cell values, such as highlighting a negative balance. Row-height and column-width controls help fit the displayed contents. These tools are available through the ribbon and the Format Cells dialog box, which brings the principal formatting settings together.

Step 5: Conclusion Data formatting changes the presentation of worksheet data. The main tools include font, alignment, number formats, borders, fill, cell styles, conditional formatting and row or column sizing.

Quick Tip to Solve: For formatting questions, organise the tools as font, alignment, numbers, borders, fill and styles.

OR

33(b). Explain 'ROUND' function of Excel. [4 marks]

Solution:

Concept:

- The ROUND function returns a number rounded to a specified number of digits. It changes the calculated value, so later calculations using the result use the rounded number.
- Its syntax is `=ROUND(number, num_digits)`. The first argument is a number, a cell reference or a numerical expression; the second specifies the rounding position.

Step 1: Explain the arguments and positive digits In `=ROUND(number, num_digits)`, `number` is the value to round and `num_digits` is the number of digits to retain. If the second argument is positive, Excel rounds to that many places to the right of the decimal point. For example, `=ROUND(125.678,2)` returns 125.68. The third decimal digit is 8, so the second decimal digit increases by one. Similarly, `=ROUND(125.673,2)` returns 125.67, since the next digit is below 5.

Step 2: Explain zero and negative digits If `num_digits` is zero, the result is rounded to the nearest integer: `=ROUND(125.678,0)` returns 126. If it is negative, rounding takes place to the left of the decimal point. Thus `=ROUND(125.678,-1)` returns 130, the nearest multiple of ten; `=ROUND(125.678,-2)` returns 100, the nearest multiple of one hundred. The specified position, rather than the number of digits originally displayed, controls the result.

Step 3: Apply the function in an accounting worksheet Suppose cell A1 contains 1234.567. Select the cell for the result, type `=ROUND(A1,2)`, and press Enter. Excel returns 1234.57, suitable for an amount expressed to two decimal places. A following formula referring to this result uses 1234.57. By comparison, merely displaying A1 with two decimal places leaves its underlying value 1234.567 unchanged. ROUND is therefore useful when the accounting calculation itself must use an amount rounded to a specified precision. For a halfway case, ROUND rounds away from zero: `=ROUND(-2.5,0)` returns -3.

Step 4: Conclusion ROUND rounds a numerical value to the position specified by `num_digits`; for example, `=ROUND(125.678,2)` gives 125.68.

Quick Tip to Solve: Check the sign of the second argument first: positive means decimal places, zero means integers, and negative means tens or hundreds.

34. In case the total cost of a machine less installation charges is greater than Rs. 2,00,000, then 20% depreciation is charged and if total cost of machine is less than Rs. 2,00,000 then 10% depreciation is charged.

Write the steps to create 'IF' function using formula tab and dialogue box on a given spreadsheet. Also write the syntax of the result. [6 marks]

Solution:

Concept:

- IF tests a logical condition and returns one result when it is TRUE and another when it is FALSE. Its syntax is `=IF(logical_test,value_if_true,value_if_false)`.
- A depreciation amount is obtained by multiplying the relevant machine cost by the applicable rate. Cell references make the formula update when the input amounts change.

Step 1: Set out the input cells and condition Use B2 for the total machine cost and C2 for installation charges, with numerical amounts entered in both cells. Let D2 be the cell for depreciation. The expression `B2-C2` represents the total cost less installation charges specified in the first condition. The test for the higher rate is therefore `B2-C2>200000`. The rate is 20% when this test is TRUE. The question specifies 10% for total cost below Rs 2,00,000, but does not state a rate when the relevant cost is exactly Rs 2,00,000; that boundary must be made explicit in the worksheet.

Step 2: Open the IF Function Arguments dialogue box Select D2, where the depreciation result is required. Click the Formulas tab on the Ribbon. In the Function Library group, choose Logical and then IF. Excel opens the Function Arguments dialogue box for IF. It provides the three input fields Logical_test, Value_if_true and Value_if_false. The result cell must be selected before inserting the function, so that the completed formula is placed in D2.

Step 3: Enter the arguments for the usual two-rate worksheet For the usual worksheet implementation, use the cost net of installation charges as the cost tested and depreciated, and apply the lower rate whenever it does not exceed Rs 2,00,000. Enter `B2-C2>200000` in Logical_test, `(B2-C2)*20%` in Value_if_true, and `(B2-C2)*10%` in Value_if_false. Click OK. The dialogue box inserts the formula and displays the depreciation amount. The resulting formula is

`=IF(B2-C2>200000,(B2-C2)*20%,(B2-C2)*10%).`

Here the FALSE branch includes equality; this is an explicit convention needed for a complete two-branch formula.

Step 4: Check the result and preserve the printed distinction if required For B2 = Rs 3,00,000 and C2 = Rs 20,000, the tested cost is Rs 2,80,000 and the formula gives Rs 56,000. For B2 = Rs 1,80,000 and C2 = Rs 10,000, it gives Rs 17,000. The wording uses cost less installation charges in the higher-rate test but total cost in the lower-rate test. To retain those two printed tests literally, use a nested IF and flag inputs for which neither test applies. With depreciation calculated on the net cost as above, this can be written in the formula bar as:

```
=IF(B2-C2>200000,(B2-C2)*20%,
IF(B2<200000,(B2-C2)*10%,"Review rate"))
```

The two displayed lines form one formula. This version avoids assigning an unstated rate to equality or

to a case where total cost exceeds the threshold but cost less installation charges does not. The paper supplies no actual spreadsheet cell addresses, so B2, C2 and D2 are defined worksheet references.

Step 5: Conclusion Use Formulas → Logical → IF, fill the three arguments and click OK. The standard two-rate formula is `=IF(B2-C2>200000,(B2-C2)*20%,(B2-C2)*10%)` under the stated net-cost and equality convention.

Quick Tip to Solve: Use >200000 in the test without Indian comma grouping; explicitly decide how equality is treated before using the FALSE branch.