CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-2-3

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. Akhil, Bajrang and Chinmay were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Dilawar was admitted as a new partner in the firm. Dilawar acquired his 1/10th share from Akhil and 2/10th from Bajrang.

Dilwar was admitted for which of the following share in the profits of the firm ? [1 mark]

(A) 1/10

(B) 2/10

(C) 3/10

(D) 4/10

Correct Answer: (C) 3/10

Solution:

Concept:

- An incoming partner's profit share equals the total share surrendered to him by the existing partners.
- A fractional share stated as acquired from an old partner is a share of the firm's profits; it is not multiplied by that partner's old share.

Step 1: Identify the shares acquired Dilawar acquires $\frac{1}{10}$ of the firm's profits from Akhil and $\frac{2}{10}$ from Bajrang. Chinmay gives up no share. Thus both specified fractions must be included.

Step 2: Add the sacrifices The aggregate share transferred is

$$\frac{1}{10} + \frac{2}{10} = \frac{3}{10}.$$

Options (A) and (B) each count only one partner's sacrifice. Option (D), $\frac{4}{10}$, exceeds the total share transferred.

Step 3: Conclusion Dilawar's share in profits is $\frac{3}{10}$. Hence, the correct option is (C).

Quick Tip to Solve: Add the two shares actually acquired; do not multiply them by Akhil's and Bajrang's old profit shares.

2. Ekta, Faguni and Garima were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 1. Faguni was guaranteed Rs. 25,000 as her share of profit in the firm. Any deficiency arising on that account was to be met by Ekta. The firm earned a profit of Rs. 90,000 for the year ended 31st March, 2024.

The profit credited to Faguni's capital account was : [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 guaranteed profit is a minimum entitlement, not an upper limit on the partner's share.
- Deficiency is the guaranteed amount minus the normal profit share, but arises only when the normal share is smaller.

Step 1: Calculate the normal entitlement The profit-sharing ratio is $5 : 3 : 1$, so its total is 9. Faguni's normal share is

$$\text{Rs } 90,000 \times \frac{3}{9} = \text{Rs } 30,000.$$

Step 2: Apply the guarantee Faguni's normal share of Rs 30,000 exceeds her guarantee of Rs 25,000. There is therefore no deficiency for Ekta to bear. Option (C) incorrectly treats the guarantee as a fixed allocation; Rs 40,000 has no basis, while Rs 10,000 is Garima's normal share.

Step 3: Conclusion Faguni's capital account is credited with Rs 30,000. Hence, the correct option is (A).

Quick Tip to Solve: Compute Faguni's normal share first, then compare it with Rs 25,000; use the higher amount.

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3. 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:

- Implied total capital equals the incoming partner's capital divided by his share in future profits.

- Hidden goodwill is implied total capital less the actual combined capitals; the incoming partner bears only his proportion of that goodwill.

Step 1: Find implied and actual total capitals Prabhas contributes Rs 2,00,000 for a $\frac{1}{5}$ share. The implied capital is

$$\text{Rs } 2,00,000 \div \frac{1}{5} = \text{Rs } 10,00,000.$$

Actual total capital is

$$\text{Rs } (4,00,000 + 3,00,000 + 2,00,000) = \text{Rs } 9,00,000.$$

Step 2: Calculate goodwill attributable to Prabhas Hidden goodwill is Rs $(10,00,000 - 9,00,000) = 1,00,000$. Prabhas' share is

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

Option (A) gives the whole firm's goodwill; (B) and (C) give the implied and actual total capitals respectively.

Step 3: Conclusion Prabhas' share of goodwill is Rs 20,000. Hence, the correct option is (D).

Quick Tip to Solve: After finding hidden goodwill of Rs 1,00,000, multiply by one-fifth; the question asks for Prabhas' share.

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4. 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 shares are proportional to the units assigned in the agreed profit-sharing ratio.
- The value of one ratio unit is a known partner's profit share divided by that partner's ratio number.

Step 1: Find the profit per ratio unit Radhika's nine units represent Rs 5,40,000. Therefore,

$$\text{Profit per unit} = \frac{\text{Rs } 5,40,000}{9} = \text{Rs } 60,000.$$

Step 2: Apply Shubha's ratio number Shubha is entitled to seven units, giving

$$7 \times \text{Rs } 60,000 = \text{Rs } 4,20,000.$$

Option (A) repeats Radhika's share, option (B) is Mehar's eight-unit share, and option (C) is only one

ratio unit. None of those represents Shubha's seven units.

Step 3: Conclusion Shubha's share of profit is Rs 4,20,000. Hence, the correct option is (D).

Quick Tip to Solve: Multiply Radhika's profit directly by $7/9$; the total profit need not be calculated.

5. 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:

- Interest on drawings is charged for the period for which the withdrawn amount is used personally.
- When total drawings during the year are given without withdrawal dates, the standard treatment uses an average period of six months.

Step 1: Select the relevant period Nandita withdrew Rs 3,00,000 during the year, but no dates are specified. Accordingly, the standard average period is 6 months, or $\frac{6}{12}$ of a year. Charging for twelve months would treat all drawings as made at the start of the year.

Step 2: Calculate interest Using the annual rate of 10%,

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

Option (B), Rs 30,000, charges a full year's interest. Options (A) and (C) do not follow the standard six-month average period.

Step 3: Conclusion Interest on Nandita's drawings is Rs 15,000. Hence, the correct option is (D).

Quick Tip to Solve: For undated total drawings during a year, halve the full-year interest: Rs 30,000 divided by two.

6. 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 adjusted in the new ratio, the incoming partner's agreed capital can be used to determine the firm's total capital.
- Cash introduced by an old partner equals required capital minus the existing adjusted capital, when that difference is positive.

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

$$\text{Required capital} = \text{Rs } 8,00,000 \times \frac{2}{1} = \text{Rs } 16,00,000.$$

The premium for goodwill is separate from Maddy's capital.

Step 2: Compare with the adjusted balance Kajal's capital after all goodwill and revaluation adjustments is already Rs 15,00,000. The additional cash needed is

$$\text{Rs } (16,00,000 - 15,00,000) = \text{Rs } 1,00,000.$$

Option (C) gives required capital, not cash to bring in. Option (B) is Maddy's capital; option (D) incorrectly combines Maddy's capital with his goodwill premium.

Step 3: Conclusion Kajal must bring in cash of Rs 1,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Use Maddy's capital alone as the base, then subtract Kajal's already adjusted capital from his target.

7. 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 brought by a new partner compensates existing partners in their sacrificing ratio.
- Each old partner's sacrifice equals old profit share minus new profit share; a partner with no sacrifice receives no premium.

Step 1: Calculate the sacrifices The old shares are Pulkit $3/5$ and Ravinder $2/5$. Under $2:2:1$, each old partner's new share is $2/5$. Thus,

$$\text{Pulkit's sacrifice} = \frac{3}{5} - \frac{2}{5} = \frac{1}{5},$$
$$\text{Ravinder's sacrifice} = \frac{2}{5} - \frac{2}{5} = 0.$$

Step 2: Allocate the premium Pulkit alone gives up the share acquired by Sikander. The entire premium of Rs 10,00,000 therefore belongs to Pulkit. Option (B) uses the old ratio, and (C) uses equal shares, neither of which is the sacrificing ratio. Option (D) wrongly takes one-fifth again: Rs 10,00,000 is already Sikander's premium, not the whole firm's goodwill.

Step 3: Conclusion Pulkit's Capital Account is credited with Rs 10,00,000; Ravinder receives no premium. Hence, the correct option is (A).

Quick Tip to Solve: Compare old and new shares first: Ravinder stays at two-fifths, so all goodwill premium goes to Pulkit.

8. 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 or invitation to subscribe for securities made to a selected group of persons, rather than through a public offer.
- Classify an issue by the manner of offering securities and the recipients described, not merely by the fact that shares are involved.

Step 1: Identify the defining words The question specifies a select group of persons and expressly excludes a public offer. These are the defining features of private placement. No employment relationship, special contribution, or company formation expenditure is mentioned.

Step 2: Distinguish the other terms Sweat equity refers to shares issued to eligible employees or directors for qualifying contributions such as know-how or value additions. Incorporation cost is expenditure on forming a company, not an offer of securities. An employee stock option plan gives eligible employees an option to acquire shares on specified terms. Those descriptions do not match the stated general offer to a selected group.

Step 3: Conclusion The offer is called private placement of shares. Hence, the correct option is (C).

Quick Tip to Solve: Underline 'select group' and 'other than public offer'; together they identify private placement.

9. 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:

- The discount on reissue of forfeited shares cannot exceed the amount forfeited on those shares.
- For reissue as fully paid, minimum reissue price equals face value minus the amount previously

received and forfeited per share.

Step 1: Find the amount forfeited per share The unpaid calls total Rs $(1+3)=4$ per share. Out of face value Rs 10, the company has therefore already received

$$\text{Rs } (10-4) = \text{Rs } 6 \text{ per share.}$$

This is the maximum discount permitted on reissue.

Step 2: Determine the lower price limit The minimum reissue price is

$$\text{Rs } (10-6) = \text{Rs } 4 \text{ per share.}$$

For all 100 shares, Rs 400 received on reissue plus Rs 600 forfeited covers the Rs 1,000 capital. Option (A) is the forfeited amount, not the minimum price. Rs 10 and Rs 16 can exceed the minimum, but neither is the lowest permissible amount.

Step 3: Conclusion The minimum reissue price is Rs 4 per share. Hence, the correct option is (B).

Quick Tip to Solve: Subtract the forfeited Rs 6 from face value Rs 10; do not confuse the maximum discount with the minimum price.

10. 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:

- The prescribed maximum number of partners for an ordinary partnership firm is 50.
- The Companies Act, 2013 empowers the Central Government to prescribe the maximum; the prescribed rule gives the operative limit.

Step 1: Judge the assertion Assertion (A) is true. In the context of the ordinary partnership firm in this question, the maximum permissible membership is 50 partners.

Step 2: Judge the reason Reason (R) is true. The Companies Act, 2013 gives the Central Government authority to prescribe the maximum number of partners, and the prescribed maximum is 50.

Step 3: Check the explanatory link The assertion states the limit, while the reason states both the authority for prescribing it and the limit actually prescribed. Therefore R directly explains A. Option (B) incorrectly denies this link, (C) incorrectly treats the reason as false, and (D) incorrectly treats both statements as false.

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

Quick Tip to Solve: For this assertion, connect the number 50 to the government-prescribed rule, then test whether the reason explains that exact limit.

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11. 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 accepted in part settlement of a loan reduces the outstanding loan by its settlement value.
- Only the remaining cash payment is credited to Bank Account.

Step 1: Determine the loan remaining after furniture is taken Shaan is owed Rs 1,00,000 and accepts furniture of Rs 90,000 in part settlement. The remaining loan is therefore

$$\text{Balance due} = 1,00,000 - 90,000 = \text{Rs } 10,000.$$

Step 2: Identify the bank payment and reject the other amounts The furniture settles the non-cash portion, so Bank Account is credited only for the remaining Rs 10,000. Rs 1,00,000 is the original loan, Rs 90,000 is the furniture taken over, and Rs 1,90,000 wrongly adds the furniture to the debt instead of reducing it. Transfer of furniture to Realisation Account does not turn its takeover into a bank payment.

Step 3: Conclusion Bank Account will be credited with Rs 10,000. Hence, the correct option is (D).

Quick Tip to Solve: Subtract the asset taken in settlement from the partner loan; credit Bank only for the unpaid balance.

12(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:

- Issue discount is the face value of debentures minus the cash proceeds on issue.
- Loss on issue comprises the issue discount plus the premium payable on redemption.

Step 1: Separate the issue discount from the total loss The debentures have face value Rs 5,00,000, but Bank Account receives Rs 4,75,000. Thus discount on issue is

$$5,00,000 - 4,75,000 = \text{Rs } 25,000.$$

This also agrees with total loss Rs 75,000 less redemption premium Rs 50,000.

Step 2: Calculate discount as a percentage of face value

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

The 15% option uses the entire loss on issue, the 10% option uses the redemption premium, and 95% is the cash issue price as a percentage of face value. None of those represents the discount alone.

Step 3: Conclusion The discount on issue of debentures is 5%. Hence, the correct option is (B).

Quick Tip to Solve: For this entry, deduct the Rs 50,000 redemption premium from the Rs 75,000 loss before finding the discount percentage.

OR

12(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 of debentures equals number issued multiplied by face value and the discount rate.
- Under the standard CBSE treatment here, available Securities Premium is used to write off the discount, with the balance charged to the Statement of Profit and Loss.

Step 1: Verify the total discount The face value issued is $15,000 \times 100 = \text{Rs } 15,00,000$. Hence

$$\text{Discount} = 15,00,000 \times \frac{10}{100} = \text{Rs } 1,50,000.$$

The 9% rate is the annual interest rate, not the issue discount.

Step 2: Apply the available premium and find the remainder Securities Premium has a credit balance of only Rs 1,00,000. Apply this available amount to the discount; the remaining $1,50,000 - 1,00,000 = \text{Rs } 50,000$ is charged to the Statement of Profit and Loss. Option (B) reverses these amounts, (C) exceeds the premium available, and (D) ignores the available premium in the prescribed treatment.

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

Quick Tip to Solve: Use the available Rs 1,00,000 Securities Premium first; only the Rs 50,000 shortfall goes to profit and loss.

13(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 is old share minus new share; a negative result indicates a gain.
- Each ratio must first be converted into fractions of total profit.

Step 1: Compare each old share with the new share Both ratios have total 10. The changes are

$$\text{Anisha: } \frac{5}{10} - \frac{2}{10} = \frac{3}{10},$$
$$\text{Deepa: } \frac{3}{10} - \frac{3}{10} = 0,$$
$$\text{Charu: } \frac{2}{10} - \frac{5}{10} = -\frac{3}{10}.$$

Step 2: Interpret the signs and test the options Anisha gives up 3/10 of total profits; Deepa has neither gain nor sacrifice; Charu gains 3/10. Total sacrifice equals total gain, providing a check. Option (B) reverses the positions of Anisha and Charu, and options (C) and (D) incorrectly give Deepa a gain even though her share remains 3/10.

Step 3: Conclusion Anisha sacrifices $3/10$ and Charu gains $3/10$; Deepa is unchanged. Hence, the correct option is (A).

Quick Tip to Solve: Deepa has 3/10 in both ratios, so eliminate every option claiming she gains before comparing Anisha and Charu.

OR

13(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)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Preet's Capital A/c Dr.	1,00,000	
To Saral's Capital A/c		1,00,000

(B)

Particulars	Dr. Amount (Rs)	Cr. Amount (Rs)
Saral's Capital A/c Dr.	1,00,000	
To Preet's Capital A/c		1,00,000

(C)

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

(D)

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

Correct Answer: (D)

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

Solution:

Concept:

- The gaining partner compensates the sacrificing partner for the share of goodwill acquired.
- Compensation equals the goodwill value multiplied by the fraction of profit gained or sacrificed.

Step 1: Calculate the sacrifice and gain Preet changes from $3/5$ to $1/2$, so his sacrifice is $3/5 - 1/2 = 1/10$. Saral changes from $2/5$ to $1/2$, so his gain is $1/2 - 2/5 = 1/10$. Compensation is

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

Step 2: Record the adjustment between capital accounts Saral's Capital Account is debited as he gains, and Preet's Capital Account is credited as he sacrifices. The amount is Rs 10,000, not the whole goodwill value. Thus options (A) and (B) use an excessive amount, while (C) reverses the correct accounts.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-03-2024	Saral's Capital A/c Dr.		10,000	
	To Preet's Capital A/c			10,000
	(Being goodwill adjusted for Saral's gain and Preet's sacrifice on change in ratio)			

Step 3: Conclusion Saral's Capital A/c Dr. Rs 10,000; credit Preet's Capital A/c Rs 10,000. Hence, the correct option is (D).

Quick Tip to Solve: Identify who gains first: Saral gains 1/10, so debit his capital by 1/10 of the Rs 1,00,000 goodwill.

14(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:

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

Step 1: Divide Jatin's retiring share equally Jatin owns $4/10$ of the profits. Ishan and Kapil each acquire half of this:

$$\frac{4}{10} \times \frac{1}{2} = \frac{2}{10}.$$

Their equal gains must be added to their different original shares.

Step 2: Add each gain to the original share Ishan's new share is $5/10 + 2/10 = 7/10$; Kapil's new share is $1/10 + 2/10 = 3/10$. These add to one. Hence their new ratio is $7 : 3$. Option (A), $5 : 1$, merely retains their old relative shares; (B), $1 : 1$, confuses the gaining ratio with the new ratio; and (C), $5 : 4$, does not reflect the retiring partner's transfer.

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

Quick Tip to Solve: Equal acquisition means add 2/10 to each old share; it does not mean the continuing partners become equal partners.

OR

14(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:

- Interest on the unpaid retiring partner balance is calculated for the period before the instalment is paid.
- Total instalment payment equals the principal instalment plus interest due.

Step 1: Find the interest for the first year From 1 April 2023 to 31 March 2024, the full Rs 5,00,000 remains unpaid until the first year-end payment. Therefore

$$\text{Interest} = 5,00,000 \times \frac{10}{100} \times 1 = \text{Rs } 50,000.$$

Step 2: Add interest to the fixed principal instalment The principal instalment is Rs 2,50,000, so the first payment is

$$2,50,000 + 50,000 = \text{Rs } 3,00,000.$$

Rs 2,75,000 wrongly computes first-year interest on only Rs 2,50,000; Rs 5,50,000 includes repayment of the entire principal; and Rs 2,50,000 omits interest altogether. After this payment, the principal outstanding becomes Rs 2,50,000.

Step 3: Conclusion The first instalment paid on 31 March 2024 is Rs 3,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Charge first-year interest on the opening unpaid Rs 5,00,000, then add the Rs 2,50,000 principal instalment.

15(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 authorised by the Memorandum of Association.
- Issued and subscribed capital describe stages of offering and taking up shares within the authorised capital.

Step 1: Match the wording to the definition The question asks for the amount which the company is authorised to issue under its Memorandum of Association. This is the authorised ceiling of share capital, which is called nominal capital. It does not imply that all of this capital has already been offered or subscribed.

Step 2: Distinguish the other categories Issued capital is the part actually offered for subscription. Subscribed capital is the part of issued capital taken up by subscribers. Reserve capital is the portion of uncalled capital which the company resolves to call only on winding up. Therefore options (B), (C) and (D) do not describe the limit stated in the Memorandum.

Step 3: Conclusion The amount is known as nominal capital. Hence, the correct option is (A).

Quick Tip to Solve: Link the words "authorised to issue by the Memorandum" directly to nominal or authorised capital, the company's capital ceiling.

OR

15(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 of the issue that must be subscribed before the company can proceed with allotment.
- For the rule stated in the question, minimum subscription is 90% of issued capital, the capital offered for subscription.

Step 1: Identify the base for the percentage Issued capital represents the portion of authorised capital offered to investors. Therefore, for issued capital of Rs I, the minimum subscription required is Rs $0.90I$. The denominator is the amount of the issue.

Step 2: Eliminate the other bases Authorised capital is the maximum capital permitted by the memorandum; it need not all be issued. Reserve capital is uncalled capital reserved for winding up. Subscribed capital is the amount investors actually take up, so it is compared with the minimum requirement rather than used as its base.

Step 3: Conclusion The blank is **Issued capital**. Hence, the correct option is (B).

Quick Tip to Solve: Apply the 90% test to the capital offered in the issue, not to the authorised limit or the subscriptions received.

16(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:

- Debentures are borrowed funds. Their classification may depend on repayment terms, security, or the manner in which ownership is recorded.

- Perpetual or irredeemable debentures carry no undertaking to repay the borrowed principal at a specified time.

Step 1: Use the repayment condition The question focuses on the absence of an undertaking to repay the money borrowed. This is the defining feature of perpetual debentures; it does not mean that the borrowing becomes share capital or that interest ceases to be payable.

Step 2: Distinguish the other classifications Bearer debentures are transferable by delivery, while registered debentures identify their holders in the company records. Secured debentures are backed by a charge on assets. These terms describe transfer, registration or security, rather than the absence of a repayment undertaking.

Step 3: Conclusion They are **Perpetual Debentures**. Hence, the correct option is (C).

Quick Tip to Solve: For debenture MCQs, first identify whether the clue concerns repayment, security or transferability.

OR

16(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 equal the agreed value of assets acquired less liabilities assumed.
- When purchase consideration exceeds net assets, the excess is goodwill; when net assets exceed consideration, the difference is capital reserve.

Step 1: Compare consideration with net assets The debentures issued represent the payment for the business. In the situation stated, this payment is greater than the net assets acquired. The balancing debit is therefore calculated as

$$\text{Goodwill} = \text{Purchase consideration} - \text{Net assets taken over.}$$

Step 2: Check the alternatives Capital reserve arises in the opposite situation, when the net assets exceed the consideration. Purchase consideration is the total price paid, not the difference. General reserve is an appropriation of profits and does not measure an excess paid for acquiring a business.

Step 3: Conclusion The difference is treated as **Goodwill**. Hence, the correct option is (B).

Quick Tip to Solve: Compare price with net assets: a higher price creates goodwill; a lower price creates capital reserve.

17. Rambha and Urvashi were partners in a firm sharing profits and losses in the ratio of 13 : 12. From 1st April, 2024, they decided to share future profits and losses in the ratio of 12 : 13. On this date, their balance sheet showed a debit balance of Rs. 2,50,000 in Advertising Suspense Account and a balance of Rs. 5,00,000 in Contingency Reserve. Partners decide to write off the balance of the Advertising Suspense Account but decided not to distribute Contingency Reserve.

Pass necessary journal entries for the above transactions on the reconstitution of the firm. Show your working clearly. [3 marks]

Solution:

Concept:

- An accumulated loss written off at reconstitution is debited to the old partners in their old profit-sharing ratio.
- If an accumulated reserve is retained, compensate the sacrificing partner through capital accounts: gaining partner is debited and sacrificing partner credited by reserve multiplied by the share gained or sacrificed.

Step 1: Working Notes: calculate the loss and reserve adjustments The old ratio is $13 : 12$, so the advertising loss is apportioned as follows:

$$\text{Rambha} = 2,50,000 \times \frac{13}{25} = \text{Rs } 1,30,000,$$
$$\text{Urvashi} = 2,50,000 \times \frac{12}{25} = \text{Rs } 1,20,000.$$

Rambha sacrifices $13/25 - 12/25 = 1/25$; Urvashi gains $13/25 - 12/25 = 1/25$. Since the reserve remains in the books, the gaining partner must compensate the sacrificing partner:

$$5,00,000 \times \frac{1}{25} = \text{Rs } 20,000.$$

The advertising loss is actually written off, so it is handled separately in the old ratio. The reserve itself must not be debited because the partners have expressly decided to retain it.

Step 2: Record the journal entries **Journal of Rambha and Urvashi**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2024	Rambha's Capital A/c Dr.		1,30,000	
	Urvashi's Capital A/c Dr.		1,20,000	
	To Advertising Suspense A/c			2,50,000
	(Being advertising suspense written off in the old ratio of 13 : 12)			
1 Apr. 2024	Urvashi's Capital A/c Dr.		20,000	
	To Rambha's Capital A/c			20,000
	(Being adjustment for contingency reserve retained, Urvashi compensating Rambha for 1/25 share)			

Step 3: Conclusion Advertising Suspense is written off by debiting Rambha Rs 1,30,000 and Urvashi Rs 1,20,000. Urvashi is additionally debited Rs 20,000 and Rambha credited Rs 20,000 for the

retained reserve; Contingency Reserve remains Rs 5,00,000.

Quick Tip to Solve: Keep the two instructions separate: write off the loss in the old ratio, but adjust a retained reserve through gaining and sacrificing partners.

18. Luv and Kush were partners in a firm sharing profits and losses in the ratio of 5 : 4. On 1st April, 2024, Rishi was admitted as a new partner for 2/9th share in profits which he acquired equally from Luv and Kush. On the date of Rishi's admission, the Balance Sheet of Luv and Kush showed debtors of Rs. 9,00,000 and provision for bad and doubtful debts of Rs. 90,000.

Pass necessary journal entries for treatment of provision for bad and doubtful debts on the date of Rishi's admission in each of the following cases :

(i) Bad debts amounted to Rs. 60,000.

(ii) Bad debts amounted to Rs. 90,000.

(iii) Bad debts amounted to Rs. 1,00,000. [3 marks]

Solution:

Concept:

- An existing provision for bad and doubtful debts is first used to absorb the bad debts identified at admission; credit Debtors Account for debts written off.
- An unused provision is credited to Revaluation Account. Bad debts exceeding the provision are debited to Revaluation Account. Revaluation gains or losses belong to the old partners in their old ratio.

Step 1: Case (i): bad debts of Rs 60,000 The provision exceeds bad debts by $90,000 - 60,000 =$ Rs $30,000$, which is a revaluation gain. No fresh provision is specified.

Journal of Luv and Kush: case (i)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2024	Provision for Bad and Doubtful Debts A/c Dr.		90,000	
	To Debtors A/c			60,000
	To Revaluation A/c			30,000
	(Being bad debts written off against provision and unused provision transferred to revaluation)			

The remaining debtors are Rs $9,00,000 - 60,000 = 8,40,000$.

Step 2: Case (ii): bad debts of Rs 90,000 Bad debts exactly equal the provision. The entire provision is used, with no gain or loss on revaluation from this item.

Journal of Luv and Kush: case (ii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2024	Provision for Bad and Doubtful Debts A/c Dr.		90,000	
	To Debtors A/c			90,000
	(Being bad debts written off wholly against the existing provision)			

Remaining debtors are Rs $9,00,000 - 90,000 = 8,10,000$.

Step 3: Case (iii): bad debts of Rs 1,00,000 The excess of bad debts over the provision is $1,00,000 - 90,000 = \text{Rs } 10,000$. This is a revaluation loss.

Journal of Luv and Kush: case (iii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr. 2024	Provision for Bad and Doubtful Debts A/c Dr.		90,000	
	Revaluation A/c Dr.		10,000	
	To Debtors A/c			1,00,000
	(Being bad debts written off using the full provision and the excess charged to revaluation)			

Remaining debtors are Rs $9,00,000 - 1,00,000 = 8,00,000$. Each case is independent. The revaluation gain or loss is shared only by Luv and Kush in $5:4$; Rishi's admission share does not change the allocation of these pre-admission adjustments.

Step 4: Conclusion The provision adjustment gives a revaluation gain of Rs 30,000 in (i), no revaluation effect in (ii), and a revaluation loss of Rs 10,000 in (iii).

Quick Tip to Solve: Compare the existing provision with actual bad debts first: unused provision is a gain; any shortfall is a loss. Treat the three cases independently.

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:

- Assets and liabilities taken over are recorded at their agreed values. Net assets less purchase consideration is capital reserve when positive.
- Debentures issued at premium are credited to Debentures Account at nominal value; the premium is credited separately to Securities Premium Account.

Step 1: Working Notes: calculate net assets and debentures Total assets acquired are:

$$15,50,000 + 11,40,000 + 1,10,000 = \text{Rs } 28,00,000.$$

After liabilities of Rs 2,00,000, net assets are Rs 26,00,000. Therefore:

$$\text{Capital reserve} = 26,00,000 - 25,00,000 = \text{Rs } 1,00,000.$$

Each debenture settles Rs $100 + 25 = 125$ of consideration. Thus:

$$\text{Number of debentures} = 25,00,000/125 = 20,000,$$
$$\text{Nominal value} = 20,000 \times 100 = \text{Rs } 20,00,000,$$
$$\text{Securities premium} = 20,000 \times 25 = \text{Rs } 5,00,000.$$

The 12% rate determines future interest, not the issue price or the number issued.

Step 2: 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 taken over and excess net assets over consideration credited to capital reserve)			
	Dhruv Ltd. Dr.		25,00,000	
	To 12% Debentures A/c			20,00,000
	To Securities Premium A/c			5,00,000
	(Being purchase consideration settled by issuing 20,000 debentures of Rs 100 each at 25% premium)			

The acquisition entry balances at Rs 28,00,000 on each side; the settlement entry balances at Rs 25,00,000.

Step 3: Conclusion Apoorv Ltd. records capital reserve of Rs 1,00,000 and issues 20,000 debentures, crediting 12% Debentures Rs 20,00,000 and Securities Premium Rs 5,00,000.

Quick Tip to Solve: Divide the consideration by Rs 125, the issue price, then split the proceeds between Rs 100 nominal value and Rs 25 premium per debenture.

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:

- Machinery is debited at its purchase cost, and the vendor is credited with the amount payable. Payment and the issue of debentures subsequently discharge this liability.
- Debentures issued at a discount are credited at face value. The difference between face value and issue value is debited to Discount on Issue of Debentures Account.

Step 1: Calculate the settlement and number of debentures **Working Notes**

Half the purchase price is paid by bank draft:

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

The remaining Rs 18,00,000 is settled by debentures. Each Rs 100 debenture is issued for Rs 90 because its discount is 10% of face value.

$$\text{Number issued} = \frac{18,00,000}{90} = 20,000,$$
$$\text{Face value issued} = 20,000 \times 100 = \text{Rs } 20,00,000,$$
$$\text{Discount} = 20,000 \times 10 = \text{Rs } 2,00,000.$$

The 8% is the annual interest rate on the debentures; it does not determine their issue price or the number issued.

Step 2: Record the purchase and its settlement **Journal of Ajanta Ltd.**

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

Sujata Ltd.'s credit of Rs 36,00,000 is completely cleared by the two debits of Rs 18,00,000 each. The final entry balances because Rs 18,00,000 plus Rs 2,00,000 equals Rs 20,00,000.

Step 3: Conclusion Ajanta Ltd. pays Rs 18,00,000 through bank and issues 20,000 8% debentures of Rs 100 each, with total face value Rs 20,00,000 and discount Rs 2,00,000.

Quick Tip to Solve: Divide the balance payable by Rs 90, the issue price, rather than by Rs 100; credit the debenture account at the full face value.

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 an appropriation of profit. Calculate it for the actual period for which the capital remained invested: capital multiplied by annual rate multiplied by the fraction of the year.
- A guaranteed annual share of profit is adjusted for a shorter accounting period. When one partner bears the deficiency, transfer that deficiency from the guarantor's share to the guaranteed partner's share after the normal profit allocation.

Step 1: Calculate interest for the six-month period **Working Notes**

The partnership commenced on 1st October, 2023, so its first accounting period to 31st March, 2024 is six months. Both capitals remained invested for this period.

$$\text{Aakash's interest} = 80,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 4,00,000,$$

$$\text{Baadal's interest} = 60,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 3,00,000.$$

Total interest is Rs 7,00,000, leaving distributable profit of Rs 13,00,000 minus Rs 7,00,000, or Rs 6,00,000.

Step 2: Apply the guarantee after allocating residual profit The residual profit is shared equally, giving each partner Rs 3,00,000 initially. Baadal's guarantee is stated per annum and applies to profit after interest on capital. Therefore his guaranteed residual share for six months is

$$7,00,000 \times \frac{6}{12} = \text{Rs } 3,50,000.$$

His deficiency is Rs 3,50,000 minus Rs 3,00,000, or Rs 50,000. Aakash alone bears this amount, so the adjusted shares of residual profit are Rs 2,50,000 for Aakash and Rs 3,50,000 for Baadal. Interest on capital is credited separately and does not count towards this residual-profit guarantee.

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

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

All the profit is appropriated, so there is no balance to carry forward. Each partner receives total credits of Rs 6,50,000, but the interest and adjusted residual-profit components differ.

Step 4: Conclusion Interest on capital is Rs 4,00,000 for Aakash and Rs 3,00,000 for Baadal. After Aakash bears the Rs 50,000 deficiency, the residual profit shares are Rs 2,50,000 and Rs 3,50,000 respectively; the account totals Rs 13,00,000 on each side.

Quick Tip to Solve: Apply the six-month fraction to both interest and the annual guarantee. Compare Baadal's guarantee with his profit share after interest, not with his total credits.

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:

- Interest on capital provided by the partnership deed is an appropriation of profit, unless the deed specifically makes it a charge. Where profit is insufficient, the available profit is distributed in the ratio of the interest amounts due.
- With fixed capitals, interest and shares of profit are credited to partners' current accounts. The profit-sharing ratio applies to residual profit only after authorised appropriations.

Step 1: Calculate the interest due and the shortfall **Working Notes**

The opening fixed capitals apply for the full year, and no change in capital is given. Interest at 12%

per annum is therefore

$$\text{Parul} = 6,00,000 \times \frac{12}{100} = \text{Rs } 72,000,$$
$$\text{Rajul} = 8,00,000 \times \frac{12}{100} = \text{Rs } 96,000,$$
$$\text{Total interest due} = 72,000 + 96,000 = \text{Rs } 1,68,000.$$

The available net profit of Rs 1,26,000 is less than Rs 1,68,000. The deed does not make interest a charge against profit; hence only the available profit can be appropriated as interest. The Rs 42,000 shortfall is not a distributable loss to be divided in the ratio 5:3.

Step 2: Allocate the available profit in the interest ratio The ratio of the interest amounts due is

$$72,000 : 96,000 = 3 : 4.$$

Consequently, the allowed interest is

$$\text{Parul} = 1,26,000 \times \frac{3}{7} = \text{Rs } 54,000,$$
$$\text{Rajul} = 1,26,000 \times \frac{4}{7} = \text{Rs } 72,000.$$

These amounts exhaust the entire profit. There is no residual profit to distribute in the normal profit-sharing ratio of 5:3.

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

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
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

The credits go to current accounts because the capitals are fixed. Since the full profit has been appropriated, the account has no balance to carry forward and the fixed capital balances remain Rs 6,00,000 and Rs 8,00,000.

Step 4: Conclusion Credit interest of Rs 54,000 to Parul's Current Account and Rs 72,000 to Rajul's Current Account. No residual profit remains, and the Profit and Loss Appropriation Account totals Rs 1,26,000 on each side.

Quick Tip to Solve: When profit cannot cover interest, use the interest-entitlement ratio 3:4, not the profit-sharing ratio 5:3; fixed capitals require credits to current accounts.

21. Swar Sangam Limited issued 3,000, 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 Swar Sangam Limited.

[4 marks]

Solution:

Concept:

- Debentures are credited at face value. The excess of issue price over face value is credited to Securities Premium Account.
- Application money is first received in Debenture Application Account and then transferred to Debentures Account. Allotment due and its receipt are recorded separately.

Step 1: Calculate the instalments and premium **Working Notes:** Face value per debenture is Rs 500. Premium per debenture is $500 \times 10\% = \text{Rs } 50$, so issue price is Rs 550. Application is Rs 200; therefore allotment is $550 - 200 = \text{Rs } 350$, including Rs 50 premium.

$$\text{Total face value} = 3,000 \times 500 = \text{Rs } 15,00,000,$$
$$\text{Application money} = 3,000 \times 200 = \text{Rs } 6,00,000,$$
$$\text{Allotment money} = 3,000 \times 350 = \text{Rs } 10,50,000,$$
$$\text{Securities premium} = 3,000 \times 50 = \text{Rs } 1,50,000.$$

Face value remaining to be credited on allotment is $15,00,000 - 6,00,000 = \text{Rs } 9,00,000$. The 9% rate identifies the debentures and relates to interest; it does not change issue proceeds.

Step 2: Record receipt and transfer of application money **Journal of Swar Sangam Limited**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being application money received on 3,000 debentures at Rs 200 each)		6,00,000	6,00,000
	Debenture Application A/c Dr. To 9% Debentures A/c (Being application money transferred to Debentures Account on allotment)		6,00,000	6,00,000

Step 3: Record allotment due and its receipt **Journal of Swar Sangam Limited (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Debenture Allotment A/c Dr. To 9% Debentures A/c To Securities Premium A/c (Being allotment due on 3,000 debentures at Rs 350 each, including premium of Rs 50 each)		10,50,000	 9,00,000 1,50,000
	Bank A/c Dr. To Debenture Allotment A/c (Being allotment money received in full)		10,50,000	 10,50,000

Since the issue was fully subscribed and all amounts were received, there is no refund or arrear. Bank receipts total Rs 16,50,000, equal to debentures of Rs 15,00,000 plus securities premium of Rs 1,50,000.

Step 4: Conclusion The issue credits 9% Debentures Account with Rs 15,00,000 and Securities Premium Account with Rs 1,50,000; total bank receipts are Rs 16,50,000.

Quick Tip to Solve: Compute allotment as issue price minus application: Rs 550 minus Rs 200. Separate its Rs 50 premium before crediting 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	39,00,000	Cash	7,00,000
General Reserve	7,00,000	Profit and Loss Account	
Trade Payables	6,00,000	(2023-24)	2,00,000
	52,00,000		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 annual profit multiplied by the agreed years' purchase. A debit Profit and Loss Account balance shown among assets represents an accumulated loss.
- A deceased partner's goodwill share is credited to her Capital Account and debited to the continuing partners in their gaining ratio. Without a contrary agreement, the survivors continue in their relative old ratio.
- Interim profit or loss is estimated from the stated annual result, multiplied by the fraction of the year elapsed and the deceased partner's old share. Her share of interim loss is debited to her Capital Account and credited to Profit and Loss Suspense Account.

Step 1: (a) Calculate the five-year average and goodwill **Working Notes:** The Rs 2,00,000 Profit and Loss Account balance for 2023-24 appears on the assets side of the balance sheet. It is therefore a loss, not a profit. Include it as the fifth year's result, together with the other four years given.

Year	Profit/(Loss) (Rs)
2019-20	2,50,000
2020-21	4,00,000
2021-22	3,00,000
2022-23	(3,10,000)
2023-24	(2,00,000)
Total profit	4,40,000

$$\text{Average profit} = \frac{4,40,000}{5} = \text{Rs } 88,000,$$

$$\text{Goodwill} = 88,000 \times 3 = \text{Rs } 2,64,000.$$

The accumulated general reserve is not another annual profit for this calculation.

Step 2: (b) Determine the goodwill adjustment and journalise it Umara's old share is $9/(5+6+9) = 9/20$. Thus her goodwill entitlement is $2,64,000 \times 9/20 = \text{Rs } 1,18,800$. No new ratio is specified, so Simar and Tanvi retain their relative ratio $5:6$; their gains are also in $5:6$.

$$\text{Simar's gain} = \frac{5}{11} - \frac{5}{20} = \frac{45}{220},$$

$$\text{Tanvi's gain} = \frac{6}{11} - \frac{6}{20} = \frac{54}{220},$$

$$\text{Simar's debit} = 1,18,800 \times \frac{5}{11} = \text{Rs } 54,000,$$

$$\text{Tanvi's debit} = 1,18,800 \times \frac{6}{11} = \text{Rs } 64,800.$$

Journal of Simar, Tanvi and Umara

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 share of goodwill adjusted through the continuing partners' capitals in their gaining ratio of 5:6)			

Step 3: (c) Calculate Umara's share of loss up to death The period from 1 April 2024 to 30 June 2024 is three months. The deed requires estimation using the 2023-24 loss of Rs 2,00,000, rather than the five-year average used for goodwill.

$$\text{Estimated firm loss} = 2,00,000 \times \frac{3}{12} = \text{Rs } 50,000,$$
$$\text{Umara's loss share} = 50,000 \times \frac{9}{20} = \text{Rs } 22,500.$$

This is a loss allocation, which reduces the amount standing to her credit.

Step 4: (d) Record the interim loss allocation

Journal of Simar, Tanvi and Umara (continued)

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 estimated share of loss from 1 April to 30 June 2024 recorded on her death)			

Suspense Account is used because this year's final trading result is not yet available. The goodwill adjustment has equal debits and credits of Rs 1,18,800, and this loss entry has equal debits and credits of Rs 22,500.

Step 5: Conclusion Firm's goodwill is Rs 2,64,000. Credit Umara's Capital Account with Rs 1,18,800 for goodwill, debiting Simar Rs 54,000 and Tanvi Rs 64,800. Umara's interim loss share is Rs 22,500, debited to her Capital Account and credited to Profit and Loss Suspense Account.

Quick Tip to Solve: Check which side holds Profit and Loss Account: here the asset-side Rs 2,00,000 is a loss for both the five-year goodwill average and the three-month death adjustment.

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

(i) Preeti took over the debtors of book value of Rs. 90,000 at a discount of 20%.

(ii) Kamala took over her husband's loan of Rs. 4,00,000.

(iii) There were 100 shares of Rs. 10 each in Star Ltd. acquired at a cost of Rs. 2,00,000 which had been written off completely from the books. These shares were valued at Rs. 2,400 each and divided among the partners in their profit sharing ratio.

(iv) Sundry creditors amounting to Rs. 5,00,000 were settled at a discount of 10%.

(v) Land and Building of the book value of Rs. 40,00,000 was sold for Rs. 60,00,000 through a broker who charged 5% commission.

(vi) Varsha paid the dissolution expenses of Rs. 45,000 on behalf of the firm. [6 marks]

Solution:

Concept:

- After assets and outside liabilities have been transferred to Realisation Account, subsequent receipts and payments are recorded through Realisation Account; their original book values are not transferred again.
- An asset taken by a partner is debited to that partner's Capital Account at its agreed value. A liability or firm expense paid or assumed by a partner is credited to that partner's Capital Account.
- An unrecorded asset is recognised at its realisation or agreed takeover value. Since no profit-sharing ratio is stated, the partners share equally; the shares distributed are therefore charged equally to their Capital Accounts.

Step 1: (i) Debtors taken over by Preeti The agreed value is $90,000 \times (1 - 20/100) =$ Rs $72,000$. The debtors have already been transferred to Realisation, so credit that account, not Debtors Account.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Preeti's Capital A/c Dr. To Realisation A/c (Being debtors taken over at a discount of 20%)		72,000	72,000

Step 2: (ii) Husband's loan assumed by Kamala Kamala's husband's loan is an outside liability, already transferred to Realisation Account. Kamala assumes responsibility for its payment, so her capital is credited with Rs 4,00,000; no bank payment is made by the firm.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Kamala's Capital A/c (Being husband's loan taken over by Kamala)		4,00,000	4,00,000

Step 3: (iii) Unrecorded shares distributed among partners The shares have been written off completely, so their original cost of Rs 2,00,000 is not an asset balance to transfer. Their agreed value is $100 \times 2,400 =$ Rs $2,40,000$. With no different ratio given, each partner's share is $2,40,000/3 =$ Rs $80,000$. The face value of Rs 10 does not determine the takeover value.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Preeti's Capital A/c Dr.		80,000	
	Varsha's Capital A/c Dr.		80,000	
	Kamala's Capital A/c Dr.		80,000	
	To Realisation A/c			2,40,000
	(Being unrecorded shares distributed equally at agreed value)			

Step 4: (iv) Creditors settled at a discount The settlement payment is $5,00,000 \times 90/100 =$ Rs $4,50,000$. Only the amount actually paid is debited to Realisation. The benefit of Rs 50,000 is automatically reflected because the liability was previously transferred at Rs 5,00,000.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		4,50,000	
	To Bank A/c			4,50,000
	(Being creditors settled at a discount of 10%)			

Step 5: (v) Land and building sold through a broker Record the sale at Rs 60,00,000 and the broker's commission separately. The commission is $60,00,000 \times 5/100 =$ Rs $3,00,000$, giving net bank proceeds of Rs 57,00,000. The book value of Rs 40,00,000 has already been transferred and is not entered again.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		60,00,000	
	To Realisation A/c			60,00,000
	(Being land and building sold through a broker)			
	Realisation A/c Dr.		3,00,000	
	To Bank A/c			3,00,000
	(Being broker's commission paid at 5% of sale proceeds)			

Step 6: (vi) Dissolution expenses paid by Varsha The firm bears the expense because Varsha pays it on the firm's behalf. Debit Realisation for the expense and credit Varsha's capital to acknowledge the amount she has paid. Bank is not credited since the firm's bank account was not used.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		45,000	
	To Varsha's Capital A/c			45,000
	(Being dissolution expenses paid by Varsha on behalf of the firm)			

Step 7: Conclusion The entries above record all six transactions. Debtors are taken over for Rs 72,000; shares are distributed at Rs 2,40,000; creditors receive Rs 4,50,000; net land and building proceeds are Rs 57,00,000; and Kamala and Varsha are credited for Rs 4,00,000 and Rs 45,000 respectively.

Quick Tip to Solve: After the initial transfers, use Realisation for every outside asset or liability settlement; use the partner's Capital Account when the partner takes or pays it.

24(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:		Fixed Assets	15,40,000
Bittu 8,00,000		Stock	3,50,000
Chintu 6,00,000	14,00,000	Debtors	1,40,000
General Reserve	2,10,000	Bank	70,000
Creditors	4,90,000		
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 losses and pre-admission reserves belong to the old partners in their old ratio, $4:3$. A reduction in an asset is a revaluation loss; a reduction in an outside liability is a revaluation gain.
- Goodwill premium is credited to sacrificing partners in their sacrificing ratio, calculated as old share minus new share. Proportionate capital is based on the old partners' adjusted aggregate capital and their combined share in the new firm.

Step 1: Determine sacrifice and distribute the reserve Bittu's sacrifice is $4/7 - 3/7 = 1/7$, while Chintu's sacrifice is $3/7 - 3/7 = 0$. Thus, Bittu alone sacrifices Diya's entire $1/7$ share and receives the full goodwill premium of Rs 5,60,000. The premium is retained in the business because no withdrawal is specified.

General Reserve of Rs 2,10,000 belongs to the old partners and is transferred in the ratio $4:3$:

$$\text{Bittu's reserve share} = 2,10,000 \times 4/7 = \text{Rs } 1,20,000,$$
$$\text{Chintu's reserve share} = 2,10,000 \times 3/7 = \text{Rs } 90,000.$$

Diya receives no part of this accumulated reserve because it arose before her admission.

Step 2: Prepare Revaluation Account Fixed assets decrease by Rs 1,40,000. Creditors of Rs 4,90,000 are settled for Rs 4,20,000, giving a gain of Rs 70,000. Therefore, the net revaluation loss is $1,40,000 - 70,000 = \text{Rs } 70,000$, allocated to Bittu and Chintu as Rs 40,000 and Rs 30,000 respectively.

Revaluation Account

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

The loss transfer closes Revaluation Account; it has no balance forward.

Step 3: Calculate adjusted capitals and Diya's contribution Add reserve and goodwill credits and deduct revaluation loss before computing proportionate capital:

$$\begin{aligned} \text{Bittu} &= 8,00,000 + 1,20,000 + 5,60,000 - 40,000 \\ &= \text{Rs } 14,40,000, \\ \text{Chintu} &= 6,00,000 + 90,000 - 30,000 = \text{Rs } 6,60,000, \\ \text{Combined old capital} &= 14,40,000 + 6,60,000 = \text{Rs } 21,00,000. \end{aligned}$$

The old partners now hold $6/7$ of the profits. Hence,

$$\begin{aligned} \text{Total capital implied} &= 21,00,000 \times 7/6 = \text{Rs } 24,50,000, \\ \text{Diya's capital} &= 24,50,000 \times 1/7 = \text{Rs } 3,50,000. \end{aligned}$$

Diya's cheque is $3,50,000 + 5,60,000 = \text{Rs } 9,10,000$. Only Rs 3,50,000 credits her capital. The old partners' individual capitals need not be adjusted to their new ratio.

Step 4: Prepare Partners' Capital Accounts Post the adjustments and carry down each partner's closing capital.

Bittu's Capital Account

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

Chintu's Capital Account

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

Diya's Capital Account

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

Step 5: Conclusion Revaluation loss is Rs 70,000, borne by Bittu (Rs 40,000) and Chintu (Rs 30,000). Closing capitals are Bittu Rs 14,40,000, Chintu Rs 6,60,000 and Diya Rs 3,50,000. Diya brings Rs 9,10,000 including her goodwill premium.

Quick Tip to Solve: Credit the entire goodwill premium to Bittu, the sole sacrificing partner, before using the old partners' combined adjusted capital to find Diya's proportionate capital.

OR

24(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 Shanu 6,00,000 Trisha 2,00,000	16,00,000	Fixed Assets Stock Debtors Cash	8,20,000 2,80,000 5,00,000 7,20,000
General Reserve	3,20,000		
Creditors	4,00,000		
	23,20,000		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 existing general reserve belong to all old partners in their old profit-sharing ratio of $4 : 3 : 1$.
- The gaining partner compensates the retiring partner for her share of goodwill through capital accounts; goodwill need not be raised in the books.
- Continuing partners' final capitals equal the agreed total capital multiplied by their respective new profit shares. Compare these amounts with adjusted capitals to find cash introduced or withdrawn.

Step 1: Working Notes: determine the new ratio and goodwill adjustment Rupal retains $4/8$, while Shanu takes Trisha's entire $1/8$ share. Thus Shanu's new share is $3/8 + 1/8 = 4/8$, giving a new ratio of $1 : 1$. Shanu alone gains, so Rupal bears none of Trisha's goodwill compensation.

$$\text{Trisha's goodwill share} = \text{Rs } 8,00,000 \times \frac{1}{8} = \text{Rs } 1,00,000.$$

Debit Shanu's Capital Account and credit Trisha's Capital Account with Rs 1,00,000. Distribute the general reserve of Rs 3,20,000 as Rs 1,60,000, Rs 1,20,000 and Rs 40,000 to Rupal, Shanu and Trisha respectively.

Step 2: Prepare the Revaluation Account Fixed assets increase by Rs 2,40,000. Stock falls by $2,80,000 - 2,00,000 = \text{Rs } 80,000$. Therefore revaluation profit is Rs 1,60,000, distributed in $4 : 3 : 1$

as Rs 80,000, Rs 60,000 and Rs 20,000.

Revaluation Account

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

Step 3: Working Notes: calculate adjusted and required capitals After reserve, revaluation and goodwill adjustments, the capital balances are:

$$\text{Rupal} = 8,00,000 + 1,60,000 + 80,000 = \text{Rs } 10,40,000,$$
$$\text{Shanu} = 6,00,000 + 1,20,000 + 60,000 - 1,00,000 = \text{Rs } 6,80,000,$$
$$\text{Trisha} = 2,00,000 + 40,000 + 20,000 + 1,00,000 = \text{Rs } 3,60,000.$$

Each continuing partner needs $16,00,000 \times 1/2 = \text{Rs } 8,00,000$. Rupal withdraws Rs 2,40,000 and Shanu brings in Rs 1,20,000. As no separate settlement terms are specified for Trisha, her amount due is transferred to her Loan Account.

Step 4: Prepare Partners' Capital Accounts The capital accounts record the old balances and all adjustments; the continuing partners' balances are carried down at the agreed amounts. All figures below are in Rs.

Partners' Capital Accounts

Dr. Particulars	Rupal	Shanu	Trisha	Particulars	Rupal	Shanu	Trisha Cr.
To Trisha's Capital A/c	–	1,00,000	–	By Balance b/d	8,00,000	6,00,000	2,00,000
To Cash A/c	2,40,000	–	–	By General Reserve	1,60,000	1,20,000	40,000
To Trisha's Loan A/c	–	–	3,60,000	By Revaluation A/c	80,000	60,000	20,000
To Balance c/d	8,00,000	8,00,000	–	By Shanu's Capital A/c	–	–	1,00,000
				By Cash A/c	–	1,20,000	–
Total	10,40,000	9,00,000	3,60,000	Total	10,40,000	9,00,000	3,60,000

Step 5: Conclusion Revaluation profit is Rs 1,60,000. Rupal withdraws Rs 2,40,000 and Shanu introduces Rs 1,20,000, leaving capitals of Rs 8,00,000 each. Trisha's amount due is Rs 3,60,000, transferred to her Loan Account.

Quick Tip to Solve: Since Shanu alone takes Trisha's share, debit only Shanu for goodwill; adjust cash only after reserve, revaluation and goodwill have all been posted.

25. 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 Subscribed but not fully paid up	 50,00,000 Nil
		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 @ Rs. 2 per share 40,000	 1,60,000
		59,60,000

Answer the following questions : [6 marks]

25(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 the face value of shares actually issued; it is distinct from paid-up capital after deducting calls in arrears.
- Face value of shares issued during the year equals closing issued capital minus opening issued capital.

Step 1: Find the increase in issued shares The notes show 5,00,000 equity shares issued at 31st March, 2023 and 6,00,000 shares at 31st March, 2024. Hence the issue during 2023–2024 comprises $6,00,000 - 5,00,000 = 1,00,000$ shares.

Step 2: Apply the face value Each equity share has face value Rs 10. Therefore, the total face value issued during the year is

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

The unpaid calls do not reduce the face value issued. The increase in paid-up share capital is only $59,60,000 - 50,00,000 = \text{Rs } 9,60,000$, because Rs 40,000 of the new called-up capital remains unpaid. Thus Rs 9,80,000, Rs 4,20,000 and Rs 11,00,000 do not equal the increase in issued capital.

Step 3: Conclusion Rs 10,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Compare issued capital in the two notes, without deducting calls in arrears from the new issue.

25(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 the called-up amount that shareholders have not paid.
- Number of defaulting shares equals total calls in arrears divided by the unpaid call per share.

Step 1: Identify the arrears The 2024 note states that 20,000 shares of Rs 10 each are fully called up but not fully paid. The unpaid amount is Rs 2 on each such share, giving total calls in arrears of Rs

40,000.

Step 2: Verify the number of shares

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

The difference between issued shares and fully paid shares confirms this: $6,00,000 - 5,80,000 = 20,000$. The 1,00,000 figure is the new issue, not the number in default. The other counts, 80,000 and 3,00,000, do not reconcile to the arrears.

Step 3: Conclusion 20,000 shares. Hence, the correct option is (D).

Quick Tip to Solve: Divide arrears by the unpaid amount per share, not by the face value of Rs 10.

25(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 Account is debited with the called-up capital on the forfeited shares.
- The debit to Share Capital includes both the amount received towards capital and the unpaid called-up amount.

Step 1: Identify called-up capital per share All 20,000 defaulting shares have face value Rs 10 and are fully called up. Thus the amount called up on each forfeited share is Rs 10, although Rs 2 remains unpaid.

Step 2: Calculate the capital cancelled

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

This cancels the full called-up capital of the forfeited shares. Rs 1,60,000 is the amount already received, while Rs 40,000 is calls in arrears; neither alone is the Share Capital debit. Rs 2,40,000 exceeds the called-up amount and has no basis in the note.

Step 3: Conclusion Rs 2,00,000. Hence, the correct option is (C).

Quick Tip to Solve: For the Share Capital debit, multiply forfeited shares by called-up value, not by the amount collected.

25(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:

- Share Forfeiture Account is credited with capital money already received on the shares forfeited.
- Amount received towards capital equals called-up capital less calls in arrears; no securities premium is given here.

Step 1: Find capital money received per share Each defaulting share is fully called up at Rs 10, with Rs 2 unpaid. The capital amount already received per share is therefore $10 - 2 = \text{Rs } 8$.

Step 2: Calculate the forfeiture credit

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

Equivalently, deduct arrears of Rs 40,000 from called-up capital of Rs 2,00,000. Rs 40,000 is unpaid and cannot be credited as money forfeited; Rs 2,00,000 is the full capital cancelled. Rs 2,40,000 exceeds the total capital of these shares.

Step 3: Conclusion Rs 1,60,000. Hence, the correct option is (A).

Quick Tip to Solve: Forfeiture retains money already collected: subtract Rs 2 unpaid from the Rs 10 called up first.

25(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:

- Discount allowed on reissue of forfeited shares is debited to Share Forfeiture Account.
- On reissue of all forfeited shares, the remaining forfeiture balance is transferred to Capital Reserve.

Step 1: Calculate reissue discount The 20,000 shares are reissued as fully paid Rs 10 shares for Rs 8

each. The reissue discount is

$$20,000 \times (10 - 8) = \text{Rs } 40,000.$$

This discount is met from the Rs 1,60,000 originally credited to Share Forfeiture Account.

Step 2: Determine the capital profit

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

Rs 40,000 is the discount used up, while Rs 1,60,000 is the forfeiture balance before deducting that discount. Rs 2,00,000 is the face value restored on reissue and is not the capital profit.

Step 3: Conclusion Rs 1,20,000. Hence, the correct option is (D).

Quick Tip to Solve: Deduct the reissue discount from forfeited money for these same shares before transferring the surplus.

25(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 maximum permissible discount on reissue equals the amount forfeited on those shares.
- Minimum reissue price equals paid-up value on reissue minus the capital amount previously forfeited per share.

Step 1: Determine the minimum price The company has already received Rs 8 per share before forfeiture, because Rs 2 out of the fully called Rs 10 remained unpaid. Thus it may allow a reissue discount of at most Rs 8 per share. For a fully paid Rs 10 share, the minimum permissible reissue price is $10 - 8 = \text{Rs } 2$.

Step 2: Apply the entire forfeiture balance At that minimum price, the discount is $20,000 \times 8 = \text{Rs } 1,60,000$, exactly equal to the forfeiture balance. Hence

$$\text{Capital Reserve} = 1,60,000 - 1,60,000 = \text{Rs } 0.$$

All forfeited money is used to cover the discount, so none of the positive amounts Rs 2,00,000, Rs 1,60,000 or Rs 40,000 remains transferable.

Step 3: Conclusion NIL. Hence, the correct option is (D).

Quick Tip to Solve: At the minimum reissue price, maximum discount uses the entire forfeiture balance, leaving no reserve.

26(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:

- Share application money is separated into share capital and securities premium on the shares allotted; excess application money is adjusted against later instalments.
- Calls in Advance is credited for money received before a call is due and debited when that money is adjusted. Calls in Arrears records only the unpaid amount remaining after such adjustment.

Step 1: Working Notes: allocate the excess application money For Category A, application money received is $90,000 \times 9 =$ Rs $8,10,000$. Application money required on 70,000 allotted shares is $70,000 \times 9 =$ Rs $6,30,000$. Hence excess application money is Rs 1,80,000, all adjusted against allotment. Allotment due is $70,000 \times 8 =$ Rs $5,60,000$; the balance collected is Rs 3,80,000.

For Category B, application money received is $60,000 \times 9 =$ Rs $5,40,000$. Application money required on 30,000 allotted shares is Rs 2,70,000. The excess of Rs 2,70,000 covers allotment of $30,000 \times 8 =$ Rs $2,40,000$ and leaves Rs 30,000 as calls in advance. Thus total excess application money of Rs 4,50,000 is divided into Rs 4,20,000 against allotment and Rs 30,000 against the call.

Step 2: Record application and allotment Journal of Alexia Limited (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application A/c (Being application money received on 1,50,000 shares at Rs 9 each)		13,50,000	 13,50,000

	Share Application A/c Dr.
	  To Share Capital A/c
	  To Securities Premium A/c
	  To Share Allotment A/c
	  To Calls in Advance A/c
	(Being application money transferred and excess adjusted against allotment and the call)
			13,50,000	
				3,00,000
				6,00,000
				4,20,000
				30,000

	Share Allotment A/c Dr.
	  To Share Capital A/c
	  To Securities Premium A/c
	(Being allotment due on 1,00,000 shares at Rs 8, including premium of Rs 4 each)
			8,00,000	
				4,00,000
				4,00,000

	Bank A/c Dr. To Share Allotment A/c (Being balance of allotment money received after adjustment of Rs 4,20,000)		3,80,000	 3,80,000

Step 3: Working Notes: compute Shekhar's actual arrears Shekhar belongs to Category B, whose allotment ratio is $30,000/60,000 = 1/2$. He receives $1,200 \times 1/2 = 600$ shares. His application payment is Rs 10,800 and application money required is $600 \times 9 =$ Rs $5,400$. From the Rs 5,400 excess, Rs 4,800 is adjusted against allotment and Rs 600 remains as his call advance.

$$\begin{aligned} \text{Call due from Shekhar} &= 600 \times 3 = \text{Rs } 1,800, \\ \text{Unpaid balance} &= 1,800 - 600 = \text{Rs } 1,200, \\ \text{Call cash received} &= 3,00,000 - 30,000 - 1,200 \\ &= \text{Rs } 2,68,800. \end{aligned}$$

Although he pays no further cash, the advance already held is applied to his call. Therefore the full Rs 1,800 is not outstanding.

Step 4: Record the call and its settlement Journal of Alexia Limited (first and final call)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call due on 1,00,000 shares at Rs 3 each)		3,00,000	 3,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. Calls in Arrears A/c Dr. To Share First and Final Call A/c (Being call money received, advances adjusted and Shekhar's unpaid balance transferred to arrears)		2,68,800 30,000 1,200	 3,00,000

Step 5: Open the required accounts Calls in Advance Account

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

The advance account closes with no balance because all Rs 30,000 has been adjusted.

Calls in Arrears Account

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

Step 6: Conclusion Calls in arrears are Rs 1,200 and calls in advance are fully adjusted. Share Capital is credited with Rs 10,00,000 and Securities Premium with Rs 10,00,000. Total bank receipts are Rs 19,98,800, agreeing with the total issue proceeds of Rs 20,00,000 less arrears of Rs 1,200.

Quick Tip to Solve: Work out excess application money separately for A and B. For Shekhar, deduct his Rs 600 advance from the Rs 1,800 call before recording arrears.

OR

26(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 the called-up capital. Reverse Securities Premium only when the premium due was not received, and credit Share Forfeiture with capital money already received.
- On reissue, credit Share Capital with the paid-up value. A discount on reissue is debited to Share Forfeiture, limited to the forfeited capital on those shares; a premium on reissue is credited to Securities Premium.
- Transfer to Capital Reserve only the surplus forfeited amount attributable to shares actually reissued, after deducting any discount allowed on them.

Step 1: Working Notes: analyse Premier Ltd.'s shares The first and final call of Rs 3 has not been made, so called-up capital per share is $10 - 3 =$ Rs 7. The unpaid allotment of Rs 7 comprises capital

of Rs 4 and premium of Rs 3. Therefore capital already received per share is $7 - 4 = \text{Rs } 3$.

$$\begin{aligned}\text{Capital cancelled} &= 600 \times 7 = \text{Rs } 4,200,\\ \text{Unpaid premium reversed} &= 600 \times 3 = \text{Rs } 1,800,\\ \text{Allotment unpaid} &= 600 \times 7 = \text{Rs } 4,200,\\ \text{Capital forfeited} &= 600 \times 3 = \text{Rs } 1,800.\end{aligned}$$

Reissue at Rs 13 fully paid means receipt of Rs 7,800, credit to share capital of Rs 6,000 and fresh securities premium of Rs 1,800. The previously uncalled Rs 3 does not prevent reissue as fully paid. There is no reissue discount, so the entire forfeited capital of Rs 1,800 becomes capital reserve.

Step 2: Journalise Premier Ltd.'s forfeiture and reissue 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 non-payment of allotment, including unpaid premium)			
	Bank A/c Dr.		7,800	
	To Share Capital A/c			6,000
	To Securities Premium A/c			1,800
	(Being 600 forfeited shares reissued at Rs 13 each as fully paid)			
	Share Forfeiture A/c Dr.		1,800	
	To Capital Reserve A/c			1,800
	(Being surplus on all 600 reissued shares transferred to capital reserve)			

Step 3: Working Notes: analyse Risha Ltd.'s shares Called-up capital is Rs 8 per share. Unpaid allotment of Rs 6 includes Rs 2 premium and Rs 4 capital, so capital received is $8 - 4 = \text{Rs } 4$ per share.

$$\begin{aligned}\text{Capital cancelled} &= 1,000 \times 8 = \text{Rs } 8,000,\\ \text{Unpaid premium reversed} &= 1,000 \times 2 = \text{Rs } 2,000,\\ \text{Allotment unpaid} &= 1,000 \times 6 = \text{Rs } 6,000,\\ \text{Capital forfeited} &= 1,000 \times 4 = \text{Rs } 4,000.\end{aligned}$$

Of these shares, only 800 are reissued. Their paid-up value is Rs 8, while their cash reissue price is Rs 7, so the discount is Rs 1 per share, not Rs 3 per share measured against face value.

$$\begin{aligned}\text{Bank received} &= 800 \times 7 = \text{Rs } 5,600,\\ \text{Share capital on reissue} &= 800 \times 8 = \text{Rs } 6,400,\\ \text{Reissue discount} &= 800 \times 1 = \text{Rs } 800,\\ \text{Forfeiture on reissued shares} &= 800 \times 4 = \text{Rs } 3,200,\\ \text{Transfer to capital reserve} &= 3,200 - 800 = \text{Rs } 2,400.\end{aligned}$$

The forfeited capital relating to the 200 unreissued shares, $200 \times 4 = \text{Rs } 800$, remains in Share

Forfeiture Account.

Step 4: Journalise Risha Ltd.'s forfeiture and reissue Journal of Risha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Allotment A/c To Share Forfeiture A/c (Being Atul's 1,000 shares forfeited for non-payment of allotment including premium)		8,000 2,000	 6,000 4,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being 800 forfeited shares reissued at Rs 7 each, Rs 8 paid up)		5,600 800	 6,400
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus forfeited capital relating to the 800 reissued shares transferred to capital reserve)		2,400	 2,400

Step 5: Conclusion Premier Ltd. transfers Rs 1,800 to Capital Reserve and earns fresh securities premium of Rs 1,800 on reissue. Risha Ltd. transfers Rs 2,400 to Capital Reserve, leaving Rs 800 in Share Forfeiture Account for the 200 shares not yet reissued.

Quick Tip to Solve: For Premier use Rs 7 called-up capital at forfeiture but Rs 10 paid-up capital at reissue. For Risha compare the Rs 7 price with Rs 8 paid-up value and reserve only the surplus on 800 reissued shares.

Part B (20 marks)

OPTION - I (Analysis of Financial Statements)

27(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:

- Financial statements supply accounting information; tools of analysis arrange, compare or interpret that information to evaluate financial performance and position.
- Ratio analysis, comparative statements and cash flow statements are recognised tools of financial statement analysis.

Step 1: Distinguish a statement from a tool An income statement reports income, expenses and the resulting profit or loss for an accounting period. It provides the original financial information to be

analysed; it is not itself classified as a tool of analysis in this question.

Step 2: Check the other choices Ratio analysis studies relationships between financial figures. Comparative statements show changes between periods, while a cash flow statement analyses cash movements by operating, investing and financing activities. Thus options (B), (C) and (D) are tools of analysis and do not satisfy the word "not" in 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: For this negative question, identify the statement that supplies profit data: the income statement is the input, while ratios, comparisons and cash flows help analyse it.

OR

27(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 income and expense as a percentage of revenue from operations.
- The common-size percentage is $\frac{\text{Individual item}}{\text{Revenue from operations}} \times 100$; revenue from operations is therefore the base of 100%.

Step 1: Identify the common base The purpose is to compare the composition of income and expenses across years or companies irrespective of their size. Therefore, every item is divided by the same operating-revenue figure, rather than by its own category total.

Step 2: Test the alternatives Total income can include other income in addition to revenue from operations, so (A) is not the prescribed base. Total expenses in (B) and profit after tax in (C) are individual measures to be expressed relative to revenue; neither is the base. Option (D) names the required denominator.

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

Quick Tip to Solve: For an income statement, set revenue from operations equal to 100% before calculating any common-size percentage.

28(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 an insignificant risk of change in value.
- An investment normally qualifies when its maturity is three months or less from its date of acquisition.

Step 1: Apply the maturity condition The period is measured from the date on which the enterprise acquires the investment, not from the balance-sheet date. The short maturity permits the investment to serve near-term cash commitments without significant uncertainty about the amount realised.

Step 2: Compare all four periods The periods of six, nine and twelve months in (A), (B) and (C) exceed the normal three-month limit. Only the period stated in (D), three months or less, satisfies the condition in the question together with high liquidity and convertibility into a known amount of cash.

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

Quick Tip to Solve: Count the three-month maturity limit from acquisition, not from the year-end reporting date.

OR

28(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 highly liquid short-term investments readily convertible into known cash amounts with insignificant value risk.
- Trade receivables are amounts due from customers and remain receivables until collection; they are not cash or cash equivalents.

Step 1: Identify the excluded item Trade receivables arise from credit sales. Their collection requires payment by the customer and may involve delay or default. They are therefore excluded from cash and cash equivalents, even though they are current assets.

Step 2: Check the remaining alternatives Demand deposits in (B) are available on demand and are cash. The short-term marketable securities in (C) represent cash equivalents when they satisfy the liquidity, insignificant-risk and normal three-month maturity conditions. Cheques in hand in (D) are included in cash under the treatment used here. Thus none of these is the intended exclusion.

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

Quick Tip to Solve: Do not confuse a liquid asset used in the quick ratio with cash: trade receivables are liquid assets but are not cash equivalents.

29. 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 $= \dfrac{\text{Quick assets}}{\text{Current liabilities}}$. Quick assets exclude inventory and prepaid expenses.
- At a ratio of $1:1$, quick assets equal current liabilities. An increase in quick assets alone increases this ratio.

Step 1: Test the two sales and collection transactions Cash received from debtors (A) increases cash and decreases receivables by the same amount. Both are quick assets, so total quick assets and the ratio remain unchanged. A credit sale (B) increases trade receivables without increasing current liabilities. The inventory decrease does not reduce quick assets because inventory was already excluded.

Step 2: Test both purchase transactions Purchasing goods on credit (C) increases inventory and creditors: quick assets stay unchanged while current liabilities rise, so the ratio falls. Purchasing goods for cash (D) decreases cash and increases excluded inventory; quick assets fall with no change in current liabilities, so the ratio also falls. A credit sale is therefore the sole transaction that raises the ratio.

Step 3: Conclusion Selling goods on credit increases the Quick Ratio. Hence, the correct option is (B).

Quick Tip to Solve: Ignore inventory when tracking quick assets; a credit sale adds receivables, whereas a cash purchase removes cash.

30. 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, non-cash expenses charged in calculating net profit are added back to find operating profit before working capital changes.
- Depreciation allocates an asset's cost to accounting periods but does not itself involve a current cash payment.

Step 1: Evaluate Statement-I The profit of Rs 2,00,000 is already after deducting depreciation of Rs 50,000. Reversing this non-cash charge gives, from the information supplied,

$$\text{Operating profit before working capital changes} = 2,00,000 + 50,000 = \text{Rs } 2,50,000.$$

Hence Statement-I is true.

Step 2: Evaluate Statement-II and the options Depreciation reduces accounting profit without reducing cash in the period, so it must be added back under the indirect method. The add-back reverses an accounting deduction; it is not a separate cash receipt. Statement-II is therefore true and also explains the calculation. Options (A) and (B) each wrongly reject one true statement, while (C) wrongly rejects both.

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

Quick Tip to Solve: When profit is stated after charging depreciation, add the charge back once before working capital adjustments.

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

(i) Outstanding Salaries

(ii) Trademarks

(iii) Loose tools [3 marks]

Solution:

Concept:

- Schedule III distinguishes current liabilities from non-current and current assets. Classification depends on the nature of an item and its use in the business.
- Accrued operating expenses are liabilities; trademarks are intangible assets; loose tools are classified as inventories.

Step 1: Classify outstanding salaries Outstanding salaries are employees' remuneration already earned but unpaid at the reporting date. They are a present obligation arising from the current operating period, normally payable within the operating cycle. They appear under Current Liabilities, in Other Current Liabilities, rather than as a borrowing or an asset.

Step 2: Classify trademarks A trademark is an identifiable right used by the business over more than one accounting period. It has no physical substance. Consequently, it belongs to Non-current Assets, under Fixed Assets: Intangible Assets. Its absence of physical form distinguishes it from tangible property, plant and equipment.

Step 3: Classify loose tools and present the heads Loose tools are classified as inventories under Current Assets in the prescribed balance-sheet classification. They are not grouped with the company's long-term machinery. The required heads and sub-heads are:

Balance Sheet Classification (Schedule III)

Item	Major head	Sub-head
Outstanding Salaries	Current Liabilities	Other Current Liabilities
Trademarks	Non-current Assets	Fixed Assets: Intangible Assets
Loose tools	Current Assets	Inventories

Step 4: Conclusion Outstanding salaries: Other Current Liabilities; trademarks: Intangible Assets within Non-current Assets; loose tools: Inventories within Current Assets.

Quick Tip to Solve: Classify by nature: unpaid salary is an obligation, a trademark is a non-physical right, and loose tools are inventory.

32. From the following information prepare a Comparative Statement of Profit and Loss for the year ended 31st March, 2024 :

Particulars	2023-24 (Rs.)	2022-23 (Rs.)
Revenue from operations	20,00,000	10,00,000
Cost of revenue from operations	2,00,000	1,00,000
Other Expenses	4,00,000	2,00,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A comparative statement presents the previous and current year figures, their absolute change and the percentage change relative to the previous year.
- Absolute change = current year minus previous year; percentage change = $\dfrac{\text{Absolute change}}{\text{Previous year}} \times 100$.
- Profit before tax equals revenue less expenses; tax is 50% of profit before tax, and profit after tax is the remainder.

Step 1: Compute profits and tax for both years For 2022–23, total expenses are $1,00,000 + 2,00,000 =$ Rs $3,00,000$. Thus profit before tax is $10,00,000 - 3,00,000 =$ Rs $7,00,000$, tax is $7,00,000 \times 50\% =$ Rs $3,50,000$, and profit after tax is Rs 3,50,000.

For 2023–24, total expenses are $2,00,000 + 4,00,000 =$ Rs $6,00,000$. Profit before tax is $20,00,000 - 6,00,000 =$ Rs $14,00,000$, tax is $14,00,000 \times 50\% =$ Rs $7,00,000$, and profit after tax is Rs 7,00,000.

Step 2: Prepare the comparative statement The earlier year is the base for every percentage. For example, the rise in revenue is Rs 10,00,000, so its percentage increase is $10,00,000/10,00,000 \times 100 = 100\%$. The same method applies to each expense and profit figure.

Comparative Statement of Profit and Loss
for the year ended 31st March, 2024

Particulars	2022–23 (Rs)	2023–24 (Rs)	Increase (Rs)	Change (%)
Revenue from operations	10,00,000	20,00,000	10,00,000	100
Total revenue	10,00,000	20,00,000	10,00,000	100
Expenses:				
Cost of revenue from operations	1,00,000	2,00,000	1,00,000	100
Other expenses	2,00,000	4,00,000	2,00,000	100
Total expenses	3,00,000	6,00,000	3,00,000	100
Profit before tax	7,00,000	14,00,000	7,00,000	100
Less: Tax at 50%	3,50,000	7,00,000	3,50,000	100
Profit after tax	3,50,000	7,00,000	3,50,000	100

Step 3: Conclusion Profit after tax increased from Rs 3,50,000 to Rs 7,00,000, an increase of Rs 3,50,000 or 100%. All the monetary items in the comparative statement doubled.

Quick Tip to Solve: Place 2022–23 in the base-year column even though the question prints 2023–24 first; divide every change by the earlier figure.

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:

- Gross profit ratio is gross profit divided by revenue from operations, multiplied by 100. Thus, cost of revenue from operations is the remaining percentage of revenue.
- Trade receivables turnover ratio equals net credit revenue from operations divided by average trade receivables. Cash revenue is excluded because it does not create trade receivables.
- Average trade receivables are $(O+C)/2$, where O and C are opening and closing trade receivables respectively.

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

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

The percentage is applied to revenue, rather than to cost, since the given ratio is a gross profit ratio on sales.

Step 2: Separate credit revenue from cash revenue Let credit revenue from operations be X. Cash revenue is $X/3$, so total revenue contains four equal parts, of which three are credit revenue.

$$X + \frac{X}{3} = 8,00,000,$$
$$X = 8,00,000 \times \frac{3}{4} = \text{Rs } 6,00,000.$$

Cash revenue is consequently Rs 2,00,000. Only Rs 6,00,000 enters the numerator of the trade receivables turnover ratio.

Step 3: Find average trade receivables The turnover ratio is 4 times. Rearranging its formula gives

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

Hence the sum of opening and closing trade receivables is Rs 3,00,000.

Step 4: Use the difference between the balances Closing trade receivables exceed opening trade

receivables by Rs 20,000, so $C = O + 20,000$. Substituting this into the average gives

$$\begin{aligned} \frac{O + (O + 20,000)}{2} &= 1,50,000, \\ 2O + 20,000 &= 3,00,000, \\ O &= \text{Rs } 1,40,000, \\ C &= 1,40,000 + 20,000 = \text{Rs } 1,60,000. \end{aligned}$$

The average of these balances is Rs 1,50,000 and their difference is Rs 20,000, satisfying both conditions.

Step 5: Conclusion Opening trade receivables are $\boxed{\text{Rs } 1,40,000}$ and closing trade receivables are $\boxed{\text{Rs } 1,60,000}$.

Quick Tip to Solve: Cash revenue equal to one-third of credit revenue makes credit revenue three-fourths of total revenue. With a Rs 20,000 closing excess, subtract and add Rs 10,000 to the average to get the two balances.

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 equals gross profit divided by revenue from operations, multiplied by 100. Cost of revenue from operations is revenue minus gross profit.
- Inventory turnover ratio equals cost of revenue from operations divided by average inventory. Using revenue directly in this ratio would incorrectly include the gross profit margin.
- Average inventory is $(O + C)/2$, where O denotes opening inventory and C denotes closing inventory. The given relationship between the balances determines how their sum is divided.

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

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

Thus, the goods sold have a cost of Rs 6,00,000. This cost, rather than the selling value of Rs 8,00,000, is compared with inventory because inventory is measured at cost for this calculation.

Step 2: Obtain average inventory from the turnover ratio An inventory turnover ratio of 4 times means that cost of revenue is four times average inventory. Rearranging the formula,

$$\text{Average inventory} = \frac{\text{Cost of revenue}}{\text{Inventory turnover ratio}} = \frac{6,00,000}{4} = \text{Rs } 1,50,000.$$

Since the average is half the sum of the two balances, opening inventory plus closing inventory must equal Rs 3,00,000.

Step 3: Apply the opening-to-closing inventory relationship Let closing inventory be C. Opening inventory is twice this amount, or $2C$. Hence,

$$\begin{aligned} \frac{2C + C}{2} &= 1,50,000, \\ 3C &= 3,00,000, \\ C &= \text{Rs } 1,00,000, \\ O &= 2 \times 1,00,000 = \text{Rs } 2,00,000. \end{aligned}$$

As a check, the two balances average to Rs 1,50,000, and Rs 6,00,000 divided by this average is 4 times. Opening inventory is also exactly twice closing inventory, as required.

Step 4: Conclusion Opening inventory is $\boxed{\text{Rs } 2,00,000}$ and closing inventory is $\boxed{\text{Rs } 1,00,000}$.

Quick Tip to Solve: First remove the 25% gross profit from revenue. After finding average inventory, double it and divide the resulting total in the opening-to-closing ratio of $2 : 1$.

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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 Less : Accumulated Depreciation	 21,50,000 2,50,000 19,00,000	 16,00,000 1,00,000 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 property, plant and equipment and cash received from selling those assets or non-current investments.
- For a non-financial company, financing activities include proceeds from share capital, repayment of debentures and interest paid on borrowings.
- Use gross machinery cost to calculate purchases. Accumulated depreciation is non-cash and must not be mistaken for a payment.

Step 1: Calculate the machinery purchased The opening and closing gross costs of plant and machinery are Rs 16,00,000 and Rs 21,50,000 respectively. The machine sold had an original cost of Rs 8,00,000. Hence:

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

Its carrying amount at disposal was Rs $8,00,000 - 50,000 = 7,50,000$, but the actual cash received was Rs 6,50,000. Thus, the loss on sale was Rs 1,00,000. Investing cash flow uses the sale proceeds, not the carrying amount or the loss.

Step 2: Prepare the investing activities extract The reduction in non-current investments is Rs $4,00,000 - 3,00,000 = 1,00,000$. With no purchase, revaluation or gain/loss on investments stated, this represents cash proceeds from their sale at book value. Similarly, the machinery purchases are treated as cash purchases, as no non-cash acquisition is specified.

Bhavik Ltd.: Cash Flow Statement (extract)
For the 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 paid to purchase 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. With no bonus issue or non-cash issue stated, cash received on issue of shares is Rs 2,00,000. The fall in debentures from Rs 10,00,000 to Rs 6,00,000 gives a redemption payment of Rs 4,00,000.

The debentures were redeemed on 31st March, 2024, so the opening Rs 10,00,000 remained outstanding throughout the year. Interest for the full year is therefore

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

No outstanding-interest adjustment is given; the year's interest is treated as paid. Applying 10% to the closing balance would wrongly omit interest on the debentures redeemed at year-end.

Step 4: Prepare the financing activities extract The share issue is a financing inflow. Both redemption

of debentures and interest paid are financing outflows for Bhavik Ltd.

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

Particulars	Amount (Rs)
B. Cash flows from financing activities	
Proceeds from issue of share capital	2,00,000
Redemption of 10% debentures	(4,00,000)
Interest paid on debentures	(1,00,000)
Net cash used in financing activities	**(3,00,000)**

Changes in inventories, trade receivables, trade payables and tax provisions belong to the operating cash-flow calculation; they are not included in these two extracts.

Step 5: Conclusion (a) Cash flow from investing activities is **Rs (6,00,000)**, a net outflow.
(b) Cash flow from financing activities is **Rs (3,00,000)**, a net outflow.

Quick Tip to Solve: For machinery purchases, reconcile gross cost; for interest, note that redemption on the last day means a full year of interest on the opening debentures.

OPTION - II (Computerised Accounting)

27. 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:

- A style gallery displays a limited selection of preset formats until its expanded list is opened.
- The More button expands the gallery so that all available shape styles can be seen.

Step 1: Identify the required action The question asks how to display every available shape style. This is a gallery-expansion action: clicking More opens the complete selection of styles for the selected shape.

Step 2: Eliminate the other buttons Chart tool relates to chart editing, while Picture relates to images. Custom is not the button named for expanding the Shape Styles gallery. Those choices do not perform the specific action asked here.

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

Quick Tip to Solve: When a question asks to see all styles in a gallery, look for the More expansion button.

28(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: None of the printed options is a standard subgroup of Current Assets.

Solution:

Concept:

- Current Assets normally include cash and bank balances, inventories, receivables, short-term advances and other current assets.
- An item appearing on the asset side does not necessarily belong to the narrower Current Assets group.

Step 1: Check each classification Duties and Taxes is ordinarily a current-liability group. Reserves & Surplus belongs to shareholders' funds, while Direct Expenses is an expense group. None of these is the standard Current Assets subgroup asked for.

Step 2: Examine the tempting asset-side option Miscellaneous Expenditures may be shown separately on the asset side in an older account-group scheme, but it is not thereby a subgroup of Current Assets. Choosing (B) solely because it is asset-related would ignore the specific group named in the question. The NCERT current-assets classification likewise does not identify Miscellaneous Expenditures as a current-asset subgroup (Computerised Accounting System, Chapter 1, section 1.4, p. 6).

Step 3: Conclusion As printed, the question has no uniquely defensible correct option: none of (A)–(D) is a standard subgroup of Current Assets.

Quick Tip to Solve: Check the precise subgroup named: appearing on the asset side alone does not make an item part of Current Assets.

OR

28(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 marker for an absent or unavailable data value.
- NULL is not a stored zero, an empty descriptive value, or a collection containing several data items.

Step 1: Interpret the null marker When a database field has no data value supplied or available, NULL indicates this absence. It does not identify a particular ordinary value stored in the field.

Step 2: Compare the alternatives Option (A) describes stored value items, whereas NULL signals their absence. Option (B) concerns many values and option (D) concerns a single value; neither describes missing data. Option (C) directly states the meaning of the null marker.

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

Quick Tip to Solve: Read NULL as missing data; do not treat it as zero or as the number of values stored.

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29. 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 system to adapt its processing volume as the scale of the business changes.
- Speed concerns processing time, whereas reliability concerns consistent and dependable operation.

Step 1: Identify the decisive clue The business may be of any size, and the accounting system can change its data-processing volume in tune with that size. Adapting capacity to a changing workload is the feature described.

Step 2: Eliminate nearby features Simple refers to ease of understanding or use. Speed refers to how quickly data is processed, while reliability refers to dependable results. Neither ease, speed nor reliability specifically expresses adjustment to increasing or decreasing business volume.

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

Quick Tip to Solve: Underline changes in business size or processing volume; these clues identify scalability.

30(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 data series is a set of related values plotted in a chart.
- A legend identifies a data series by its name and the colour, symbol or pattern used to represent it.

Step 1: Connect the information to the series The question describes information assigned to a data series. The legend acts as the chart key, allowing the reader to identify which plotted series a colour or symbol represents.

Step 2: Distinguish the other chart elements A data point is an individual plotted value. A data label gives information about an individual point, such as its value. The plot area is the region in which the data is drawn. These differ from the legend identifying a complete series.

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

Quick Tip to Solve: Use legend for the key identifying a series, and data label for information attached to a point.

OR

30(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 assign consecutive numbers to successive accounts or records, sometimes after a common alphabetic prefix.
- Block codes reserve ranges for categories; mnemonic codes use meaningful abbreviations that help identify the particular account.

Step 1: Examine the changing part of the codes The three accounts have the common prefix CA, while their numeric parts are 005, 006 and 007. Each new account receives the next number in the sequence. The identifying feature is this consecutive assignment.

Step 2: Distinguish the other choices The table does not show separate reserved ranges for different categories, so block coding is not demonstrated. Nor do the codes abbreviate the individual names Super, Regina and Nasir, so mnemonic coding is not the appropriate description. There is no encryption rule shown; encryptic codes therefore do not describe the displayed pattern.

Step 3: Conclusion The company uses sequential codes. Hence, the correct option is (D).

Quick Tip to Solve: Ignore the common CA prefix and compare 005, 006, 007: consecutive identifiers indicate sequential coding.

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

Solution:

Concept:

- A Pivot Table is an interactive summary report that groups and analyses records from a tabular source using selected fields.
- Its rows, columns, values and filters provide different views of the same source data without changing the underlying records.

Step 1: Summarises large volumes of data quickly A Pivot Table condenses many detailed records into an understandable report. It can calculate totals, counts and averages for selected groups without requiring the user to write separate formulas for every category. For example, hundreds of sales transactions can be summarised into sales totals for each product or branch, making the important information easier to read.

Step 2: Provides flexible comparisons and analysis Fields can be rearranged between rows and columns to view the information from different perspectives. The same sales data can be shown by product and month, or by branch and product. Sorting, grouping and filtering allow the user to compare categories and focus on relevant records quickly, without preparing the entire report again.

Step 3: Supports investigation and updating of reports The report can display subtotals and grand totals and help users identify trends or unusual results. Users can inspect the detailed records behind a summary value when required. After changes to the source records, refreshing the Pivot Table updates its summary; the source range must include any newly added records. Thus routine reports can be maintained efficiently while preserving the original data.

Step 4: Conclusion The main advantages are rapid summarisation, flexible comparison and filtering, and easy investigation and refreshing of reports.

Quick Tip to Solve: Remember three benefits: summarise many records, rearrange fields for comparisons, and refresh the report after source changes.

32. 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 misspelled function or an undefined name.
- Literal text inside a formula must be enclosed in double quotation marks so that Excel treats it as a text value rather than as a name.

Step 1: Identify the error The required error is `#NAME?`. It indicates that Excel is unable to interpret a name or text in the formula. This is different from a division-by-zero error, which concerns a zero divisor, and from a value error, which concerns an inappropriate type of argument. The wording of the question points to recognition of a name or text, so the name error applies.

Step 2: First solution: correct the spelling of the function Check the formula's function name and replace a misspelling with the correct built-in name. For example, `=SUMM(A1:A5)` should be corrected to `=SUM(A1:A5)`. Excel can then recognise the function and add the specified cells. Selecting the function from Excel's function list also helps avoid spelling mistakes.

Step 3: Second solution: put text constants in double quotes Check whether literal text has been entered without quotation marks. For example, `=IF(A1>0,Yes,No)` treats Yes and No as names. When these names are not defined, the formula produces the name error. Correct it to `=IF(A1>0,"Yes","No")`; the quoted words are now recognised as text results. Apply the correction that corresponds to the actual cause of the error.

Step 4: Conclusion The error is `#NAME?`. Two remedies are to correct misspelled function names and to enclose literal text in double quotation marks.

Quick Tip to Solve: For `#NAME?`, inspect function spellings first, then check whether text constants are enclosed in double quotes.

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

Solution:

Concept:

- Data formatting changes the appearance and display of worksheet data so that it is clear, consistent and easy to interpret.

- Ordinary cell formatting changes presentation without changing the stored value or the formula used for calculations.

Step 1: Explain the meaning and purpose of formatting Data formatting is the process of applying suitable display formats and visual attributes to data in a worksheet. It distinguishes headings, labels, amounts and totals and makes a report easier to read. For example, an amount can be displayed with a currency symbol and two decimal places, while a heading can be made bold. Displaying fewer decimal places normally changes only what is shown; calculations still use the stored value.

Step 2: Use font and alignment tools Font tools set the typeface, font size, bold, italic, underline and font colour. These can emphasise the title or totals. Alignment tools position contents horizontally or vertically, change text orientation and wrap long text within a cell. Merge and Centre can be used for a report title across selected cells when the other selected cells do not contain data that needs to be retained.

Step 3: Use number formats Number-format tools display values as numbers, currency or accounting amounts, percentages, dates, times or fractions, as appropriate. Decimal-place and separator controls provide consistent presentation of amounts. For example, a stored value of 0.25 can be shown as 25% using percentage formatting. A date format makes a stored date readable without replacing it with ordinary text.

Step 4: Use borders, fills and cell-format controls Borders separate headings, data and totals, while fill or shading highlights selected cells. Cell Styles apply coordinated formatting, and Conditional Formatting highlights cells when a specified rule is met, such as negative balances. Row-height and column-width controls prevent cramped or hidden displays. These tools are available through the Home tab groups and the Format Cells dialog box, whose main categories include Number, Alignment, Font, Border, Fill and Protection.

Step 5: Conclusion Data formatting improves the presentation of worksheet data. Its tools include font, alignment, number formats, borders, fills, cell styles, conditional formatting and row or column size controls.

Quick Tip to Solve: Define formatting as presentation, then name tools for text, alignment, numeric display and cell appearance with a suitable example.

OR

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

Solution:

Concept:

- Excel's ROUND function rounds a numerical value to a specified number of digits and returns the rounded number for use in calculations.
- The second argument determines the rounding position: positive for decimal places, zero for the nearest integer and negative for places to the left of the decimal point.

Step 1: State the purpose and syntax ROUND is a mathematical function used to reduce a number

to the required precision, for example to express an accounting amount to two decimal places. Its syntax is `=ROUND(number, num_digits)`. Here `number` is the value to round; it may be a number, a cell reference or a formula. The argument `num_digits` specifies the position up to which rounding is required. For example, if cell A1 contains 125.678, `=ROUND(A1,2)` returns 125.68.

Step 2: Explain the three cases with examples When `num_digits` is positive, ROUND retains that many decimal places: `=ROUND(125.678,2)` gives 125.68, whereas `=ROUND(125.673,2)` gives 125.67. When it is zero, ROUND gives the nearest integer: `=ROUND(125.678,0)` gives 126. When it is negative, rounding is to the left of the decimal point: `=ROUND(125.678,-1)` gives 130, the nearest ten; `=ROUND(125.678,-2)` gives 100, the nearest hundred. Thus the sign of the second argument is essential; it does not merely indicate how many decimal places are displayed.

Step 3: Apply the rounding rule and distinguish formatting Examine the digit immediately after the position being retained. If it is below 5, retain the preceding digit; if it is 5 or more, increase the retained magnitude by one unit at that position. At an exact halfway point Excel rounds away from zero, so `=ROUND(-2.5,0)` returns -3. ROUND produces a rounded numerical result that subsequent formulas can use. In contrast, reducing the displayed decimal places through cell formatting changes appearance while retaining the underlying numerical value.

Step 4: Conclusion ROUND returns a number rounded to the precision specified by `num_digits`, using `=ROUND(number, num_digits)`; positive, zero and negative values select decimal places, whole numbers and positions to the left of the decimal point respectively.

Quick Tip to Solve: For money rounded to paise use ROUND(value,2); use 0 for whole rupees and -2 for the nearest hundred. Changing the cell format alone does not round the stored value.

34. Which function can be used as an alternate to the 'IF' function for elaborate test and why ? Give the meaning of its types with their syntax. [6 marks]

Solution:

Concept:

- LOOKUP searches for a value in a range or table and retrieves a corresponding result. A lookup table can replace elaborate nested IF tests when outcomes depend on listed values or slabs.
- Vertical lookup (VLOOKUP) searches down the first column; horizontal lookup (HLOOKUP) searches across the first row of a table.
- The LOOKUP function itself has vector and array forms. A vector is one row or one column, whereas an array can contain several rows and columns.

Step 1: Identify the alternative and explain its use The LOOKUP function, including the related VLOOKUP and HLOOKUP functions, can be used as an alternative to IF for elaborate tests. Multiple conditions and their corresponding results can be organised in a table instead of writing a long chain of nested IF formulas. For example, commission rates for different sales slabs can be stored against their lower limits. A lookup then locates the applicable slab and returns its commission rate. The table is easier to read and revise because a rate can be changed in a cell without rewriting the entire

conditional formula.

Step 2: Explain vertical lookup and its syntax VLOOKUP means vertical lookup. It searches for `lookup_value` in the first column of `table_array` and returns a value from the same row in the column identified by `col_index_num`. Its syntax is

```
=VLOOKUP(lookup_value, table_array,
  col_index_num, [range_lookup])
```

The column index is counted from the leftmost column of the selected table, starting at 1. For example, `=VLOOKUP(E2,A2:C10,3,FALSE)` searches for E2 in A2:A10 and returns the corresponding value from column C. FALSE requests an exact match. TRUE, or an omitted fourth argument, requests approximate matching and requires the first column to be sorted in ascending order.

Step 3: Explain horizontal lookup and its syntax HLOOKUP means horizontal lookup. It searches across the first row of a table and returns the value from the same column in the row specified by `row_index_num`. Its syntax is

```
=HLOOKUP(lookup_value, table_array,
  row_index_num, [range_lookup])
```

Row numbering starts at 1 for the first row of the selected table. For example, the formula below searches for B6 in B1:F1 and returns the corresponding entry from the third row:

```
=HLOOKUP(B6,B1:F3,3,FALSE)
```

FALSE means exact matching; TRUE or omission means approximate matching, for which the first row must be sorted in ascending order. Square brackets in the syntax indicate an optional argument and are not typed into the formula.

Step 4: State the two forms of LOOKUP itself In its vector form, LOOKUP searches a single row or column, called the lookup vector, and retrieves the value at the corresponding position in the result vector. Its syntax is

```
=LOOKUP(lookup_value, lookup_vector, [result_vector])
```

The lookup and result vectors must have the same number of entries. If the result vector is omitted, the result comes from the lookup vector itself. In its array form, the syntax is `=LOOKUP(lookup_value, array)`. It searches the first row when the array has more columns than rows, returning a corresponding value from the last row; otherwise it searches the first column and returns a value from the last column. LOOKUP requires the searched row or column in ascending order. If no exact match exists, it uses the largest value less than or equal to the lookup value; a value below the smallest entry returns `#N/A`.

Step 5: Conclusion LOOKUP provides a table-based alternative to elaborate IF tests. VLOOKUP and HLOOKUP retrieve results vertically and horizontally respectively; the LOOKUP function itself is written in vector or array form according to the arrangement of the data.

Quick Tip to Solve: First inspect the table: keys down the first column suggest VLOOKUP; keys across the first row suggest HLOOKUP. Use FALSE for an exact code match and sorted ascending limits for approximate slab matching.