CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-4-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Ram and Shyam were partners in a firm sharing profits and losses in the ratio of 5 : 3. Mohan was admitted as a new partner for 1/5th share in the profits of the firm. Mohan brought Rs. 2,50,000 as his share of capital and Rs. 2,00,000 as his share of goodwill premium. The value of the firm's goodwill was : [1 mark]

(A) Rs. 2,00,000

(B) Rs. 4,50,000

(C) Rs. 12,50,000

(D) Rs. 10,00,000

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

Solution:

Concept:

- Goodwill premium equals the incoming partner's share of the total goodwill of the firm.
- Capital contribution is recorded separately and does not form part of the premium for goodwill.

Step 1: Identify the goodwill fraction Mohan pays Rs 2,00,000 for his $1/5$ share of goodwill. Thus this premium represents one-fifth, rather than the whole, of the firm's goodwill.

Step 2: Calculate the total goodwill

$$\text{Goodwill} = \frac{\text{Premium}}{\text{Share acquired}} = \frac{2,00,000}{1/5} = \text{Rs } 10,00,000.$$

Rs 2,00,000 is only the premium; Rs 4,50,000 incorrectly adds capital and premium; Rs 12,50,000 uses the capital contribution instead of goodwill premium.

Step 3: Conclusion The firm's goodwill is Rs 10,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Divide the goodwill premium by the incoming partner's profit share; ignore capital.

2. Emily, Flora and Ginni entered into a partnership on 1st October, 2023 with capitals of Rs. 10,00,000 each. The partnership deed provided for interest on capital at 10% p.a. The firm earned a net profit of Rs. 7,50,000 for the year ended 31st March, 2024. The amount of profit transferred to Emily's capital account was : [1 mark]

(A) Rs. 2,00,000

(B) Rs. 1,50,000

(C) Rs. 6,00,000

(D) Rs. 2,50,000

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

Solution:

Concept:

- Interest on capital is an appropriation calculated for the actual period that capital remains invested.
- In the absence of a specified profit ratio, partners share the remaining profit equally.

Step 1: Calculate interest for six months From 1 October 2023 to 31 March 2024 is six months. Interest for each partner is $10,00,000 \times 10/100 \times 6/12 = \text{Rs } 50,000$. Total interest is $3 \times 50,000 = \text{Rs } 1,50,000$.

Step 2: Distribute the residual profit Profit available for distribution after interest is $7,50,000 - 1,50,000 = \text{Rs } 6,00,000$. Emily's share is $6,00,000/3 = \text{Rs } 2,00,000$. Rs 1,50,000 is total interest, Rs 6,00,000 is total residual profit, and Rs 2,50,000 includes Emily's separate interest credit as well as her profit share.

Step 3: Conclusion Profit transferred to Emily's capital account is Rs 2,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Deduct all partners' six-month interest before dividing the residual profit equally.

---

3. White, Shaun and Todd were partners in a firm sharing profits and losses equally. Shaun's wife had advanced a loan of Rs. 1,00,000 to the firm. The firm was dissolved. Shaun's wife's loan had already been transferred to Realisation account. The account credited to discharge Shaun's wife's loan will be : [1 mark]

(A) Shaun's capital account

(B) Bank account

(C) Realisation account

(D) Shaun's loan account

Correct Answer: (B) Bank account

Solution:

Concept:

- A loan from a partner's wife is an outside liability of the firm, distinct from a loan given by the partner.
- Once an outside liability has been transferred to Realisation Account, its payment debits Realisation Account and credits Bank Account.

Step 1: Identify the liability already transferred Shaun's wife is a creditor in her own right. Her Rs 1,00,000 loan has already been transferred to Realisation Account, so its original loan account is no longer used for recording payment.

Step 2: Identify the credit on payment Discharging the loan reduces the bank balance. Therefore Realisation Account is debited and Bank Account is credited with Rs 1,00,000. Shaun's capital and loan accounts are inappropriate because the question does not say that Shaun personally takes over or pays the liability. Realisation is debited, rather than credited, at settlement.

Step 3: Conclusion Bank Account is credited. Hence, the correct option is (B).

Quick Tip to Solve: Separate a relative's outside loan from the partner's own loan when recording dissolution.

---

4. Prakhar and Rajan were partners in a firm sharing profits and losses in the ratio of 3 : 2 with capitals of Rs. 10,00,000 and Rs. 9,00,000 respectively. Siddharth was admitted as a new partner for 1/5th share in the profits of the firm. The new profit sharing ratio between Prakhar, Rajan and Siddharth was agreed at 12 : 8 : 5. The sacrificing ratio of Prakhar and Rajan will be : [1 mark]

(A) 3 : 2

(B) 1 : 1

(C) 2 : 3

(D) 10 : 9

Correct Answer: (A) 3 : 2

Solution:

Concept:

- Sacrifice of each old partner equals old profit share minus new profit share.
- Capital balances do not determine the sacrificing ratio when the old and new profit ratios are given.

Step 1: Express old and new shares consistently Prakhar's old share is $3/5 = 15/25$ and Rajan's old share is $2/5 = 10/25$. Their new shares in the ratio $12 : 8 : 5$ are $12/25$ and $8/25$, respectively.

Step 2: Calculate and compare sacrifices Prakhar sacrifices $15/25 - 12/25 = 3/25$, while Rajan sacrifices $10/25 - 8/25 = 2/25$. The sacrifices total $5/25 = 1/5$, agreeing with Siddharth's share. The ratio is therefore $3 : 2$; $1 : 1$ assumes equal sacrifice, $2 : 3$ reverses the result and $10 : 9$ is merely the capital ratio.

Step 3: Conclusion The sacrificing ratio is $3 : 2$. Hence, the correct option is (A).

Quick Tip to Solve: Convert old and new shares to denominator 25 before subtracting partner by partner.

5. Kabir and Lara were partners in a firm sharing profits and losses in the ratio of 5 : 3. Mark was admitted as a new partner for 2/5th share in the profits of the firm. Mark was to bring 2/5th of the combined capital of Kabir and Lara after all adjustments are carried out. The capitals of Kabir and Lara after all adjustments were Rs. 8,00,000 and Rs. 7,00,000 respectively. The capital brought by Mark was : [1 mark]

(A) Rs. 3,75,000

(B) Rs. 3,00,000

(C) Rs. 6,00,000

(D) Rs. 15,00,000

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

Solution:

Concept:

- The stated capital contribution must be calculated from the base explicitly specified in the question.
- Combined adjusted capital of the existing partners is the sum of their capitals after all adjustments.

Step 1: Find the specified capital base Kabir's adjusted capital is Rs 8,00,000 and Lara's is Rs 7,00,000. Their combined capital is $8,00,000 + 7,00,000 =$ Rs $15,00,000$.

Step 2: Apply the stated fraction Mark is expressly required to bring two-fifths of the combined adjusted capitals of Kabir and Lara. Hence his capital is $15,00,000 \times 2/5 =$ Rs $6,00,000$. Rs 15,00,000 is the base itself; Rs 3,00,000 applies one-fifth, and Rs 3,75,000 applies one-fourth. None follows the stated two-fifths requirement.

Step 3: Conclusion Mark brings capital of Rs 6,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Use two-fifths of the old partners' combined capital exactly as the wording specifies.

---

6. Assertion (A) : Partners' salary is debited to Profit and Loss Appropriation Account and not to Profit and Loss Account.

Reason (R) : Partners' salary is an appropriation of profit, it is not a charge against profits.

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

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

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

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

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

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

Solution:

Concept:

- Partners' salary distributes profit among owners and is an appropriation of profit.

- Profit and Loss Account determines net profit; Profit and Loss Appropriation Account records its distribution among partners.

Step 1: Judge the assertion The assertion is correct. Partners' salary is debited to Profit and Loss Appropriation Account because it is an agreed allocation of partnership profit to a partner.

Step 2: Judge the reason The reason is also correct. A partner's salary is an appropriation of profit, rather than an operating expense charged in arriving at net profit.

Step 3: Check the explanatory connection The classification stated in the reason directly explains the choice of account in the assertion. Accordingly, the option denying this explanatory link is incorrect; the options treating the reason or both statements as false are also incorrect.

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

Quick Tip to Solve: Ask whether the payment determines net profit or distributes profit among the partners.

7. Neeru and Pooja were partners in a partnership firm sharing profits and losses in the ratio of 4 : 3. The firm earned average profits of Rs. 5,00,000 during the last few years. The normal rate of return in a similar business is 10%. The average super profits of the firm were Rs. 4,00,000. The amount of capital employed by the firm was : [1 mark]

(A) Rs. 90,00,000

(B) Rs. 40,00,000

(C) Rs. 50,00,000

(D) Rs. 10,00,000

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

Solution:

Concept:

- Super profit equals average profit less normal profit.
- Normal profit equals capital employed multiplied by the normal rate of return.

Step 1: Find normal profit The firm earns average profit of Rs 5,00,000 and super profit of Rs 4,00,000. Thus normal profit is $5,00,000 - 4,00,000 = \text{Rs } 1,00,000$.

Step 2: Capitalise normal profit

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

Rs 40,00,000 incorrectly capitalises super profit, Rs 50,00,000 incorrectly capitalises average profit and Rs 90,00,000 capitalises their sum. Capital employed is obtained from normal profit, not from either of those amounts.

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

Quick Tip to Solve: Subtract super profit from average profit before dividing by the normal return rate.

8. Reema, Meesha and Shikha were partners in a partnership firm sharing profits and losses in the ratio of 8 : 7 : 5. On 1st October, 2023, Reema advanced a loan of Rs. 5,00,000 to the firm. There is no partnership deed. The firm's profit for the year ended 31st March, 2024 before charging interest on Reema's loan amounted to Rs. 2,15,000. The amount of profit credited to Shikha's capital account was : [1 mark]

(A) Rs. 80,000

(B) Rs. 70,000

(C) Rs. 50,000

(D) Rs. 42,500

Correct Answer: (C) Rs. 50,000

Solution:

Concept:

- Without a deed specifying a loan interest rate, a partner's advance earns interest at 6 percent per annum.
- Interest on a partner's loan is a charge against profit, deducted before profit is shared in the agreed ratio.

Step 1: Deduct interest on Reema's loan The loan runs for six months, from 1 October 2023 to 31 March 2024. Interest is $5,00,000 \times 6/100 \times 6/12 = \text{Rs } 15,000$. Profit available for distribution is $2,15,000 - 15,000 = \text{Rs } 2,00,000$.

Step 2: Calculate Shikha's share The question gives the profit-sharing ratio $8 : 7 : 5$, so Shikha receives $5/20$ of distributable profit: $2,00,000 \times 5/20 = \text{Rs } 50,000$. Rs 80,000 and Rs 70,000 belong to Reema and Meesha. Rs 42,500 does not follow the given ratio after the required loan interest charge.

Step 3: Conclusion Shikha's capital account is credited with profit of Rs 50,000. Hence, the correct option is (C).

Quick Tip to Solve: Charge six-month loan interest at 6 percent first, then apply Shikha's given 5/20 share.

9. 'The business of a partnership firm may be carried on by all the partners or any of them acting for all.'

The above statement highlights which of the following feature of partnership ? [1 mark]

(A) Agreement

(B) Business

(C) Sharing of profit

(D) Mutual agency

Correct Answer: (D) Mutual agency

Solution:

Concept:

- Mutual agency means each partner can act as an agent of the firm and the other partners in conducting its business.

- A partner acts as principal for personal interests and as agent when acting on behalf of the other partners.

Step 1: Identify the decisive wording The expression "any of them acting for all" states that an individual partner can carry on the firm's business on behalf of all the partners. This is the representative relationship called mutual agency.

Step 2: Distinguish the alternatives Agreement refers to the contractual basis of partnership; business refers to the activity conducted; sharing of profit refers to distribution of its earnings. None of these by itself captures the authority of one partner to act for all. Mutual agency alone directly matches the quoted statement.

Step 3: Conclusion The feature is mutual agency. Hence, the correct option is (D).

Quick Tip to Solve: The words "acting for all" identify mutual agency immediately.

10. Diksha Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 10 each at a premium of 10%. The whole amount was payable on application. Applications were received for 3,00,000 equity shares. The company decided to allot the shares on pro-rata basis to all the applicants. The amount refunded by the company was : [1 mark]

(A) Rs. 22,00,000

(B) Rs. 33,00,000

(C) Rs. 11,00,000

(D) Rs. 20,00,000

Correct Answer: (A) Rs. 22,00,000

Solution:

Concept:

- Application money includes face value and securities premium. Excess money is refunded when the entire issue price was collected on application.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Find the money received The premium per share is $10 \times 10\% = \text{Rs } 1$, so the application price is $10 + 1 = \text{Rs } 11$. Applications for $3,00,000$ shares bring in $3,00,000 \times 11 = \text{Rs } 33,00,000$.

Step 2: Find the excess over the allotment Only $1,00,000$ shares are issued, requiring $1,00,000 \times 11 = \text{Rs } 11,00,000$. Thus the refund is $33,00,000 - 11,00,000 = \text{Rs } 22,00,000$. Rs 33,00,000 is the receipt, Rs 11,00,000 is retained, and Rs 20,00,000 wrongly excludes the excess premium.

Step 3: Conclusion Rs 22,00,000; option (A).

Quick Tip to Solve: Multiply the excess applications by Rs 11, including premium.

11(a). 'Reserve Capital' can be utilised : [1 mark]

(A) any time during the life of the company.

(B) only at the time of winding up of the company.

(C) to issue fully paid bonus shares.

(D) to provide for premium on the redemption of preference shares.

Correct Answer: (B) only at the time of winding up of the company.

Solution:

Concept:

- Reserve capital is the portion of uncalled subscribed capital reserved for being called only when the company is wound up.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Identify the restriction The defining feature of reserve capital is that it is unavailable for calling during the ordinary life of the company. It provides an additional source of funds at winding up. Therefore its use is linked to liquidation.

Step 2: Distinguish it from reserves Reserve capital is not an accumulated revenue or capital reserve available for corporate distributions. Accordingly, it cannot be used at any time, to issue fully paid bonus shares, or to provide for redemption premium. Those alternatives confuse uncalled share capital with reserves already held.

Step 3: Conclusion Only at the time of winding up of the company; option (B).

Quick Tip to Solve: Remember: reserve capital remains uncalled until winding up.

OR

11(b). An offer of securities or invitation to subscribe securities to a select group of persons is called : [1 mark]

(A) Sweat equity

(B) Employee Stock Option Plan

(C) Private placement

(D) Buy-back of shares

Correct Answer: (C) Private placement

Solution:

Concept:

- Private placement means offering securities or inviting subscriptions from a selected group of persons instead of making a public offer.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Match the defining words The words "select group of persons" identify a restricted invitation to subscribe for securities. This is the distinguishing feature of private placement and directly matches option (C).

Step 2: Eliminate the other transactions Sweat equity relates to shares issued for know-how, intellectual property or value addition. An Employee Stock Option Plan grants employees an option to purchase shares. Buy-back means the company purchases its own shares. None describes the general selected-persons offer stated here.

Step 3: Conclusion Private placement; option (C).

Quick Tip to Solve: Look for a selected group rather than a public invitation.

12. That portion of the called-up capital which has been actually received from the shareholders is called : [1 mark]

(A) Issued Capital

(B) Reserve Capital

(C) Paid-up Capital

(D) Nominal/Registered Capital

Correct Answer: (C) Paid-up Capital

Solution:

Concept:

- Called-up capital is the amount demanded on subscribed shares. Paid-up capital is the portion of that demand actually received from shareholders.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Apply the receipt criterion The question specifically asks for capital actually received. Thus Paid-up capital = Called-up capital − Calls in arrears. The reference to receipt, rather than merely a demand for payment, is decisive.

Step 2: Distinguish the other capital terms Issued capital is the portion offered for subscription. Nominal or registered capital is the authorised ceiling. Reserve capital is an uncalled portion reserved for winding up. These describe authority, an offer or a future call, rather than the amount of called-up capital collected.

Step 3: Conclusion Paid-up Capital; option (C).

Quick Tip to Solve: Use the word received to distinguish paid-up from called-up capital.

13(a). **On 1st April, 2024, Bright Ltd. issued 20,000, 11% debentures of Rs. 100 each at a premium of 10%, redeemable at a premium of 10%. Loss on issue of debentures was :** [1 mark]

(A) Rs. 2,00,000

(B) Rs. 4,00,000

(C) Rs. 20,00,000

(D) Rs. 40,00,000

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

Solution:

Concept:

- Loss on issue consists of discount on issue, if any, plus premium payable on redemption. Issue premium is credited separately to Securities Premium.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Calculate redemption premium The nominal value issued is $20,000 \times 100 = \text{Rs } 20,00,000$. Redemption at a premium of 10% creates an additional obligation of $20,00,000 \times 10\% = \text{Rs } 2,00,000$.

Step 2: Identify the loss at issue The debentures are issued at a premium, so there is no issue discount. Loss on issue is therefore the redemption premium alone, Rs 2,00,000. The issue premium does not cancel the recognition of this loss. Rs 4,00,000 wrongly adds the two premiums; Rs 20,00,000 and Rs 40,00,000 are not the redemption premium.

Step 3: Conclusion Rs 2,00,000; option (A).

Quick Tip to Solve: Add issue discount and redemption premium; keep issue premium separate.

OR

13(b). **Minimum subscription for allotment of shares as per Securities and Exchange Board of India (SEBI) guidelines cannot be less than 90% of _____ capital.** [1 mark]

(A) Reserve

(B) Issued

(C) Nominal/Registered

(D) Subscribed

Correct Answer: (B) Issued

Solution:

Concept:

- For this allotment rule, minimum subscription is measured against issued capital, namely the capital offered to applicants.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Select the correct base The stated minimum is 90% of the issue offered for subscription. Hence the blank must be filled by issued capital. For example, if the company offers shares with nominal value Rs 10,00,000, the stated threshold is Rs 9,00,000.

Step 2: Exclude unrelated bases Nominal or registered capital may exceed the present issue and is therefore not the base. Reserve capital is uncalled capital reserved for winding up. Subscribed capital is the amount taken up by applicants, which is assessed against the issued amount rather than used as the denominator for this requirement.

Step 3: Conclusion Issued capital; option (B).

Quick Tip to Solve: Apply the 90% threshold to the amount offered in the present issue.

14(a). Shivalik Ltd. issued 7% debentures of Rs. 100 each at a discount of 5% on 1st April, 2023. Discount on issue of debentures, Rs. 1,00,000 was completely written off through Statement of Profit and Loss on 31st March, 2024. On issue of debentures, 'Debentures Account' was credited with _____. [1 mark]

(A) Rs. 10,00,000

(B) Rs. 20,00,000

(C) Rs. 19,00,000

(D) Rs. 1,00,000

Correct Answer: (B) Rs. 20,00,000

Solution:

Concept:

- Discount on issue is calculated on nominal value. Debentures Account is credited with nominal value, while the bank receives the discounted issue price.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Recover the nominal amount Let the nominal value issued be F. Since the discount is 5%, $0.05F = 1,00,000$, giving $F = 1,00,000/0.05 = \text{Rs } 20,00,000$. The number of debentures is consequently $20,00,000/100 = 20,000$.

Step 2: Identify the credit Debentures Account records the nominal liability of Rs 20,00,000. Bank receives Rs 19,00,000 and the remaining Rs 1,00,000 is the discount. Writing off this discount later does not change the original credit. Thus Rs 19,00,000 confuses proceeds with nominal capital, and the other amounts do not represent the liability.

Step 3: Conclusion Rs 20,00,000; option (B).

Quick Tip to Solve: Divide the total discount by 5% to recover the face-value liability.

OR

14(b). Keya Ltd. issued 2,00,000, 8% debentures of Rs. 100 each at 10% discount on 1st April, 2023. Interest is payable half-yearly on 30th September and 31st March every year. Interest written off on 31st March, 2024 was : [1 mark]

(A) Rs. 16,00,000

(B) Rs. 14,40,000

(C) Rs. 8,00,000

(D) Rs. 7,20,000

Correct Answer: (A) Rs. 16,00,000

Solution:

Concept:

- Debenture interest is calculated on nominal value. Half-yearly payment divides the annual charge into two instalments; the issue discount does not reduce interest.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Find annual interest The nominal value is $2,00,000 \times 100 = \text{Rs } 2,00,00,000$. Interest for the year from 1st April, 2023 to 31st March, 2024 is $2,00,00,000 \times 8\% = \text{Rs } 16,00,000$.

Step 2: Distinguish the annual charge from an instalment Each half-yearly instalment is Rs 8,00,000. At the year end, the interest written off to the Statement of Profit and Loss is the total annual expense, Rs 16,00,000, including both half-years. Rs 14,40,000 wrongly uses discounted proceeds; Rs 8,00,000 is one instalment; Rs 7,20,000 combines both errors.

Step 3: Conclusion Rs 16,00,000; option (A).

Quick Tip to Solve: For the year-end expense use both half-years and calculate on face value.

15(a). Tavish, Umesh and Varun were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Tavish retired. Umesh and Varun decided to share profits and losses in future in the ratio of 5 : 3. The gaining share of Umesh will be : [1 mark]

(A) 21/72

(B) 11/72

(C) 45/72

(D) 32/72

Correct Answer: (A) 21/72

Solution:

Concept:

- A continuing partner gains the difference between the new profit share and the old share: Gain = New share − Old share.
- Identify the amount or definition asked before comparing the four printed alternatives.

Step 1: Write the old and new shares The old ratio totals $4 + 3 + 2 = 9$, so Umesh had $3/9 = 1/3$.

The new ratio totals $5+3=8$, so his new share is $5/8$. These fractions must refer to the total profit before they can be subtracted.

Step 2: Subtract using a common denominator Umesh gains $5/8-1/3=15/24-8/24=7/24=21/72$. As a check, Varun gains $3/8-2/9=11/72$, and total gain is $32/72=4/9$, exactly Tavishś old share. Thus 11/72 belongs to Varun, 45/72 is Umeshś new share, and 32/72 is the total gain.

Step 3: Conclusion 21/72; option (A).

Quick Tip to Solve: Convert each ratio into a share of total profit before subtracting.

OR

15(b). Asit, Sonu and Hina were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Asit retired and the balance in his capital account after making necessary adjustments on account of reserves and revaluation of assets and liabilities was Rs. 40,00,000. Sonu and Hina agreed to pay him Rs. 45,00,000 in full settlement of his claim. The value of goodwill of the firm was : [1 mark]

(A) Rs. 5,00,000

(B) Rs. 20,00,000

(C) Rs. 15,00,000

(D) Rs. 10,00,000

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

Solution:

Concept:

- The amount paid above adjusted capital represents the retiring partner's share of goodwill.
- Firm's goodwill equals the retiring partner's goodwill share divided by his old profit share.

Step 1: Find the goodwill included in settlement Asit receives Rs 45,00,000 against adjusted capital of Rs 40,00,000. His goodwill share is therefore $45,00,000-40,00,000=$ Rs $5,00,000$. Reserves and revaluation have already been adjusted, so they must not be deducted again.

Step 2: Convert the share into total goodwill Asit's old share is $3/(3+2+1)=1/2$. Hence total goodwill is $5,00,000\div(1/2)=$ Rs $10,00,000$. Option (A) gives only Asit's share; (B) and (C) do not correspond to his one-half entitlement.

Step 3: Conclusion The goodwill of the firm is Rs 10,00,000. Hence, the correct option is (D).

Quick Tip to Solve: First isolate the excess settlement; then divide by the retiring partner's old share.

16(a). **Ajit, Biswas and Chitra were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Biswas died on 30th September, 2024. The firm closes its books on 31st March every year. Biswas's share of profits till the date of death from the last Balance Sheet date, was to be calculated on the basis of sales. Sales for the year ended 31st March, 2024 amounted to Rs. 24,00,000 and that from 1st April, 2024 to 30th September, 2024 amounted to Rs. 15,00,000. The profits for the year ended 31st March, 2024 were Rs. 2,40,000. Biswas's share of profits till the date of his death was :** [1 mark]

(A) Rs. 11,250

(B) Rs. 70,000

(C) Rs. 45,000

(D) Rs. 22,500

Correct Answer: (C) Rs. 45,000

Solution:

Concept:

- On the sales basis, apply the previous year's net profit rate to sales up to death.
- The deceased partner receives the estimated profit multiplied by his old profit-sharing fraction.

Step 1: Calculate estimated profit up to death The previous year's profit rate is $2,40,000/24,00,000 \times 100 = 10\%$. Applying this rate to actual sales from 1st April to 30th September gives $15,00,000 \times 10\% =$ Rs $1,50,000$.

Step 2: Apply Biswas's share Biswas's fraction is $3/(5+3+2) = 3/10$. His entitlement is $1,50,000 \times 3/10 =$ Rs $45,000$. No further six-month factor is needed: the sales used already cover the relevant period. Options (A), (B) and (D) do not equal this sales-based entitlement.

Step 3: Conclusion Biswas's share of profit is Rs 45,000. Hence, the correct option is (C).

Quick Tip to Solve: When actual sales to death are given, do not also multiply the estimated profit by a time fraction.

OR

16(b). Isha, Julie and Kavita were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. The firm closes its books on 31st March every year. On 12th June, 2024, Kavita died. Her share in the profits of the firm from the last Balance Sheet till the date of death was to be calculated on the basis of last year's profit. Last year's profits were Rs. 6,00,000. Kavita's share of profit till the date of her death was : [1 mark]

(A) Rs. 20,000

(B) Rs. 30,000

(C) Rs. 40,000

(D) Rs. 50,000

Correct Answer: (A) Rs. 20,000

Solution:

Concept:

- Estimated profit up to death equals annual profit multiplied by the elapsed fraction of the year.
- Kavita's old profit share is $1/(3+2+1) = 1/6$.

Step 1: Identify the relevant time period The last Balance Sheet date is 31st March, 2024. From 1st April to 12th June, the relevant period is 2 months and 12 days. Using the usual accounting convention of 30 days per month, this is $2 + 12/30 = 2.4$ months, or $2.4/12 = 1/5$ of a year.

Step 2: Calculate Kavita's entitlement The firm's estimated profit for the period is $6,00,000 \times 2.4/12 =$ Rs $1,20,000$. Kavita's share is $1,20,000 \times 1/6 =$ Rs $20,000$. Options (B), (C) and (D) imply a longer profit period than the stated date of death.

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

Quick Tip to Solve: Convert the extra 12 days into 12/30 of a month before applying the annual profit figure.

17. Alok, Sameer and Tushar were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. With effect from 1st April, 2024, they decided to share future profits and losses in the ratio of 3 : 2 : 4. Their Balance Sheet as at 31st March, 2024 showed the following :

(i) Advertisement Suspense Account Rs. 90,000.

(ii) Credit Balance of Rs. 2,70,000 in Profit and Loss Account.

Goodwill of the firm was valued at Rs. 4,50,000 and revaluation of assets and liabilities resulted in a loss of Rs. 1,80,000.

Partners did not want to distribute the amount of Advertisement Suspense Account and the Profit and Loss Account. They also decided that revalued values of assets and liabilities were not to be recorded in the books.

Pass a single adjustment entry to give effect to the above. Also show your workings clearly. [3 marks]

Solution:

Concept:

- Sacrifice equals old share minus new share; gaining partners compensate sacrificing partners.
- When balances remain unchanged, accumulated profit, deferred expenditure and unrecorded revaluation are adjusted through capital accounts.

Step 1: Determine sacrifice and gain Alok sacrifices $4/9-3/9 = 1/9$; Sameer sacrifices $3/9-2/9 = 1/9$. Tushar gains $4/9 - 2/9 = 2/9$. The compensation is therefore paid by Tushar to Alok and Sameer equally.

Step 2: Compute the net adjustment base Goodwill and the credit balance of Profit and Loss Account benefit the old partners, while Advertisement Suspense and revaluation loss reduce that benefit. The net base is

$$4,50,000 + 2,70,000 - 90,000 - 1,80,000 = \text{Rs } 4,50,000.$$

Thus Alok is credited $4,50,000/9 = \text{Rs } 50,000$, Sameer is credited Rs 50,000, and Tushar is debited $4,50,000 \times 2/9 = \text{Rs } 1,00,000$. The profit and expenditure effects cancel the revaluation loss in the combined base.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2024	Tushar's Capital A/c Dr.		1,00,000	
	To Alok's Capital A/c			50,000
	To Sameer's Capital A/c			50,000
	(Being adjustment for goodwill, retained accumulated balances and unrecorded revaluation loss on change in ratio)			

The entry balances at Rs 1,00,000 on each side. No separate goodwill, reserve, expense or revaluation balance is created by this entry.

Step 4: Conclusion Debit Tushar's Capital Account Rs 1,00,000; credit Alok's and Sameer's Capital Accounts Rs 50,000 each.

Quick Tip to Solve: Combine all retained gains and losses algebraically before multiplying by sacrifice or gain.

18. Vinay and Pankaj were partners in a firm sharing profits and losses in the ratio of 3 : 2. The following is the extract of their Balance Sheet as at 31st March, 2024 :

Balance Sheet of Vinay and Pankaj as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Investment Fluctuation Fund	6,00,000	Investments	15,00,000
Workmen Compensation Fund	8,00,000		

On 1st April, 2024, Parth was admitted as a new partner for 1/5th share in the profits of the firm on the following terms :

(i) Market value of investments was Rs. 13,00,000.

(ii) Claim on account of Workmen Compensation was estimated at Rs. 9,00,000.

Pass necessary journal entries for treatment of Investment Fluctuation Fund and Workmen Compensation Fund on the date of Parth's admission.

[3 marks]

Solution:

Concept:

- An investment fluctuation fund first absorbs the decline in investments; surplus is credited to old partners in their old ratio.
- A compensation claim exceeding its fund produces a revaluation loss borne by old partners.

Step 1: Calculate the investment fund surplus Investments decline by $15,00,000 - 13,00,000 =$ Rs $2,00,000$. The surplus fund is $6,00,000 - 2,00,000 =$ Rs $4,00,000$. Vinay receives $4,00,000 \times 3/5 =$ Rs $2,40,000$ and Pankaj receives Rs 1,60,000. Parth has no share in this pre-admission fund.

Step 2: Calculate the compensation deficit The claim of Rs 9,00,000 exceeds the fund of Rs 8,00,000 by Rs 1,00,000. This deficit is debited to Revaluation Account and transferred to Vinay and Pankaj in their old ratio of 3:2, namely Rs 60,000 and Rs 40,000.

Step 3: Record the entries on admission Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2024	Investment Fluctuation Fund A/c Dr. To Investments A/c To Vinay's Capital A/c To Pankaj's Capital A/c (Being decline absorbed and surplus distributed in old ratio)		6,00,000	 2,00,000 2,40,000 1,60,000
1 Apr 2024	Workmen Compensation Fund A/c Dr. Revaluation A/c Dr. To Workmen Compensation Claim A/c (Being claim recognised and deficit charged to revaluation)		8,00,000 1,00,000	 9,00,000
1 Apr 2024	Vinay's Capital A/c Dr. Pankaj's Capital A/c Dr. To Revaluation A/c (Being revaluation loss transferred in the old ratio)		60,000 40,000	 1,00,000

Step 4: Conclusion Investment fund surplus of Rs 4,00,000 is credited in 3:2; compensation deficit of Rs 1,00,000 is debited in 3:2.

Quick Tip to Solve: Compare each fund with its own loss or claim before distributing any balance to old partners.

19(a). Mallark Ltd. purchased assets of book value Rs. 40,00,000 and took over liabilities of Rs. 5,00,000 from Naroha Ltd. It was agreed that the purchase consideration, Rs. 36,00,000 be paid by issuing 7% debentures of Rs. 100 each at a premium of 20%.

Record the journal entries in the books of Mallark Ltd. for the above transactions. [3 marks]

Solution:

Concept:

- Goodwill equals purchase consideration less net assets acquired when consideration exceeds net assets.
- Debentures issued at premium settle the vendor at issue price, while Debentures Account is credited at face value.

Step 1: Calculate goodwill and debentures issued Net assets acquired are $40,00,000 - 5,00,000 =$ Rs $35,00,000$. Purchase consideration is Rs 36,00,000, so goodwill is Rs 1,00,000. Each debenture is issued at $100 + (20\% \times 100) =$ Rs 120; hence $36,00,000/120 = 30,000$ debentures are issued. Face value credited is Rs 30,00,000 and premium is Rs 6,00,000. The 7% rate determines interest, not the number issued.

Step 2: Record purchase of business and assets Journal of Mallark Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr. To Naroha Ltd. (Being business purchased for agreed consideration)		36,00,000	 36,00,000
	Sundry Assets A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To Business Purchase A/c (Being assets and liabilities taken over and goodwill recognised)		40,00,000 1,00,000	 5,00,000 36,00,000

Step 3: Record settlement of the vendor Journal of Mallark Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Naroha Ltd. Dr. To 7% Debentures A/c To Securities Premium A/c (Being 30,000 debentures of Rs 100 each issued at 20% premium to settle purchase consideration)		36,00,000	 30,00,000 6,00,000

Step 4: Conclusion Goodwill is Rs 1,00,000; 30,000 debentures are issued, with face value Rs

30,00,000 and premium Rs 6,00,000.

Quick Tip to Solve: Divide the vendor consideration by Rs 120 issue price, then split it into face value and premium.

OR

19(b). Sunlock Ltd. purchased assets of book value Rs. 50,00,000 and took over liabilities of Rs. 6,00,000 from Moondock Ltd. It paid the purchase consideration by issue of 46,000, 8% debentures of Rs. 100 each at a discount of 10%.

Record the journal entries in the books of Sunlock Ltd. [3 marks]

Solution:

Concept:

- Purchase consideration equals the issue value of the debentures given to the vendor. A discount on issue reduces the amount settled by each debenture below its face value.
- Net assets acquired equal assets taken over less liabilities assumed. Excess of net assets over purchase consideration is credited to Capital Reserve Account; debentures are credited at their full face value.

Step 1: Calculate purchase consideration and capital reserve The issue price of each debenture is $100 - 10\% \times 100 = \text{Rs } 90$. Therefore,

$$\begin{aligned} \text{Purchase consideration} &= 46,000 \times 90 = \text{Rs } 41,40,000, \\ \text{Net assets} &= 50,00,000 - 6,00,000 = \text{Rs } 44,00,000, \\ \text{Capital reserve} &= 44,00,000 - 41,40,000 = \text{Rs } 2,60,000. \end{aligned}$$

The face value issued is Rs 46,00,000, and the discount on issue is Rs 4,60,000. The 8% rate is the coupon rate; it does not determine the purchase consideration.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		50,00,000	
	To Sundry Liabilities A/c			6,00,000
	To Moondock Ltd.			41,40,000
	To Capital Reserve A/c			2,60,000
	(Being assets and liabilities taken over and capital reserve recognised)			
	Moondock Ltd. Dr.		41,40,000	
	Discount on Issue of Debentures A/c Dr.		4,60,000	
	To 8% Debentures A/c			46,00,000
	(Being 46,000 debentures of Rs 100 each issued at 10% discount in settlement)			

The acquisition entry balances at Rs 50,00,000 on each side; the settlement entry balances at Rs 46,00,000 on each side.

Step 3: Conclusion Purchase consideration is Rs 41,40,000; Capital Reserve is Rs 2,60,000 and

Discount on Issue of Debentures is Rs 4,60,000.

Quick Tip to Solve: Use the issue price for the vendor settlement and face value for the debenture credit.

20(a). Abhay and Sujoy entered into partnership on 1st April, 2024 with capitals of Rs. 80,00,000 and Rs. 60,00,000 respectively. The partners decided to share profits in the ratio of their capital contribution. They withdrew Rs. 6,00,000 and Rs. 4,00,000 respectively during the year. The partners were charged interest on drawings @ 10% per annum as per the provisions of the partnership deed. Abhay's share of profit was guaranteed by Sujoy at a minimum of Rs. 3,50,000 per annum.

The profit of the firm for the year ended 31st March, 2024 amounted to Rs. 6,50,000.

Prepare Profit and Loss Appropriation Account of the firm for the year ended 31st March, 2024.

[3 marks]

Solution:

Concept:

- Profits are shared in the ratio of capital contributions: $80,00,000 : 60,00,000 = 4 : 3$. Interest on drawings is credited to Profit and Loss Appropriation Account.
- When only annual drawings are given without withdrawal dates, interest is calculated for the average period of six months. A guarantee causes a transfer only if the guaranteed partnerś normal share is below the minimum.

Step 1: Compute interest on drawings and divisible profit Abhay's interest on drawings is

$$6,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 30,000.$$

Sujoy's interest on drawings is

$$4,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 20,000.$$

Thus, total interest on drawings is Rs 50,000. It is added to the given profit of Rs 6,50,000, giving divisible profit of Rs 7,00,000. Drawings themselves are withdrawals of capital and are not debited to the appropriation account.

Step 2: Allocate profit and test the guarantee Abhay's normal share is $7,00,000 \times 4/7 = \text{Rs } 4,00,000$, and Sujoy's share is $7,00,000 \times 3/7 = \text{Rs } 3,00,000$. Since Rs 4,00,000 exceeds the guaranteed minimum of Rs 3,50,000, there is no deficiency for Sujoy to bear.

Profit and Loss Appropriation Account for the year ended 31st March, 2024

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Abhay's Capital A/c	4,00,000	By Profit and Loss A/c	6,50,000	
	To Sujoy's Capital A/c	3,00,000	By Interest on Drawings:		
			Abhay	30,000	
			Sujoy	20,000	
	Total	7,00,000	Total	7,00,000	

The account closes on distributing its entire credit balance to the partners; there is no balance carried down.

Step 3: Conclusion Abhay receives profit of Rs 4,00,000 and Sujoy receives Rs 3,00,000. No guarantee adjustment is required.

Quick Tip to Solve: Add interest on drawings before applying the profit ratio and then test the guaranteed share.

OR

20(b). Sonia and Shruti were partners in a firm sharing profits and losses in the ratio of 5 : 3. On 1st April, 2023 the balance in their fixed capital accounts were Rs. 25,00,000 and Rs. 15,00,000 respectively. The profit of the firm for the year ended 31st March, 2024 was Rs. 24,00,000. Calculate their share of profit if :

(i) the partnership deed is silent as to the payment of interest on capital.

(ii) the partnership deed provides for interest on capital @ 10% per annum. [3 marks]

Solution:

Concept:

- An existing agreed profit-sharing ratio remains effective when the deed is silent only about interest on capital. Interest on capital is allowed only when the partnership agreement provides for it.
- Where interest on capital is authorised, deduct it from profit before dividing the residual profit. Interest is an appropriation of profit, and the residual profit is shared in the agreed ratio of $5 : 3$.

Step 1: Case (i): no provision for interest on capital No interest on capital is payable merely because the partners have invested capital. The full profit of Rs 24,00,000 is therefore shared in the agreed ratio of 5:3, whose total is 8.

$$\text{Sonia's share} = 24,00,000 \times \frac{5}{8} = \text{Rs } 15,00,000,$$
$$\text{Shruti's share} = 24,00,000 \times \frac{3}{8} = \text{Rs } 9,00,000.$$

The rule of equal sharing in the absence of an agreement does not apply here, because the question explicitly supplies their agreed profit-sharing ratio.

Step 2: Case (ii): provide interest and divide the balance The capital balances apply for the whole year, so annual interest is:

$$\text{Sonia's interest} = 25,00,000 \times 10\% = \text{Rs } 2,50,000,$$
$$\text{Shruti's interest} = 15,00,000 \times 10\% = \text{Rs } 1,50,000.$$

The remaining profit is $24,00,000 - 4,00,000 = \text{Rs } 20,00,000$. Sonia's share of this residual profit is $20,00,000 \times 5/8 = \text{Rs } 12,50,000$; Shruti's is $20,00,000 \times 3/8 = \text{Rs } 7,50,000$. Including interest, their total credits are Rs 15,00,000 and Rs 9,00,000 respectively. Since capitals are fixed, both interest and profit shares are credited to the partners' current accounts. The total credits remain in the ratio 5:3 because the capitals themselves have that same ratio.

Step 3: Conclusion (i) Profit shares: Sonia Rs 15,00,000; Shruti Rs 9,00,000. (ii) Residual profit shares: Sonia Rs 12,50,000; Shruti Rs 7,50,000; with interest, total credits are Rs 15,00,000 and Rs

9,00,000 respectively.

Quick Tip to Solve: Distinguish the residual profit share from the total credit including interest on capital.

21. EF Ltd. invited applications for issuing 4000, 10% debentures of Rs. 100 each at a premium of Rs. 10 per debenture. The amount was payable as follows :

On application - Rs. 40 per debenture

On allotment - Rs. 70 per debenture (including premium)

The debentures were fully subscribed and all money was duly received.

Pass necessary journal entries for the above transactions in the books of EF Ltd. [4 marks]

Solution:

Concept:

- The nominal value of debentures is credited to 10% Debentures Account; the excess of issue price over nominal value is credited to Securities Premium Account.
- Application and allotment accounts record amounts due from applicants. Receipt of cash debits Bank Account and credits the relevant application or allotment account.

Step 1: Calculate the amounts due The face value of the issue is $4,000 \times \text{Rs } 100 = \text{Rs } 4,00,000$. The total premium is $4,000 \times \text{Rs } 10 = \text{Rs } 40,000$. Application money is $4,000 \times \text{Rs } 40 = \text{Rs } 1,60,000$. Allotment money is $4,000 \times \text{Rs } 70 = \text{Rs } 2,80,000$, comprising nominal capital of Rs 2,40,000 and premium of Rs 40,000. Thus the total issue proceeds are Rs 4,40,000.

Step 2: Record the application and allotment transactions Journal of EF Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being application money received on 4,000 debentures at Rs 40 each)		1,60,000	 1,60,000
	Debenture Application A/c Dr. To 10% Debentures A/c (Being application money transferred to debentures account on allotment)		1,60,000	 1,60,000
	Debenture Allotment A/c Dr. To 10% Debentures A/c To Securities Premium A/c (Being allotment money due, including premium of Rs 10 per debenture)		2,80,000	 2,40,000 40,000
	Bank A/c Dr. To Debenture Allotment A/c (Being full allotment money received)		2,80,000	 2,80,000

Step 3: Conclusion The issue credits 10% Debentures Account with Rs 4,00,000 and Securities Premium Account with Rs 40,000. Bank receives Rs 4,40,000; application and allotment accounts close without any unpaid balance.

Quick Tip to Solve: Split the Rs 70 allotment into Rs 60 face value and Rs 10 premium before recording the allotment entry.

22. Gopal, Heera and Iqbal were partners in a firm sharing profits and losses equally. Iqbal died on 1st April, 2022. Final dues payable to Iqbal's executor as on the date of death amounted to Rs. 4,00,000. Starting from 31st March, 2023, the executor was to be paid in two equal annual instalments of Rs. 2,00,000 each, with interest @ 10% per annum. Accounts are closed on 31st March every year.

Prepare Iqbal's executor's account till he is finally paid. [4 marks]

Solution:

Concept:

- The deceased partner's final capital balance is transferred to the executor's account. Interest increases the liability, while payment through bank reduces it.
- Each annual instalment of Rs 2,00,000 repays principal. Interest at 10% per annum is payable in addition, on the principal outstanding during the year.

Step 1: Determine interest and annual payments On 1st April, 2022, Rs 4,00,000 is transferred from Iqbal's Capital Account to his executor's account. For the year ending 31st March, 2023, interest is Rs $4,00,000 \times 10/100 =$ Rs $40,000$. The first payment is therefore Rs 2,40,000, comprising Rs 2,00,000 principal and Rs 40,000 interest. Principal remaining after this payment is Rs 2,00,000. For the year ending 31st March, 2024, interest is Rs $2,00,000 \times 10/100 =$ Rs $20,000$, so the final payment is Rs 2,20,000. Interest is calculated for a full year in each period because the first payment is made one year after death.

Step 2: Prepare the executor's account Iqbal's Executor's Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
2023 March 31: To Bank A/c	2,40,000	2022 April 1: By Iqbal's Capital A/c	4,00,000
2023 March 31: To Balance c/d	2,00,000	2023 March 31: By Interest A/c	40,000
Total	4,40,000	Total	4,40,000
2024 March 31: To Bank A/c	2,20,000	2023 April 1: By Balance b/d	2,00,000
		2024 March 31: By Interest A/c	20,000
Total	2,20,000	Total	2,20,000

The first year's closing credit balance becomes the next year's opening credit balance. After the second payment, both sides total Rs 2,20,000 and no balance remains to be carried down.

Step 3: Conclusion Iqbal's executor is paid Rs 2,40,000 on 31st March, 2023 and Rs 2,20,000 on 31st March, 2024. Total principal repaid is Rs 4,00,000 and total interest paid is Rs 60,000, settling the account in full.

Quick Tip to Solve: Treat each Rs 2,00,000 instalment as principal, add that year's interest, and calculate next year's interest on the reduced principal.

23. Madhur and Neeraj were partners in a firm sharing profits and losses in the ratio of 3 : 2. The Balance Sheet as at 31st March, 2024 was as follows :

Balance Sheet of Madhur and Neeraj as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals : Madhur 9,00,000 Neeraj 8,00,000	17,00,000	Machinery	7,00,000
		Investments	4,00,000
Creditors	6,00,000	Debtors	11,00,000
Bills Payable	2,00,000	Stock	2,00,000
		Cash at Bank	1,00,000
	25,00,000		25,00,000

The firm was dissolved on the above date and the following transactions took place :

(i) Machinery was taken over by creditors in full settlement of their account.

(ii) Investments were taken over by Neeraj at Rs. 5,00,000.

(iii) One of the debtors of Rs. 1,00,000 was untraceable. Remaining debtors were realised at 10% less.

(iv) Stock was taken over by Madhur at 50% discount.

(v) Realisation expenses amounting to Rs. 1,00,000 were paid by Madhur.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Realisation Account records the book values of non-cash assets on the debit side and external liabilities on the credit side. Cash at Bank and partners' capitals are excluded from these transfers.
- An asset taken over by a partner is credited to Realisation Account at its agreed value. Expenses paid personally by a partner are debited to Realisation Account and credited to that partner's Capital Account.
- The final realisation profit or loss is transferred to the partners in their profit-sharing ratio, here Madhur : Neeraj $= 3 : 2$.

Step 1: Compute the asset recoveries The untraceable debtor yields nothing. The remaining debtors are Rs $11,00,000 -$ Rs $1,00,000 =$ Rs $10,00,000$. Their recovery is

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

Neeraj takes investments at Rs 5,00,000; Madhur takes stock at Rs $2,00,000 \times 50\% =$ Rs $1,00,000$. Machinery and creditors are transferred initially at their respective book amounts. Their direct settlement requires no further entry in Realisation Account: no cash is paid and no partner takes over the machinery.

Step 2: Record expenses and settlement of bills payable Bills payable of Rs 2,00,000 are paid through Bank. Realisation expenses of Rs 1,00,000 paid by Madhur are debited to Realisation Account with a

corresponding credit to Madhur's Capital Account. They are not a bank payment by the firm. The opening bank balance of Rs 1,00,000 remains outside Realisation Account.

Step 3: Prepare the Realisation Account Realisation Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Machinery	7,00,000	By Creditors	6,00,000	
	To Investments	4,00,000	By Bills Payable	2,00,000	
	To Debtors	11,00,000	By Neeraj's Capital	5,00,000	
	To Stock	2,00,000	By Bank (Debtors)	9,00,000	
	To Bank (Bills payable)	2,00,000	By Madhur's Capital (Stock)	1,00,000	
	To Madhur's Capital (Expenses)	1,00,000	By Loss transferred to:		
			Madhur's Capital	2,40,000	
			Neeraj's Capital	1,60,000	
	Total	27,00,000	Total	27,00,000	

The account is closed by transferring the loss; there is no balance carried down after dissolution.

Step 4: Check the loss and its allocation The debit total before closing is Rs 27,00,000 and credits before loss are Rs 23,00,000. Thus realisation loss is Rs 4,00,000. Madhur's share is $4,00,000 \times 3/5 =$ Rs $2,40,000$, and Neeraj's share is $4,00,000 \times 2/5 =$ Rs $1,60,000$. These amounts debit the respective Capital Accounts and credit Realisation Account.

Step 5: Conclusion Realisation loss is $\boxed{\text{Rs } 4,00,000}$, borne by Madhur Rs 2,40,000 and Neeraj Rs 1,60,000. Both sides of Realisation Account total Rs 27,00,000.

Quick Tip to Solve: When a creditor accepts a transferred asset in full settlement, make no additional realisation entry for that exchange.

---

24. Following is the extract of the Balance Sheet of Sankalp Ltd. as per Schedule III, Part I of the Companies Act, 2013 as at 31st March, 2024 along with the notes to accounts :

Balance Sheet of Sankalp Ltd. as at 31st March, 2024 (An extract)

Particulars	**Note No.**	**31.03.2024 (Rs.)**	**31.03.2023 (Rs.)**
I - Equity and Liabilities :			
1. Shareholders' Funds			
(a) Share Capital	**1.**	**29,80,000**	**25,00,000**

Notes to Accounts as at 31st March, 2023

Note No.	**Particulars**	**31.03.2023 (Rs.)**
1.	**Share Capital** **Authorised Capital** **4,50,000 Equity Shares of Rs. 10 each**	**45,00,000**
	Issued Capital **2,50,000 Equity Shares of Rs. 10 each**	**25,00,000**
	Subscribed Capital **Subscribed and fully paid-up** **2,50,000 Equity Shares of Rs. 10 each** **Subscribed but not fully paid-up**	**25,00,000** **NIL**
		25,00,000

Notes to Accounts as at 31st March, 2024

Note No.	Particulars	31.03.2024 (Rs.)
1.	**Share Capital** **Authorised Capital** **4,50,000 Equity Shares of Rs. 10 each**	**45,00,000**
	Issued Capital **3,00,000 Equity Shares of Rs. 10 each**	**30,00,000**
	Subscribed Capital **Subscribed and fully paid-up** **2,90,000 Equity Shares of Rs. 10 each** **Subscribed but not fully paid-up** **10,000 Equity Shares of Rs. 10 each fully called-up: Rs. 1,00,000** **Less Calls-in-Arrears: 10,000 Equity Shares @ Rs. 2 per share: Rs. 20,000**	**29,00,000** **80,000**
		29,80,000

Answer the following questions : [6 marks]

24(i). Equity share capital issued during the year 2023 - 24 amounted to : [1 mark]

(A) Rs. 2,10,000

(B) Rs. 4,90,000

(C) Rs. 5,00,000

(D) Rs. 5,50,000

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

Solution:

Concept:

- Issued capital is the nominal value of shares offered for subscription; calls in arrears reduce paid-up capital, not issued capital.
- Distinguish nominal called-up capital, money received and calls in arrears before choosing the required amount.

Step 1: Read issued capital for the two years The issued capital in the notes is Rs 30,00,000 on 31 March 2024 and Rs 25,00,000 on 31 March 2023. Authorised capital of Rs 45,00,000 is only the permitted ceiling.

Step 2: Find the issue during the year

$$\text{New issued capital} = 30,00,000 - 25,00,000 = \text{Rs } 5,00,000.$$

This is 50,000 additional shares at Rs 10 each. The change in paid-up capital is Rs 4,80,000 and cannot measure the gross issue; Rs 2,10,000, Rs 4,90,000 and Rs 5,50,000 do not equal the issued-capital difference.

Step 3: Conclusion The required answer is Rs 5,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Use the issued-capital rows for both dates; do not subtract paid-up capital balances.

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

(A) 10,000

(B) 40,000

(C) 50,000

(D) 1,50,000

Correct Answer: (A) 10,000

Solution:

Concept:

- Calls in arrears equal the number of defaulting shares multiplied by the unpaid call per share.
- Distinguish nominal called-up capital, money received and calls in arrears before choosing the required amount.

Step 1: Identify the unpaid call The notes show calls in arrears of Rs 20,000 at Rs 2 per share. They also identify 10,000 shares as subscribed but not fully paid-up.

Step 2: Calculate the number of shares

$$\text{Defaulting shares} = \frac{20,000}{2} = 10,000.$$

The figures 40,000 and 50,000 relate to neither this arrear amount nor this rate; 1,50,000 is also incompatible. Use only the shares carrying the unpaid call, rather than the whole issued capital or the number newly issued.

Step 3: Conclusion The required answer is 10,000 shares. Hence, the correct option is (A).

Quick Tip to Solve: Divide total calls in arrears by the unpaid amount per share, not by face value.

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

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 1,20,000

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

Solution:

Concept:

- On forfeiture, Share Capital Account is debited with called-up capital on the forfeited shares, including the unpaid calls.
- Distinguish nominal called-up capital, money received and calls in arrears before choosing the required amount.

Step 1: Identify the called-up amount The company forfeits 10,000 shares. Each share has a face value of Rs 10 and is fully called-up, even though Rs 2 per share remains unpaid. Thus called-up value per forfeited share is Rs 10.

Step 2: Calculate the debit to capital

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

Rs 20,000 is the unpaid call, while Rs 80,000 is the amount already received and credited to Share Forfeiture. Neither is the capital debit. Rs 1,20,000 exceeds the called-up value.

Step 3: Conclusion The required answer is Rs 1,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Debit forfeited capital at the amount called up per share, even if part remains unpaid.

24(iv). On forfeiture of shares, the amount credited to 'Share Forfeiture Account' will be : [1 mark]

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 1,20,000

Correct Answer: (B) Rs. 80,000

Solution:

Concept:

- Share Forfeiture Account is credited with the capital amount already received on forfeited shares. Unpaid calls are reversed separately.
- Distinguish nominal called-up capital, money received and calls in arrears before choosing the required amount.

Step 1: Find the amount received per share Each Rs 10 share is fully called-up but Rs 2 remains unpaid. The capital received per share is therefore $10 - 2 = \text{Rs } 8$. There are 10,000 such shares.

Step 2: Compute the forfeiture credit

$$\text{Share Forfeiture credit} = 10,000 \times 8 = \text{Rs } 80,000.$$

Rs 20,000 represents unpaid calls and Rs 1,00,000 represents total called-up capital. Rs 1,20,000 exceeds the nominal capital itself. Only the money already received is retained in the forfeiture account.

Step 3: Conclusion The required answer is Rs 80,000. Hence, the correct option is (B).

Quick Tip to Solve: Forfeiture credit equals called-up capital less unpaid calls on the forfeited shares.

24(v). If all the forfeited shares are reissued at Rs. 9 per share fully paid-up, the amount credited to 'Capital Reserve' will be : [1 mark]

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 70,000

Correct Answer: (D) Rs. 70,000

Solution:

Concept:

- After reissue, the forfeiture balance attributable to the reissued shares, less any reissue discount, is transferred to Capital Reserve.
- Distinguish nominal called-up capital, money received and calls in arrears before choosing the required amount.

Step 1: Work out forfeiture and reissue discount The amount forfeited is $10,000 \times (10-2) = \text{Rs } 80,000$. Reissue at Rs 9 as fully paid gives a discount of $10 - 9 = \text{Rs } 1$ per share, or Rs 10,000 in total.

Step 2: Transfer the surplus

$$\text{Capital Reserve} = 80,000 - 10,000 = \text{Rs } 70,000.$$

All forfeited shares are reissued, so the entire remaining balance is transferable. Rs 80,000 ignores the reissue discount; Rs 1,00,000 is nominal capital and Rs 20,000 was the unpaid call, neither being the resulting capital profit.

Step 3: Conclusion The required answer is Rs 70,000. Hence, the correct option is (D).

Quick Tip to Solve: Deduct reissue discount from the forfeiture credit attributable to the shares actually reissued.

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

(A) Nil

(B) Rs. 20,000

(C) Rs. 80,000

(D) Rs. 1,00,000

Correct Answer: (A) Nil

Solution:

Concept:

- The maximum permissible discount on reissue equals the amount forfeited on those shares. The minimum reissue price therefore leaves no capital profit.
- Distinguish nominal called-up capital, money received and calls in arrears before choosing the

required amount.

Step 1: Determine the lowest price The company retained $10-2 = \text{Rs } 8$ per forfeited share. Maximum reissue discount is Rs 8 against nominal value Rs 10, so the minimum reissue price is $10 - 8 = \text{Rs } 2$ per share.

Step 2: Calculate the remaining forfeiture balance

$$\text{Capital Reserve} = 10,000 \times 8 - 10,000 \times 8 = \text{Rs } 0.$$

At the lowest permitted price, discount uses the full Rs 80,000 forfeiture balance. Consequently neither Rs 20,000, Rs 80,000 nor Rs 1,00,000 remains as capital profit. A higher reissue price would leave a surplus, but the question specifies the minimum.

Step 3: Conclusion The required answer is Nil. Hence, the correct option is (A).

Quick Tip to Solve: At the minimum permitted reissue price, the entire forfeited amount absorbs the discount.

25(a). Centurian Ltd. invited applications for issuing 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 20 per share. The amount was payable as follows :

On Application and Allotment - Rs. 20 per share (including premium Rs. 17 per share)

On First and Final call - Rs. 10 per share (including premium Rs. 3 per share)

Applications were received for 3,00,000 equity shares and allotment was made to the applicants as follows :

Category (i) - Applicants for 2,00,000 shares were allotted 1,50,000 shares.

Category (ii) - Applicants for 1,00,000 shares were allotted 50,000 shares.

Excess money received on application and allotment was adjusted towards sums due on first and final call. Deepali, who had applied for 2,000 shares, failed to pay the first and final call money. Deepali belonged to Category (i). Her shares were subsequently forfeited.

Pass necessary journal entries for the above transactions in the Books of Centurion Ltd.

Open Calls-in-Arrears and Calls-in-Advance account, wherever necessary. [6 marks]

Solution:

Concept:

- Application and allotment money includes Rs 3 capital and Rs 17 premium per share. The call includes Rs 7 capital and Rs 3 premium.
- Excess application money is transferred to Calls-in-Advance only to the extent of the call payable by that category; the remaining excess is refunded.
- On forfeiture, debit called-up share capital and credit unpaid calls and capital already received. Premium already received is not reversed.

Step 1: Work out allotment and excess money Category (i): allotment ratio is $1,50,000/2,00,000 = 3/4$. Application receipts are Rs 40,00,000 and application and allotment due is Rs 30,00,000. Excess Rs 10,00,000 is advanced against a call of Rs 15,00,000. Category (ii): application receipts are Rs

20,00,000 and application and allotment due is Rs 10,00,000. Of the excess Rs 10,00,000, only Rs 5,00,000 can meet its call; Rs 5,00,000 must be refunded. Thus total advance is Rs 15,00,000, and the net call collection before default is Rs 5,00,000. Deepali receives $2,000 \times 3/4 = 1,500$ shares. She paid Rs 40,000; Rs 30,000 meets application and allotment and Rs 10,000 is advanced. Her call is Rs 15,000 and net arrears are Rs 5,000. The advance covers the call premium of Rs 4,500 first and Rs 5,500 of call capital. Capital received is therefore $1,500 \times 3 + 5,500 =$ Rs $10,000$.

Step 2: Record application, allotment and advance

Journal of Centurion Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		60,00,000	
	To Share Application and Allotment A/c			60,00,000
	(Being application money received on 3,00,000 shares)			
	Share Application and Allotment A/c Dr.		60,00,000	
	To Equity Share Capital A/c			6,00,000
	To Securities Premium A/c			34,00,000
	To Calls-in-Advance A/c			15,00,000
	To Bank A/c			5,00,000
	(Being capital and premium on 2,00,000 shares credited, excess adjusted to calls and remaining excess refunded)			

Step 3: Record call and forfeiture

Journal of Centurion Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		20,00,000	
	To Equity Share Capital A/c			14,00,000
	To Securities Premium A/c			6,00,000
	(Being first and final call made due)			
	Calls-in-Advance A/c Dr.		15,00,000	
	To Share First and Final Call A/c			15,00,000
	(Being advance adjusted against call)			
	Bank A/c Dr.		4,95,000	
	Calls-in-Arrears A/c Dr.		5,000	
	To Share First and Final Call A/c			5,00,000
	(Being balance call received except Deepali's arrears)			
	Equity Share Capital A/c Dr.		15,000	
	To Calls-in-Arrears A/c			5,000
	To Share Forfeiture A/c			10,000
	(Being 1,500 fully called shares forfeited for non-payment of net call)			

Step 4: Open the required accounts Both accounts close on adjustment; no balance remains to carry down.

Calls-in-Advance Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To First and Final Call	15,00,000	By Application and Allotment	15,00,000	
	Total	15,00,000	Total	15,00,000	

Calls-in-Arrears Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To First and Final Call	5,000	By Equity Share Capital	5,000	
	Total	5,000	Total	5,000	

Step 5: Conclusion Deepali's 1,500 shares are forfeited for net call arrears of Rs 5,000; Share Forfeiture is credited with Rs 10,000. The entries above record the complete issue and forfeiture.

Quick Tip to Solve: Compute excess and call liability separately for each allotment category before totalling advances; one category's surplus cannot pay another category's call.

OR

25(b). Romerio Ltd. issued Rs. 80,00,000, 8% debentures of Rs. 100 each on 1st April, 2023 at par, redeemable at a premium of 5%. The company had Rs. 3,00,000 in its Securities Premium Account. Give journal entries in the books of Romerio Ltd. relating to the :

(i) Issue of Debentures.

(ii) Debenture interest for the year ending 31st March, 2024 assuming that interest was paid yearly on 31st March.

(iii) Writing off Debenture Interest and Loss on Issue of Debentures. [6 marks]

Solution:

Concept:

- Debentures issued at par bring cash equal to face value; premium payable on redemption creates a loss at issue.
- Annual interest is calculated on the face value of debentures, irrespective of redemption premium.
- Loss on issue is written off first against available Securities Premium; the remaining loss and debenture interest are charged to Statement of Profit and Loss.

Step 1: Calculate issue proceeds and redemption premium Number of debentures $= 80,00,000/100 = 80,000$. Issue price equals face value, so cash received is Rs 80,00,000. Redemption premium is $80,00,000 \times 5/100 =$ Rs $4,00,000$. The redemption liability is thus Rs 84,00,000. Although redemption occurs later, its premium is recognised at issue as Loss on Issue of Debentures, with a corresponding liability in Premium on Redemption of Debentures Account.

Journal of Romerio Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	Bank A/c Dr.		80,00,000	
	Loss on Issue of Debentures A/c Dr.		4,00,000	
	To 8% Debentures A/c			80,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(Being 80,000 debentures of Rs 100 each issued at par, redeemable at 5% premium)			

Step 2: Accrue and pay annual interest The debentures were issued on 1 April 2023 and remained

outstanding for the entire financial year. Therefore no time apportionment is necessary:

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

Interest is a finance cost. It is first credited to debentureholders when due and then discharged through Bank on 31 March 2024. No tax deduction is specified in the question.

Journal of Romerio Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar 2024	Debenture Interest A/c Dr.		6,40,000	
	To Debentureholders A/c			6,40,000
	(Being annual interest due on 8 percent debentures)			
31 Mar 2024	Debentureholders A/c Dr.		6,40,000	
	To Bank A/c			6,40,000
	(Being annual debenture interest paid)			

Step 3: Write off interest and loss on issue Available Securities Premium is Rs 3,00,000. Apply it to the issue loss of Rs 4,00,000, leaving Rs 1,00,000 to charge to Statement of Profit and Loss. Transfer interest separately to Statement of Profit and Loss because it is a recurring revenue expense. The total debit to that statement from these transactions is $6,40,000 + 1,00,000 = \text{Rs } 7,40,000$. The liability for redemption premium continues until redemption; writing off the loss does not cancel that liability.

Journal of Romerio Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar 2024	Statement of Profit and Loss A/c Dr.		6,40,000	
	To Debenture Interest A/c			6,40,000
	(Being debenture interest transferred to profit and loss)			
31 Mar 2024	Securities Premium A/c Dr.		3,00,000	
	Statement of Profit and Loss A/c Dr.		1,00,000	
	To Loss on Issue of Debentures A/c			4,00,000
	(Being loss on issue written off using available securities premium and profit and loss)			

Step 4: Conclusion Annual debenture interest is Rs 6,40,000. Loss on issue of Rs 4,00,000 is written off using Securities Premium Rs 3,00,000 and Statement of Profit and Loss Rs 1,00,000.

Quick Tip to Solve: Keep redemption premium separate from annual interest: calculate both on face value, then use Securities Premium only for the capital loss.

26(a). **Atharv and Anmol were partners in a firm sharing profits and losses in the ratio of 5 : 2. Their Balance Sheet as at 31st March, 2024 was as follows :**

Balance Sheet of Atharv and Anmol as at 31st March, 2024

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Capitals :				
Atharv	8,00,000	12,00,000	Fixed Assets	14,00,000
Anmol	4,00,000			
General Reserve		3,50,000	Stock	4,90,000
Creditors		9,10,000	Debtors	5,60,000
			Cash	10,000
		24,60,000		24,60,000

On 1st April, 2024, Surya was admitted as a new partner for 2/7th share in the profits of the firm on the following terms :

(i) The new profit sharing ratio between Atharv, Anmol and Surya will be 4 : 1 : 2.

(ii) Fixed Assets were to be reduced by 10%.

(iii) Stock was sold at Rs. 4,20,000.

(iv) Surya shall bring Rs. 3,00,000 as capital and Rs. 2,00,000 for his share of goodwill premium in cash.

(v) Capital accounts of old partners be adjusted on the basis of Surya's capital in the business, actual cash to be paid off to, or brought in by the old partners, as the case may be.

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

Solution:

Concept:

- Revaluation losses and accumulated reserves belong to the old partners in their old ratio, $5:2$. The goodwill premium is credited in the sacrificing ratio.
- Total capital is inferred from the incoming partner: total capital = incoming capital divided by his profit share. Cash is withdrawn or introduced to reach the required capital.

Step 1: Calculate revaluation loss Fixed assets decrease by $14,00,000 \times 10\% = \text{Rs } 1,40,000$. Sale of stock below its book value causes a loss of $4,90,000 - 4,20,000 = \text{Rs } 70,000$. The sale proceeds are received in cash; only the loss enters Revaluation Account. Total loss is Rs 2,10,000, borne by Atharv and Anmol as Rs 1,50,000 and Rs 60,000 respectively.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Fixed Assets	1,40,000	By Atharv's Capital	1,50,000
To Stock (loss on sale)	70,000	By Anmol's Capital	60,000
Total	2,10,000	Total	2,10,000

Step 2: Distribute reserve and goodwill premium The general reserve of Rs 3,50,000 is credited to Atharv and Anmol in $5:2$, giving Rs 2,50,000 and Rs 1,00,000. Their sacrifices are

$$\text{Atharv} : \frac{5}{7} - \frac{4}{7} = \frac{1}{7}, \qquad \text{Anmol} : \frac{2}{7} - \frac{1}{7} = \frac{1}{7}.$$

Thus the sacrificing ratio is $1:1$, so each receives Rs 1,00,000 out of Surya's goodwill premium of Rs 2,00,000. Surya's capital contribution of Rs 3,00,000 is recorded separately from the goodwill premium.

Step 3: Adjust capitals and prepare capital accounts The firm's required total capital is $3,00,000 \times 7/2 =$ Rs $10,50,000$. In the new ratio $4:1:2$, capitals must be Rs 6,00,000, Rs 1,50,000 and Rs 3,00,000. Before cash adjustment, Atharv's capital is $8,00,000 + 2,50,000 + 1,00,000 - 1,50,000 =$ Rs $10,00,000$; Anmol's is $4,00,000 + 1,00,000 + 1,00,000 - 60,000 =$ Rs $5,40,000$. Their excess capitals are therefore paid off in cash.

Partners' Capital Accounts (A = Atharv, N = Anmol, S = Surya)

Dr.				Cr.			
Particulars	A (Rs)	N (Rs)	S (Rs)	Particulars	A (Rs)	N (Rs)	S (Rs)
To Revaluation	1,50,000	60,000	–	By Balance b/d	8,00,000	4,00,000	–
To Cash	4,00,000	3,90,000	–	By General Reserve	2,50,000	1,00,000	–
To Balance c/d	6,00,000	1,50,000	3,00,000	By Premium for Goodwill	1,00,000	1,00,000	–
				By Cash (capital)	–	–	3,00,000
Total	11,50,000	6,00,000	3,00,000	Total	11,50,000	6,00,000	3,00,000

Step 4: Conclusion Revaluation loss is Rs 2,10,000. Atharv and Anmol withdraw Rs 4,00,000 and Rs 3,90,000 respectively; final capitals are Rs 6,00,000, Rs 1,50,000 and Rs 3,00,000.

Quick Tip to Solve: Credit goodwill in the sacrificing ratio first, then compare adjusted capitals with the capitals inferred from Surya.

OR

26(b). Chandan, Deepak and Elvish were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 2. Their Balance Sheet as at 31st March, 2024 stood as follows :

Balance Sheet of Chandan, Deepak and Elvish as at 31st March, 2024

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Capitals :				
Chandan	7,00,000			
Deepak	5,00,000	15,00,000	Fixed Assets	27,00,000
Elvish	3,00,000			
General Reserve		4,50,000	Stock	3,00,000
Creditors		13,50,000	Debtors	2,00,000
			Cash	1,00,000
		33,00,000		33,00,000

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

(i) Fixed assets were to be depreciated by 10%.

(ii) Debtors of Rs. 30,000 were to be written off as bad debts.

(iii) Goodwill of the firm was valued at Rs. 6,00,000 and the retiring partner's share is adjusted through the capital accounts of the remaining partners.

(iv) Chandan was paid through cash brought in by Deepak and Elvish in such a way so as to make their capitals proportionate to their new profit sharing ratio.

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

Solution:

Concept:

- Reserve and revaluation loss are shared in the old ratio $1:2:2$. The retiring partner receives his share of goodwill, charged to the continuing partners in their gaining ratio.
- With no changed ratio specified, Deepak and Elvish continue in $2:2=1:1$. Their cash contributions together fund the retiring partner while making their closing capitals equal.

Step 1: Prepare Revaluation Account Depreciation on fixed assets is $27,00,000 \times 10\% =$ Rs $2,70,000$. Bad debts of Rs 30,000 further reduce assets. Total revaluation loss is Rs 3,00,000, allocated in $1:2:2$: Chandan Rs 60,000, Deepak Rs 1,20,000 and Elvish Rs 1,20,000.

Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Fixed Assets	2,70,000	By Chandan's Capital	60,000
To Debtors	30,000	By Deepak's Capital	1,20,000
		By Elvish's Capital	1,20,000
Total	3,00,000	Total	3,00,000

Step 2: Adjust reserve, goodwill and amount due The reserve of Rs 4,50,000 is credited as Rs 90,000, Rs 1,80,000 and Rs 1,80,000. Chandan's goodwill entitlement is $6,00,000 \times 1/5 =$ Rs $1,20,000$. Deepak and Elvish each gain $1/2 - 2/5 = 1/10$; thus each is debited Rs 60,000 without opening a goodwill asset account. Adjusted capitals are:

$$\text{Chandan} = 7,00,000 + 90,000 - 60,000 + 1,20,000 = 8,50,000,$$
$$\text{Deepak} = 5,00,000 + 1,80,000 - 1,20,000 - 60,000 = 5,00,000,$$
$$\text{Elvish} = 3,00,000 + 1,80,000 - 1,20,000 - 60,000 = 3,00,000.$$

All amounts are in Rs. Chandan must therefore receive Rs 8,50,000.

Step 3: Determine contributions and prepare capital accounts Since Chandan is paid through cash brought in, the total fresh contribution is Rs 8,50,000; the existing cash of Rs 1,00,000 remains available to the firm. Continuing capitals after introduction total Rs 16,50,000 (Rs 5,00,000 + Rs 3,00,000 + Rs 8,50,000). Each partner's required capital is Rs 8,25,000. Deepak brings Rs 3,25,000 and Elvish Rs 5,25,000.

Partners' Capital Accounts (C = Chandan, D = Deepak, E = Elvish)

Dr.				Cr.			
Particulars	C (Rs)	D (Rs)	E (Rs)	Particulars	C (Rs)	D (Rs)	E (Rs)
To Revaluation	60,000	1,20,000	1,20,000	By Balance b/d	7,00,000	5,00,000	3,00,000
To Chandan's Capital	–	60,000	60,000	By General Reserve	90,000	1,80,000	1,80,000
To Cash	8,50,000	–	–	By Deepak's Capital	60,000	–	–
To Balance c/d	–	8,25,000	8,25,000	By Elvish's Capital	60,000	–	–
				By Cash	–	3,25,000	5,25,000
Total	9,10,000	10,05,000	10,05,000	Total	9,10,000	10,05,000	10,05,000

Step 4: Conclusion Revaluation loss is Rs 3,00,000. Chandan receives Rs 8,50,000. Deepak introduces Rs 3,25,000 and Elvish Rs 5,25,000, leaving their capitals at Rs 8,25,000 each.

Quick Tip to Solve: When the entire retirement payment is financed by fresh contributions, add that payment to the continuing adjusted capitals before dividing in the new ratio.

Part B (20 marks)

Option I (Analysis of Financial Statements)

27. The Quick Ratio of a company is 2 : 1. Which of the following transactions will result in decrease of this ratio ? [1 mark]

(A) Payment of outstanding salary

(B) Cash received from debtors

(C) Sale of goods at a profit

(D) Purchase of goods for cash

Correct Answer: (D) Purchase of goods for cash

Solution:

Concept:

- Quick ratio is quick assets divided by current liabilities. Inventory is excluded from quick assets; cash and trade receivables are included.
- To compare a transaction with the initial ratio $2:1$, take quick assets as $2L$ and current liabilities as L.

Step 1: Identify the decreasing transaction Buying goods for cash converts a quick asset (cash) into inventory, which is not a quick asset. For a purchase of x, quick assets fall to $2L - x$, while current liabilities remain L. Hence the ratio becomes $(2L - x)/L < 2$.

Step 2: Check the other options Payment of outstanding salary reduces quick assets and current liabilities equally, so $(2L - x)/(L - x) > 2$ for a feasible payment with positive remaining liabilities: option (A) increases the ratio. Cash received from debtors only exchanges one quick asset for another, leaving option (B) neutral. A normal sale of goods at a profit creates cash or receivables while reducing excluded inventory; it raises quick assets, so option (C) does not decrease the ratio.

Step 3: Conclusion The correct option is (D): Purchase of goods for cash.

Quick Tip to Solve: For quick ratio questions, remember that paying cash for inventory removes a quick asset without reducing current liabilities.

28. Statement I : Snow Ltd. made a net profit of Rs. 5,00,000 after taking into consideration interest on investment of Rs. 1,00,000. Operating profit before working capital changes would be Rs. 4,00,000.

Statement II : To calculate operating profit, before working capital changes, interest on investment is subtracted from net profit because it is a non-operating income.

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:

- Operating profit excludes non-operating income credited to the Statement of Profit and Loss.
- Interest on investments is deducted from net profit under the indirect method; the related cash receipt is classified as investing activity for a non-financial company.

Step 1: Test Statement I The given net profit already includes interest income of Rs 1,00,000. Remove that income to isolate profit from operations:

$$\text{Operating profit before working capital changes} = 5,00,000 - 1,00,000 = \text{Rs } 4,00,000.$$

No other adjustment is given, so Statement I is true.

Step 2: Test Statement II and the options Interest earned on investments is a non-operating income. Since it increased net profit, it must be subtracted when deriving operating profit. Statement II is therefore true. Options (A) and (B) incorrectly reject one of the true statements; option (C) incorrectly rejects both.

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

Quick Tip to Solve: For an income already included in net profit, subtract it if it belongs to investing activities.

29(a). **The tool of 'Analysis of Financial Statements' which indicates the trend and direction of financial position and operating results is :** [1 mark]

(A) Ratio Analysis

(B) Cash Flow Analysis

(C) Common Size Statements

(D) Comparative Statements

Correct Answer: (D) Comparative Statements

Solution:

Concept:

- Comparative statements place financial data for different periods side by side.
- Absolute and percentage changes reveal the direction of changes in financial position and operating results.

Step 1: Identify the required feature The question asks for the tool that indicates trend and direction over time. Comparative Balance Sheets show changes in financial position, while comparative Statements of Profit and Loss show changes in operating results.

Step 2: Distinguish the alternatives Ratio analysis measures relationships between accounting figures. Cash flow analysis explains cash movements. Common size statements express figures as percentages of a common base. Comparative statements directly present period-to-period increases and decreases, making them the intended tool here.

Step 3: Conclusion Comparative Statements indicate the trend and direction. Hence, the correct option is (D).

Quick Tip to Solve: Look for period-to-period changes when the question asks about trend and direction.

OR

29(b). **While preparing Common Size Statement of Profit and Loss of a company, each item is expressed as a percentage of _____.** [1 mark]

(A) Revenue from operations

(B) Total liabilities

(C) Total expenses

(D) Total assets

Correct Answer: (A) Revenue from operations

Solution:

Concept:

- In a Common Size Statement of Profit and Loss, revenue from operations is the common base and equals 100%.
- Each percentage equals item amount/revenue from operations $\times$ 100.

Step 1: Select the denominator Each income and expense item is expressed in relation to revenue from operations. The same denominator must be used throughout the statement so that the composition of income and expenses can be compared.

Step 2: Check the other bases Total liabilities and total assets relate to the Balance Sheet, not the common size profit and loss base. Total expenses would measure the composition of expenses alone and is not the prescribed base for this statement.

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

Quick Tip to Solve: For common size profit and loss, set revenue from operations to 100 percent before calculating other rows.

30(a). Cash Flow Statement is prepared in accordance with : [1 mark]

(A) Accounting Standard 3

(B) Accounting Standard 26

(C) The Companies Act, 2013

(D) The Companies Act, 1956

Correct Answer: (A) Accounting Standard 3

Solution:

Concept:

- Accounting Standard 3 (AS 3) deals with Cash Flow Statements.
- AS 3 classifies cash flows into operating, investing and financing activities.

Step 1: Identify the relevant accounting standard The question asks for the accounting standard governing preparation of the Cash Flow Statement. AS 3 prescribes the presentation of movements in cash and cash equivalents and their classification into the three activities.

Step 2: Eliminate the remaining options AS 26 concerns intangible assets and therefore does not govern the Cash Flow Statement. The Companies Act, 2013 and the Companies Act, 1956 are statutes, not the specific accounting standard sought by this question.

Step 3: Conclusion The Cash Flow Statement is prepared in accordance with Accounting Standard 3. Hence, the correct option is (A).

Quick Tip to Solve: Associate AS 3 with the three cash-flow categories: operating, investing and financing.

OR

30(b). Which of the following statements is correct ? [1 mark]

(A) Proceeds from sale of goods and services will result in cash outflow from operating activities.

(B) Payment of dividend will result in cash outflow from investing activities.

(C) Sale of machinery will result in cash outflow from investing activities.

(D) Payment of employee benefit expenses will result in cash outflow from operating activities.

Correct Answer: (D) Payment of employee benefit expenses will result in cash outflow from operating activities.

Solution:

Concept:

- Operating activities include cash receipts and payments arising from principal revenue-producing activities.
- Investing activities include the purchase and sale of long-term assets; dividend payments are financing outflows.

Step 1: Check options (A), (B) and (C) Proceeds from sale of goods and services are operating cash inflows, so (A) has the wrong direction. Payment of dividend is a financing outflow, so (B) has the wrong activity. Sale of machinery produces an investing cash inflow, so (C) has the wrong direction.

Step 2: Check option (D) Employee benefit expenses arise in normal business operations. Paying these expenses reduces cash and is therefore a cash outflow from operating activities. Both the direction and classification in (D) are correct.

Step 3: Conclusion Payment of employee benefit expenses is a cash outflow from operating activities. Hence, the correct option is (D).

Quick Tip to Solve: Check direction and activity separately: a statement is correct only when both match the transaction.

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

(a) Prepaid expenses

(b) Capital Work-in-Progress

(c) Interest accrued and due on debentures [3 marks]

Solution:

Concept:

- Classify assets and liabilities by their nature and by whether they are current or non-current.
- An expense paid in advance is an asset until its benefit is consumed; an expense accrued and due is an obligation.

Step 1: Classify prepaid expenses Prepaid expenses represent payments already made for benefits to be received in the next accounting period. They are not expenses of the current period to that extent.

They appear on the Assets side under the major head Current Assets and the sub-head Other Current Assets.

Step 2: Classify capital work-in-progress Capital Work-in-Progress represents expenditure on construction or acquisition of a fixed asset that is not yet ready for its intended use. It is a non-current asset rather than inventory or a current expense. Under the Schedule III format used here, show it under Non-Current Assets, within Fixed Assets, as Capital Work-in-Progress.

Step 3: Classify interest accrued and due on debentures Interest accrued and due is an outstanding interest obligation payable now. It is shown under Current Liabilities, sub-head Other Current Liabilities. Do not merge it with the principal amount of debentures under long-term borrowings: the principal and the interest are different obligations.

Balance Sheet classification:

Item	Major head	Sub-head
Prepaid expenses	Current Assets	Other Current Assets
Capital Work-in-Progress	Non-Current Assets	Fixed Assets: Capital Work-in-Progress
Interest accrued and due on debentures	Current Liabilities	Other Current Liabilities

Step 4: Conclusion Prepaid expenses: Other Current Assets; Capital Work-in-Progress: Fixed Assets under Non-Current Assets; interest accrued and due on debentures: Other Current Liabilities.

Quick Tip to Solve: Distinguish interest due from debenture principal; interest due belongs to other current liabilities.

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

Particulars	Amount (Rs.)
Revenue from Operations	**20,00,000**
Other Income	**5,00,000**
Cost of Materials Consumed	**12,00,000**
Employee Benefit Expenses	**6,00,000**
Depreciation	**2,00,000**

[3 marks]

Solution:

Concept:

- Revenue from operations is the base: Percentage $= \dfrac{\text{item amount}}{\text{revenue from operations}} \times 100$.
- Total income equals revenue from operations plus other income; profit before tax equals total income less total expenses.

Step 1: Calculate total income and total expenses Total income is Rs 20,00,000 + Rs 5,00,000 = Rs 25,00,000. Total expenses are Rs 12,00,000 + Rs 6,00,000 + Rs 2,00,000 = Rs 20,00,000. Therefore profit before tax is Rs 25,00,000 - Rs 20,00,000 = Rs 5,00,000. No tax expense is supplied, so the balancing profit is presented as profit before tax.

Step 2: Convert the figures into percentages Use Rs 20,00,000, the revenue from operations, as the denominator for every row. Other income is $5,00,000/20,00,000 \times 100 = 25\%$. Materials consumed are 60%, employee benefit expenses 30%, and depreciation 10%. Hence total expenses are 100%, total income is 125%, and profit before tax is 25%. Total income is allowed to exceed 100 percent because the base excludes other income.

Step 3: Prepare the common size statement **KL Ltd.**

Common Size Statement of Profit and Loss

for the year ended 31st March, 2024

Particulars	Amount (Rs)	% of Revenue
I. Revenue from Operations	20,00,000	100
II. Other Income	5,00,000	25
III. Total Income (I + II)	25,00,000	125
IV. Expenses:		
Cost of Materials Consumed	12,00,000	60
Employee Benefit Expenses	6,00,000	30
Depreciation	2,00,000	10
Total Expenses	20,00,000	100
V. Profit before Tax (III - IV)	5,00,000	25

Step 4: Conclusion KL Ltd. has total income of Rs 25,00,000 (125%), total expenses of Rs 20,00,000 (100%) and profit before tax of Rs 5,00,000 (25%).

Quick Tip to Solve: Keep revenue from operations as the denominator even when total income includes a separate other-income amount.

33(a). From the following information, calculate Interest Coverage Ratio :

Particulars	Amount (Rs.)
Profit after Tax	**6,30,000**
Tax Rate	**30%**
15% Debentures	**20,00,000**
Equity Share Capital	**10,00,000**

[4 marks]

Solution:

Concept:

- Interest Coverage Ratio measures the number of times profit before interest and tax (EBIT) covers interest on long-term debt: ICR $=$ EBIT/Interest.
- Profit after tax (PAT) is profit before tax (PBT) less income tax. If the tax rate is t, then PBT $=$ PAT$/(1-t)$. Interest is added back to PBT to obtain EBIT.

Step 1: Calculate profit before tax Tax is 30% of profit before tax, so the given profit after tax represents 70% of profit before tax. Hence,

$$\text{PBT} = \frac{\text{Rs } 6,30,000 \times 100}{70} = \text{Rs } 9,00,000.$$

The associated tax is Rs 2,70,000, and subtracting it from Rs 9,00,000 reproduces the given PAT of Rs 6,30,000.

Step 2: Calculate annual debenture interest and EBIT The annual interest liability is based on the face amount of 15% debentures:

$$\text{Interest} = \text{Rs } 20,00,000 \times \frac{15}{100} = \text{Rs } 3,00,000.$$

Profit before tax is after charging this interest. Therefore,

$$\text{EBIT} = \text{Rs } 9,00,000 + \text{Rs } 3,00,000 = \text{Rs } 12,00,000.$$

Equity share capital does not create a fixed interest charge and is therefore not included in the denominator.

Step 3: Apply the coverage formula

$$\text{Interest Coverage Ratio} = \frac{12,00,000}{3,00,000} = 4 \text{ times}.$$

Thus the profit available before interest and tax is four times the annual debenture interest. Using PAT directly would understate coverage because both tax and interest must first be restored.

Step 4: Conclusion Interest Coverage Ratio is $\boxed{4 \text{ times}}$.

Quick Tip to Solve: First divide PAT by 0.70 to reverse tax, then add annual debenture interest; equity share capital is irrelevant to interest coverage.

OR

33(b). Calculate the amount of Opening Trade Receivables and Closing Trade Receivables from the following information :

Trade Receivables Turnover Ratio = 5 times

Cost of Revenue from operations = Rs. 8,00,000

Gross Profit Ratio = 20%

Closing Trade Receivables were Rs. 40,000 more than that in the beginning.

Cash sales were 1/4 times of Credit sales. [4 marks]

Solution:

Concept:

- Gross Profit Ratio is gross profit divided by revenue from operations, multiplied by 100. Therefore cost of revenue from operations is $100\% -$ GP ratio of total sales.
- Trade Receivables Turnover Ratio equals net credit revenue from operations divided by average trade receivables. Average trade receivables are $(\text{Opening} + \text{Closing})/2$.

Step 1: Find total revenue from operations Gross profit is 20% of sales, so cost of revenue from

operations is the remaining 80%. Thus,

$$\text{Revenue from operations} = \frac{\text{Rs } 8,00,000 \times 100}{80} = \text{Rs } 10,00,000.$$

Gross profit is consequently Rs 2,00,000. Adding it to cost of revenue verifies total sales of Rs 10,00,000.

Step 2: Separate credit sales from cash sales Let credit sales be C. Cash sales are $C/4$, so total sales equal $5C/4$. Therefore,

$$C = \text{Rs } 10,00,000 \times \frac{4}{5} = \text{Rs } 8,00,000.$$

Cash sales are Rs 2,00,000. Only credit sales enter the turnover ratio, since cash sales do not create trade receivables.

Step 3: Calculate average trade receivables Applying the given turnover of 5 times,

$$\text{Average trade receivables} = \frac{\text{Net credit sales}}{\text{Turnover ratio}} = \frac{\text{Rs } 8,00,000}{5} = \text{Rs } 1,60,000.$$

No sales returns are given, so the calculated credit sales are used as net credit sales.

Step 4: Determine the opening and closing balances Let opening trade receivables be Rs x. Closing trade receivables are Rs $(x + 40,000)$. Hence,

$$\begin{aligned} \frac{x + (x + 40,000)}{2} &= 1,60,000, \\ 2x + 40,000 &= 3,20,000, \\ x &= 1,40,000. \end{aligned}$$

Closing trade receivables are Rs $1,40,000 + 40,000 = 1,80,000$. Their average is Rs 1,60,000, which gives the required turnover of $8,00,000/1,60,000 = 5$ times.

Step 5: Conclusion Opening Trade Receivables are $\boxed{\text{Rs } 1,40,000}$ and Closing Trade Receivables are $\boxed{\text{Rs } 1,80,000}$.

Quick Tip to Solve: Cash sales are one-fourth of credit sales, so credit sales are four-fifths of total sales; take half the Rs 40,000 difference on either side of the average.

34. Calculate 'Cash Flows from Investing Activities' from the following information :

Particulars	31.03.2024 (Rs.)	31.03.2023 (Rs.)
10% Long Term Investments	2,50,000	4,50,000
Plant and Machinery	8,00,000	6,00,000
Goodwill	1,40,000	1,00,000
Investment in shares of 'Pinnacle Ltd.'	14,00,000	5,00,000
Patents	-	1,50,000

Additional Information :

(i) A machine costing Rs. 60,000 (depreciation provided thereon Rs. 18,000) was sold for Rs. 48,000. Depreciation charged during the year was Rs. 60,000.

(ii) Dividend received from Pinnacle Ltd. Rs. 40,000.

(iii) Interest received on 10% Long Term Investments Rs. 45,000.

(iv) Patents were sold at their book value. [6 marks]

Solution:

Concept:

- Investing activities comprise cash payments for acquiring non-current assets and investments and cash receipts from their disposal.
- For a non-financial enterprise, interest and dividend received are investing inflows. Depreciation is a non-cash expense; sale proceeds, rather than profit on sale, enter the cash flow statement.

Step 1: Calculate the purchase of plant and machinery The carrying amount of the machine sold is its cost less accumulated depreciation:

$$\text{Book value sold} = 60,000 - 18,000 = \text{Rs } 42,000.$$

The given plant and machinery balances represent carrying amounts. Reconcile the opening and closing balances after deducting the carrying amount disposed of and depreciation charged during the year:

$$8,00,000 = 6,00,000 + \text{Purchases} - 42,000 - 60,000,$$

$$\text{Purchases} = \text{Rs } 3,02,000.$$

The machine generated cash of Rs 48,000. Its profit of Rs 6,000 is not an additional investing receipt; adding it again would count the same disposal twice.

Step 2: Identify the other investing cash flows Long-term investments decreased from Rs 4,50,000 to Rs 2,50,000, giving sale proceeds of Rs 2,00,000 in the absence of any other adjustment. Investment in Pinnacle Ltd. increased by Rs 9,00,000, representing a purchase. Goodwill increased by Rs 40,000, representing acquisition. The patents with opening book value Rs 1,50,000 were sold at book value, so the cash receipt is Rs 1,50,000. Dividend received of Rs 40,000 and actual interest received of Rs 45,000 are separate investing inflows. Use the interest received supplied in the question, without applying 10% again to either balance.

Step 3: Prepare the investing activities section Cash Flow Statement (Extract): Cash Flows from Investing Activities

Particulars	Amount (Rs)
Sale of long-term investments	2,00,000
Sale of plant and machinery	48,000
Sale of patents	1,50,000
Dividend received	40,000
Interest received	45,000
Total cash inflows	4,83,000
Purchase of plant and machinery	(3,02,000)
Purchase of goodwill	(40,000)
Purchase of shares of Pinnacle Ltd.	(9,00,000)
Total cash outflows	(12,42,000)
Net cash used in investing activities	(7,59,000)

The parentheses denote cash payments and the resulting net outflow.

Step 4: Conclusion Net cash flow from investing activities is $\boxed{\text{Rs } (7,59,000)}$, i.e. cash used of Rs 7,59,000.

Quick Tip to Solve: Reconcile plant at carrying amount first; use actual sale proceeds and actual interest received in the cash flow extract.

Option II (Computerised Accounting)

27(a). 'LABELS' in Excel means : [1 mark]

(A) A text or special character

(B) Used for rows, columns or descriptive information

(C) Can be treated mathematically

(D) Both (A) and (B)

Correct Answer: (D) Both (A) and (B)

Solution:

Concept:

- A label is text or a special character entered to describe worksheet information.
- Labels serve as headings and descriptions rather than numeric amounts for arithmetic.

Step 1: Identify what a label contains Text and special characters are labels. Thus statement (A) correctly describes the nature of a label.

Step 2: Test the remaining choices Labels identify rows, columns or descriptive information, making (B) correct too. They are not numerical values that can be treated mathematically, so (C) is incorrect. Selecting only (A) or only (B) would omit another correct description.

Step 3: Conclusion Hence, the correct option is (D): both descriptions apply to labels.

Quick Tip to Solve: For labels, check both their text content and their descriptive purpose before choosing a combined option.

OR

27(b). Which of the following is not contained on formula tab on Excel ribbon ? [1 mark]

(A) Function library

(B) Defined names

(C) Page layout

(D) Calculations

Correct Answer: (C) Page layout

Solution:

Concept:

- The Formulas tab groups tools for functions, named ranges and calculation.
- Page Layout concerns the arrangement and printing of a worksheet.

Step 1: Locate the formula-related groups Function Library supplies functions, Defined Names manages named cells or ranges, and Calculations controls calculation settings. Therefore options (A), (B) and (D) belong with formula tools.

Step 2: Identify the unrelated tab Page Layout concerns page setup, margins, orientation and related worksheet presentation. It is a separate ribbon tab, so it is not a group contained on the Formulas tab.

Step 3: Conclusion Hence, the correct option is (C): Page layout.

Quick Tip to Solve: In a negative ribbon question, eliminate groups that directly manage functions, names and recalculation.

28. It is a widely accepted security control. It uses binary coding format of storage to offer access to database. It is known as : [1 mark]

(A) Data vault

(B) Password security

(C) Data audit

(D) Data integrity

Correct Answer: (B) Password security

Solution:

Concept:

- Password security restricts access to a database to users who supply the required credential.
- Access control differs from checking the accuracy or integrity of stored data.

Step 1: Identify the control described The question describes the widely used security control for obtaining access to a database through a stored, coded credential. In this context the control is password security.

Step 2: Eliminate the other choices A data vault describes a protected storage facility rather than the credential used to authorise access. A data audit checks data or its use, while data integrity concerns

accuracy and consistency. Neither is the access credential described in the question.

Step 3: Conclusion Hence, the correct option is (B): Password security.

Quick Tip to Solve: Focus on the phrase access to database: the user credential is a password, whereas integrity concerns data correctness.

29. What is the activity sequence of the basic information processing model ? [1 mark]

(A) Organise data, collect data and then process data.

(B) Process data, organise data and then collect data.

(C) Process data, communicate information and then collect data.

(D) Collect data, organise and process data and then communicate information.

Correct Answer: (D) Collect data, organise and process data and then communicate information.

Solution:

Concept:

- The basic information processing cycle begins with input and ends with useful output.
- Collected data must be organised and processed before the resulting information is communicated.

Step 1: Arrange the activities logically First collect the raw data. Next organise and process it to produce meaningful information. Finally communicate that information to its users.

Step 2: Compare the alternatives Option (A) puts organisation before collection. Options (B) and (C) start with processing even though the data have not yet been collected. Option (D) alone preserves the required input, processing and output order.

Step 3: Conclusion Hence, the correct option is (D): Collect data, organise and process data and then communicate information.

Quick Tip to Solve: Read the first activity of each option: processing cannot precede collection of the raw data.

30(a). The code that enables identification of missing documents is : [1 mark]

(A) Sequential code

(B) Mnemonic code

(C) Alphabetic code

(D) Block code

Correct Answer: (A) Sequential code

Solution:

Concept:

- Sequential codes assign consecutive numbers to documents in their order of issue.
- A gap in an uninterrupted numerical series identifies a document that is missing or needs checking.

Step 1: Apply the purpose of the code If documents are numbered 101, 102, 103 and so on, the presence of 101 and 103 without 102 immediately highlights the missing number. This is the control provided by sequential coding.

Step 2: Distinguish the alternatives Mnemonic codes help users remember an item through meaningful letters. Alphabetic codes identify items using letters. Block codes allocate ranges to classes of items. These descriptions do not specifically provide the consecutive-document check asked for here.

Step 3: Conclusion Hence, the correct option is (A): Sequential code.

Quick Tip to Solve: To identify missing documents, look for gaps in consecutive document numbers rather than meaningful letters.

OR

30(b). Absence of data item is represented by a special value i.e. : [1 mark]

(A) Single value

(B) Store value

(C) Null value

(D) Multi value

Correct Answer: (C) Null value

Solution:

Concept:

- A null value denotes the absence of a data item or an unknown or unavailable value in a database field.
- Null is distinct from a numeric zero: zero is a known number, whereas null signifies that no data value is present.

Step 1: Identify the database term The question asks for the special value used when a data item is absent. The recognised database term for this condition is a null value.

Step 2: Check the alternatives A single value describes one value and a multi value describes more than one value; neither indicates missing data. Store value is not the database term for an absent item. Therefore only option (C) matches the stated condition.

Step 3: Conclusion Absence of a data item is represented by a null value. Hence, the correct option is (C).

Quick Tip to Solve: For a missing database entry, look for null; do not confuse a missing entry with a recorded zero.

31. Write the advantages of using Graphs. [3 marks]

Solution:

Concept:

- Graphs present numerical information visually, making patterns in accounting data easier to understand.
- The choice of graph depends on the information: bars compare categories, lines show trends, and pie charts show proportions.

Step 1: Understand information quickly Graphs condense a large volume of numerical data into a readily understandable visual form. For example, monthly sales displayed as bars can be grasped more quickly than a long list of figures. This improves communication of financial information to users who may find detailed numerical tables difficult to interpret.

Step 2: Compare items and identify trends A graph makes comparisons between periods, departments or products easier. Differences in the heights of bars immediately indicate relative performance. A line graph of sales over successive months also brings out the direction of movement, growth, decline and seasonal fluctuations that may be less apparent in a table.

Step 3: Support analysis and decisions Graphs help users identify unusual changes and relationships, such as a sharp rise in expenses compared with revenue. Management can use such visual evidence to investigate exceptions, review performance and plan future action. The visual presentation also makes reports clearer and helps readers remember the main findings.

Step 4: Conclusion Graphs offer quick understanding, easy comparison and trend recognition, and clearer analysis for management decisions.

Quick Tip to Solve: Link each advantage to a use: quick reading, comparison across categories, and spotting trends over time.

32. Differentiate between tailored and specific softwares on any three basis. [3 marks]

Solution:

Concept:

- Tailored software is developed to meet the particular requirements of an individual organisation.
- Specific software is developed for a particular application or functional task and can serve users who have that task in common.

Step 1: Basis 1: Purpose and scope Tailored software is designed around the detailed accounting procedures and information needs of a particular organisation. For example, it may integrate that organisation's branches and its special reporting arrangements. Specific software is designed to perform a defined task, such as payroll processing or inventory control, for organisations needing that function.

Step 2: Basis 2: Development and suitability Tailored software is developed after studying the individual user's requirements, so its features and reports closely match that organisation's working practices. Specific software follows the requirements of its particular application; different users with

similar functional needs can use it, but it may not match every unique procedure of an individual organisation.

Step 3: Basis 3: Cost and implementation time Tailored software generally involves greater development expenditure and a longer development and implementation period because it is specially designed and tested for one organisation. Specific software generally takes less time and costs less to adopt for its defined task because its development serves that application and can benefit several users. These comparisons concern software of comparable scope.

Step 4: Conclusion The three bases of distinction are purpose and scope, development and suitability, and cost and implementation time.

Quick Tip to Solve: Remember: tailored refers to an individual organisation; specific refers to a particular application or task.

33(a). What are the different phases of accounting cycle which can be processed through the use of computers ? [4 marks]

Solution:

Concept:

- The accounting cycle converts evidence of business transactions into classified records and useful financial statements.
- A computerised accounting system processes entered transaction data under the accounting rules and account codes built into the system; accurate input remains essential.

Step 1: Identify and record transactions The cycle begins with identifying financial transactions from source documents such as invoices, receipts and payment vouchers. The relevant date, account codes, amount and other particulars are entered into the computer through suitable accounting vouchers. The system records these transactions in the appropriate books of original entry or journals, subject to input and validation checks.

Step 2: Classify transactions through ledger posting Recorded transactions are classified account-wise. The computer posts the debit and credit effects to the relevant ledger accounts, such as cash, bank, sales, purchases and individual customers or suppliers. It updates account balances as transactions are entered, so users can retrieve an account and examine its transactions without manually reposting each journal entry.

Step 3: Summarise and check the records The computer balances the ledger accounts and prepares a trial balance from their debit and credit balances. This summarises the accounts and checks the equality of debit and credit totals. Necessary period-end adjustments, such as depreciation, outstanding expenses and prepaid expenses, are entered through adjustment vouchers so that the accounting records reflect the correct period.

Step 4: Prepare financial statements and reports Using the adjusted balances, the system prepares the trading and profit and loss account or statement of profit and loss, as applicable, and the balance sheet. It can also generate supporting schedules and management reports. Closing entries transfer the period's results and carry the appropriate balances forward to begin the next accounting period.

Step 5: Conclusion Computers can process transaction recording, ledger classification, balancing and trial-balance preparation, adjustments, and preparation of financial statements and closing records.

Quick Tip to Solve: Follow the information flow: source document, voucher or journal, ledger, trial balance, adjustments, and financial statements.

OR

33(b). List eight uses of accounting softwares. [4 marks]

Solution:

Concept:

- Accounting software processes financial transactions and converts them into useful accounting information.
- A single transaction entry can update related ledgers and reports, reducing repeated manual work and improving consistency.

Step 1: Uses in recording and maintaining accounts The first four uses of accounting software are:

1. **Recording transactions:** It records receipts, payments, purchases, sales and journal transactions through electronic vouchers.
2. **Maintaining ledger accounts:** It posts recorded transactions to the relevant accounts and displays account balances.
3. **Preparing the trial balance:** It compiles ledger balances to prepare a trial balance and check the arithmetical agreement of debits and credits.
4. **Preparing financial statements:** It generates the Trading Account, Statement of Profit and Loss and Balance Sheet from the accounting records.

Step 2: Uses in business operations and control Four further uses are:

5. **Managing inventory:** It maintains stock records showing receipts, issues and quantities available, and assists inventory valuation.
6. **Managing receivables and payables:** It maintains customer and supplier accounts, tracks outstanding bills and identifies amounts due for collection or payment.
7. **Processing payroll:** It calculates salaries, allowances and deductions and prepares salary records or payslips.
8. **Generating management reports:** It supplies reports on sales, expenses, cash and bank balances, and other information required for planning and control.

Step 3: Conclusion Eight uses are transaction recording, ledger maintenance, trial balance preparation, financial statement preparation, inventory management, receivables and payables management, payroll processing, and management reporting.

Quick Tip to Solve: Recall four core accounting outputs first, then add inventory, outstanding bills, payroll and management reports to reach eight distinct uses.

34. State the steps to be followed to copy or import the data into required cells of Excel worksheet.

[6 marks]

Solution:

Concept:

- Copying transfers selected data through the Clipboard, whereas importing brings data from an external source into a worksheet.
- The selected destination cell becomes the top-left cell of the pasted or imported data range; adjacent cells receive the remaining rows and columns.

Step 1: Select and copy the source data Open the document, workbook or other source containing the required data. Select the complete range, including column headings if these are needed. Choose **Copy** from the Edit menu or press **Ctrl+C**. The selected data is placed on the Clipboard. Check that all required rows and columns have been included in the selection.

Step 2: Select the destination and paste Open the destination Excel workbook and activate the required worksheet. Select the cell where the first value, or top-left corner of the data, is to appear. Ensure that sufficient empty cells are available below and to the right so that existing records are not overwritten. Choose **Paste** or press **Ctrl+V**. If only values or a particular format are required, use **Paste Special** and select the appropriate option.

Step 3: Select the external source when importing For data held in an external file, activate the destination worksheet and select the required starting cell. Choose **Data**, then **Get External Data/Import External Data** and the appropriate source, such as **From Text**. Browse to the required file, select it and choose **Open/Import**. The exact command name depends on the Excel version; this opens the relevant import wizard or connection dialog.

Step 4: Specify the data arrangement and destination In the import wizard, specify whether the source is **Delimited** or **Fixed width**. For delimited data, choose the separator actually used, such as a comma or tab; for fixed-width data, set the column breaks. Review the preview and specify suitable column formats, particularly for dates, numbers and text codes. Choose **Finish**, select **Existing worksheet**, confirm the destination cell reference and click **OK** to place the data in the required cells.

Step 5: Verify and save the worksheet Check that headings and records occupy the correct rows and columns, dates and numbers have been interpreted correctly, and no data is missing or displaced. Adjust column widths or cell formatting where necessary and save the workbook. If pasted text has entered a single column, use **Data > Text to Columns** with the correct separator to distribute it into the required columns.

Step 6: Conclusion Copy and paste by selecting the source, copying it, selecting the destination cell and pasting. To import, select the external source through the Data menu, specify its structure and formats, confirm the destination, and verify and save the result.

Quick Tip to Solve: Select the destination's top-left cell before transferring data, and check delimiters in the import preview so that each field enters its own column.