CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-6-2

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. P, Q and R were partners in a firm sharing profits and losses in the ratio of 3 : 5 : 2. S was admitted as a new partner for 1/5th share in the profits of the firm. S acquired his share entirely from Q. The new profit sharing ratio among P, Q, R and S will be : [1 mark]

(A) 2:5:2:1

(B) 3:3:2:2

(C) 3:2:3:2

(D) 3:4:2:1

Correct Answer: (B) 3:3:2:2

Solution:

Concept:

- An incoming partner acquires a share from the sacrificing partner; partners who do not sacrifice retain their old shares.
- New share equals old share less the share sacrificed.

Step 1: Identify the sacrifice P, Q and R originally hold $3/10, 5/10, 2/10$. S receives $1/5 = 2/10$, entirely from Q, so P and R do not sacrifice.

Step 2: Calculate the new shares Q retains $5/10 - 2/10 = 3/10$. Thus P, Q, R and S hold $3/10, 3/10, 2/10, 2/10$. Option (A) incorrectly reduces P, option (C) increases R, and option (D) gives S only $1/10$.

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

Quick Tip to Solve: Convert the incoming share to the old common denominator before subtracting it only from the named sacrificing partner.

2. Sharma, Verma and Khan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31st December, 2024 Khan died. Khan's share in the profits of the firm till the date of his death was to be calculated on the basis of the profit of the previous year. During the year ended 31st March, 2024 the firm earned a profit of Rs. 6,00,000. The treatment for Khan's share in the profits of the firm till the date of his death will be : [1 mark]

(A) Khan's Capital Account will be debited by Rs. 90,000 and Profit and Loss Suspense Account will be credited by Rs. 90,000.

(B) Profit and Loss Suspense Account will be debited by Rs. 90,000 and Khan's Capital Account will be credited by Rs. 90,000.

(C) Khan's Capital Account will be debited by Rs. 1,20,000 and Profit and Loss Suspense Account will be credited by Rs. 1,20,000.

(D) Profit and Loss Suspense Account will be debited by Rs. 1,20,000 and Khan's Capital Account will be credited by Rs. 90,000.

Correct Answer: (B) Profit and Loss Suspense Account will be debited by Rs. 90,000 and Khan's Capital Account will be credited by Rs. 90,000.

Solution:

Concept:

- The deceased partner is entitled to the estimated profit earned up to the date of death.
- Estimated share equals previous annual profit multiplied by the elapsed fraction of the year and the old profit share.

Step 1: Estimate the profit entitlement The period from 1st April to 31st December, 2024 is nine months. Khan holds $1/5$ of profits. His entitlement is Rs $6,00,000 \times 9/12 \times 1/5 =$ Rs $90,000$.

Step 2: Determine debit and credit Estimated current-year profit is debited to Profit and Loss Suspense Account and credited to Khan's Capital Account, increasing the amount payable to him. Option (A) reverses this entry. Options (C) and (D) use the full annual share of Rs 1,20,000 instead of nine months. Thus only (B) has both the correct amount and direction.

Step 3: Conclusion Debit Profit and Loss Suspense Account and credit Khan's Capital Account by Rs 90,000. Hence, the correct option is (B).

Quick Tip to Solve: Count months from the beginning of the accounting year, then credit the deceased partner for his estimated profit.

3(a). Sona, Mona and Raghav were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Raghav retired. The balance in Raghav's capital account after making the necessary adjustments on account of reserves and revaluation of assets and liabilities was Rs. 2,20,000. Sona and Mona agreed to pay him Rs. 4,00,000 in full settlement of his claim. Raghav's share of goodwill in the firm was : [1 mark]

(A) Rs. 2,20,000

(B) Rs. 1,80,000

(C) Rs. 4,00,000

(D) Rs. 40,000

Correct Answer: (B) Rs. 1,80,000

Solution:

Concept:

- Hidden goodwill is inferred when the settlement exceeds the retiring partner's adjusted capital claim.
- Retiring partner's goodwill share equals agreed settlement less adjusted capital.

Step 1: Identify the adjusted capital Raghav's capital after reserves and revaluation adjustments is Rs 2,20,000. Those adjustments have already been made, so they must not be added again.

Step 2: Find the excess settlement The amount agreed in full settlement is Rs 4,00,000. The excess attributable to his share of goodwill is Rs $4,00,000$ − Rs $2,20,000$ = Rs $1,80,000$. Option (A) is adjusted capital, (C) is the whole claim, and (D) does not equal the excess. The old profit ratio is unnecessary because his own goodwill share is asked.

Step 3: Conclusion Raghav's share of goodwill is Rs 1,80,000. Hence, the correct option is (B).

Quick Tip to Solve: When a retiring partner receives more than adjusted capital, take the excess directly as his goodwill share.

OR

3(b). Giri and Shyam were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals were Rs. 1,60,000 and Rs. 1,00,000 respectively. Hema was admitted for 1/5th share in the profits of the firm. Hema brought Rs. 1,50,000 as her capital. The goodwill of the firm on Hema's admission was : [1 mark]

(A) Rs. 4,10,000

(B) Rs. 7,50,000

(C) Rs. 3,40,000

(D) Rs. 2,50,000

Correct Answer: (C) Rs. 3,40,000

Solution:

Concept:

- An incoming partner's capital and profit share imply the total capital value of the firm.
- Hidden goodwill equals implied total capital less the combined actual capitals after admission.

Step 1: Calculate the implied capital Hema brings Rs 1,50,000 for a $1/5$ share. The implied capital of the entire firm is Rs $1,50,000 \div 1/5 =$ Rs $7,50,000$. This implied value includes hidden goodwill.

Step 2: Deduct actual combined capitals Actual total capital is Rs $1,60,000 +$ Rs $1,00,000 +$ Rs $1,50,000 =$ Rs $4,10,000$. Therefore goodwill is Rs $7,50,000 -$ Rs $4,10,000 =$ Rs $3,40,000$. Option (A) is actual capital, (B) is implied capital and (D) is neither their difference nor goodwill.

Step 3: Conclusion The goodwill of the firm is Rs 3,40,000. Hence, the correct option is (C).

Quick Tip to Solve: Include the incoming partner's capital in actual combined capital before deducting it from the implied total value.

4. Uma and Veena were partners in a firm sharing profits and losses in the ratio of 4 : 5. On 1st April, 2024 they decided to admit Usha as a new partner for 1/4th share in the profits of the firm. On Usha's admission it was decided that the goodwill of the firm will be valued equal to the previous year's profit. The profit for the year ended 31st March, 2024 were Rs. 5,76,000. However, to arrive at this profit, both the opening stock and closing stock were overvalued by Rs. 50,000. The goodwill of the firm will be : [1 mark]

(A) Rs. 5,76,000

(B) Rs. 6,76,000

(C) Rs. 4,76,000

(D) Rs. 7,76,000

Correct Answer: (A) Rs. 5,76,000

Solution:

Concept:

- Opening stock overvaluation understates profit; closing stock overvaluation overstates profit.
- Goodwill here equals the corrected previous year's profit, without applying the incoming partner's share.

Step 1: Correct both stock errors Recorded opening stock is Rs 50,000 too high, so correcting it increases profit by Rs 50,000. Recorded closing stock is also Rs 50,000 too high, so correcting it decreases profit by Rs 50,000.

Step 2: Value the goodwill Corrected profit is Rs $5,76,000$ + Rs $50,000$ − Rs $50,000$ = Rs $5,76,000$. The equal errors cancel. Goodwill equals this profit. Options (B) and (C) incorrectly combine the corrections in one direction; option (D) has no basis in these adjustments. Usha's share does not change the value of the whole firm's goodwill.

Step 3: Conclusion Goodwill of the firm is Rs 5,76,000. Hence, the correct option is (A).

Quick Tip to Solve: Write opening stock and closing stock corrections with opposite signs; equal overvaluations then cancel.

5. Java Ltd. forfeited 600 equity shares of Rs. 100 each Rs. 80 called up for the non-payment of first call of Rs. 20 per share. These shares were reissued at Rs. 90 per share fully paid up. The amount transferred to 'Capital Reserve' will be : [1 mark]

(A) Rs. 36,000

(B) Rs. 30,000

(C) Rs. 48,000

(D) Rs. 54,000

Correct Answer: (B) Rs. 30,000

Solution:

Concept:

- Share forfeiture is credited with the capital amount already received on forfeited shares.
- Capital reserve equals forfeiture balance for reissued shares less the discount allowed on their reissue.

Step 1: Compute the forfeiture amount Called-up capital is Rs 80 per share and the unpaid first call is Rs 20. Amount received is therefore Rs $80 -$ Rs $20 =$ Rs 60 per share. For 600 shares, forfeiture balance is $600 \times$ Rs $60 =$ Rs $36,000$.

Step 2: Deduct the reissue discount Reissue is fully paid at Rs 90 against face value Rs 100, so discount is Rs 10 per share, or Rs 6,000. Capital reserve is Rs $36,000 -$ Rs $6,000 =$ Rs $30,000$. Option (A) ignores the discount; (C) mistakes called-up capital for forfeiture; (D) is the reissue cash receipt.

Step 3: Conclusion The amount transferred to Capital Reserve is Rs 30,000. Hence, the correct option is (B).

Quick Tip to Solve: For fully paid reissue, calculate discount from face value, even when the shares were only partly called before forfeiture.

6. Debentures which can be transferred by way of delivery and the company does not keep any record of the debentureholders are called : [1 mark]

(A) Secured Debentures

(B) Redeemable Debentures

(C) Registered Debentures

(D) Bearer Debentures

Correct Answer: (D) Bearer Debentures

Solution:

Concept:

- Bearer debentures are transferable by mere delivery and do not require registration of the holder with the company.
- Debentures can be classified separately by security, redemption terms and mode of transfer.

Step 1: Use the transfer condition The question specifies transfer by delivery and no record of

debentureholders maintained by the company. These features identify bearer debentures, where possession evidences the holder's entitlement.

Step 2: Eliminate the other classifications Secured debentures refer to security over assets and do not specify transfer by delivery. Redeemable debentures refer to repayment at an agreed time or on agreed terms. Registered debentures require the holder's particulars to be recorded by the company, contrary to the question. Hence options (A), (B) and (C) fail the stated description.

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

Quick Tip to Solve: Link delivery without a company ownership register to the word bearer; security and redemption are separate classifications.

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7. Ashok and Avinash were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2023, their capitals were Rs. 10,00,000 and Rs. 15,00,000 respectively. After the accounts for the year ending 31st March, 2024 were prepared, it was discovered that interest on capital at the rate of 10% per annum, as provided for in the partnership deed, was not credited to the partners' capital accounts before distribution of profits. Had the interest on capital been duly provided, the firm's divisible profit would have : [1 mark]

(A) Reduced by Rs. 2,50,000

(B) Increased by Rs. 2,50,000

(C) No change in the profits

(D) Reduced by Rs. 25,000

Correct Answer: (A) Reduced by Rs. 2,50,000

Solution:

Concept:

- Interest on partners' capital is an appropriation of profit under the partnership deed.
- Divisible profit is reduced by total interest on capital credited before residual profit is shared.

Step 1: Calculate each partner's interest Ashok's interest is Rs $10,00,000 \times 10/100 =$ Rs $1,00,000$. Avinash's interest is Rs $15,00,000 \times 10/100 =$ Rs $1,50,000$, for the full accounting year.

Step 2: Find the effect on divisible profit Total interest is Rs $1,00,000 +$ Rs $1,50,000 =$ Rs $2,50,000$. Providing this appropriation leaves Rs 2,50,000 less for division in the ratio 3:2. Option (B) reverses the effect, (C) confuses divisible profit with profit before appropriation, and (D) understates the interest tenfold.

Step 3: Conclusion The firm's divisible profit would have reduced by Rs 2,50,000. Hence, the correct option is (A).

Quick Tip to Solve: Add interest on both capital balances before adjusting the residual profit available for sharing.

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8. In the event of dissolution of a partnership firm, the order of payment of losses including deficiencies of capital shall be : [1 mark]

(A) (i) First out of profits, (ii) Next by the partners individually in their profit sharing ratio, (iii) Lastly, if necessary, out of capital of partners.

(B) (i) First out of capital of partners, (ii) Next out of profits, (iii) Lastly, if necessary, by the partners individually in their profit sharing ratio.

(C) (i) First by the partners individually in their profit sharing ratio, (ii) Next out of profits, (iii) Lastly, if necessary, out of capital of partners.

(D) (i) First out of profits, (ii) Next out of capital of partners, (iii) Lastly, if necessary, by the partners individually in their profit sharing ratio.

Correct Answer: (D) (i) First out of profits, (ii) Next out of capital of partners, (iii) Lastly, if necessary, by the partners individually in their profit sharing ratio.

Solution:

Concept:

- Losses on dissolution, including capital deficiencies, are met first from profits and then from capital.
- Any remaining deficiency is contributed by partners individually in their profit sharing ratio.

Step 1: Apply the prescribed order Available profits are used first to absorb losses. If profits are insufficient, the balance is met from partners' capital. Only if losses still remain do partners contribute individually in their profit sharing ratio.

Step 2: Compare the alternatives Option (D) follows profits, capital, then individual contributions. Option (A) incorrectly puts individual contributions before capital. Option (B) incorrectly uses capital before profits, while option (C) begins with individual contributions. The order concerns meeting losses, including capital deficiencies; it should not be confused with the separate priority for paying liabilities from realised assets.

Step 3: Conclusion The order is profits, partners' capital, then individual contributions in their profit sharing ratio. Hence, the correct option is (D).

Quick Tip to Solve: Remember the loss sequence as profits, capital, contributions; distinguish it from the order of paying debts.

9. Daman, Mohit and Paras were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 2. Daman retires. Mohit and Paras decided to share future profits and losses in the ratio of 5 : 3. The gaining ratio of Mohit and Paras will be : [1 mark]

(A) 21 : 11

(B) 3 : 2

(C) 5 : 3

(D) 1 : 1

Correct Answer: (A) 21 : 11

Solution:

Concept:

- A continuing partner's gain equals the new share minus the old share.
- The gaining ratio compares the gains of the continuing partners only.

Step 1: Calculate individual gains Mohit's old share is $3/9$, and his new share is $5/8$. Thus his gain is $5/8 - 3/9 = 21/72$. Paras's gain is $3/8 - 2/9 = 11/72$.

Step 2: Compare the gains The gaining ratio is $(21/72) : (11/72) = 21 : 11$. Their total gain is $32/72 = 4/9$, exactly Daman's retired share. The ratio $5 : 3$ is the new ratio, while $3 : 2$ is their old mutual ratio; neither measures their gains. Equal gains are also inconsistent with these fractions.

Step 3: Conclusion The gaining ratio of Mohit and Paras is $21 : 11$. Hence, the correct option is (A).

Quick Tip to Solve: Subtract each old share from its new share before comparing the gains.

10(a). Mohan, a partner, withdrew Rs. 80,000 from the business for his personal use during the year ended 31st March, 2024. Interest on drawings was to be charged @ 12% per annum. Interest on Mohan's drawings will be : [1 mark]

(A) Rs. 9,600

(B) Rs. 4,800

(C) Rs. 800

(D) Rs. 1,600

Correct Answer: (B) Rs. 4,800

Solution:

Concept:

- Interest on drawings is calculated as drawings multiplied by the annual rate and the fraction of the year.
- When drawings during the year have no specified dates, the standard average period is six months.

Step 1: Select the average period Mohan withdrew Rs 80,000 during the year. No withdrawal date or schedule is specified, so interest is calculated for the average period of $6/12$ year.

Step 2: Calculate and test the options Interest $= 80,000 \times 12/100 \times 6/12 =$ Rs $4,800$. Rs 9,600 would charge a full year. Rs 800 charges only one month, and Rs 1,600 charges only two months. Those

periods are not warranted by the information given.

Step 3: Conclusion Interest on Mohan's drawings is Rs 4,800. Hence, the correct option is (B).

Quick Tip to Solve: Where drawings dates are absent, apply the six-month average period.

OR

10(b). The following account is debited for allowing interest on partners' capital : [1 mark]

(A) Profit and Loss Account

(B) Partners' Current Account

(C) Interest on Capital Account

(D) Partners' Capital Account

Correct Answer: (C) Interest on Capital Account

Solution:

Concept:

- Interest on capital is first recorded by debiting Interest on Capital Account and crediting the partners' capital or current accounts.
- The interest is subsequently transferred to Profit and Loss Appropriation Account.

Step 1: Identify the initial debit Allowing interest creates a credit in the partners' accounts. The corresponding debit is to Interest on Capital Account, which collects the allowance before its transfer to the appropriation account.

Step 2: Eliminate other accounts Partners' Capital Account or Current Account is credited, rather than debited, when interest is allowed. Profit and Loss Account is not the account debited for this allowance: interest on partners' capital is an appropriation of profit. Therefore only Interest on Capital Account fits the requested debit.

Step 3: Conclusion Interest on Capital Account is debited. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish the initial interest entry from its later transfer to appropriation.

11. Shyamla Ltd. purchased machinery of Rs. 9,50,000 from Rohini Ltd. The payment was made by issue of 9% debentures of Rs. 100 each at a discount of 5% redeemable at a premium of 10% after four years. The number of debentures issued in favour of Rohini Ltd. will be : [1 mark]

(A) 10,000

(B) 9,500

(C) 9,050

(D) 8,636

Correct Answer: (A) 10,000

Solution:

Concept:

- The purchase consideration is discharged at the issue price of each debenture.
- Issue price equals face value minus issue discount; redemption premium concerns the later repayment.

Step 1: Determine the issue price Each Rs 100 debenture is issued at a discount of 5%, so its issue price is $100 - 5 =$ Rs 95. The 9% rate determines annual interest, not the value used to settle the supplier.

Step 2: Determine the number Number issued $= 9,50,000/95 = 10,000$. Using face value gives 9,500 but ignores discount. The figures 9,050 and 8,636 do not discharge the consideration at Rs 95 each. Redemption at Rs 110 after four years does not change the present issue price.

Step 3: Conclusion Shyamla Ltd. issues 10,000 debentures. Hence, the correct option is (A).

Quick Tip to Solve: Divide purchase consideration by issue price, excluding redemption premium.

12(a). Manas Ltd. forfeited 600 shares of Rs. 10 each for the non-payment of first call of Rs. 2 per share. The final call of Rs. 3 per share was not yet called. In the journal entry for forfeiture of shares, 'Share Forfeiture Account' will be : [1 mark]

(A) Debited by Rs. 1,200

(B) Credited by Rs. 1,200

(C) Debited by Rs. 3,000

(D) Credited by Rs. 3,000

Correct Answer: (D) Credited by Rs. 3,000

Solution:

Concept:

- Share Forfeiture Account is credited with the capital amount already received on forfeited shares.
- Uncalled capital is excluded from called-up capital and from unpaid calls.

Step 1: Find capital received per share The Rs 3 final call has not been made. Called-up capital is therefore $10 - 3 =$ Rs 7 per share. The unpaid first call is Rs 2, leaving $7 - 2 =$ Rs 5 already received per share.

Step 2: Find the forfeiture credit The amount retained is $600 \times 5 = \text{Rs } 3,000$, credited to Share Forfeiture Account. Rs 1,200 is the unpaid call, not money already received. Both debit alternatives reverse the required treatment; forfeiture records the retained receipts as a credit.

Step 3: Conclusion Share Forfeiture Account is credited by Rs 3,000. Hence, the correct option is (D).

Quick Tip to Solve: Deduct both the uncalled amount and unpaid call from face value to find receipts.

OR

12(b). Rajesh Ltd. forfeited 300 equity shares of Rs. 100 each, Rs. 70 called up for the non-payment of first call of Rs. 20 per share. Out of these shares, 100 shares were reissued @ Rs. 100 per share, Rs. 70 paid up. How much balance will remain in the share forfeiture account after reissue of 100 shares ? [1 mark]

(A) Rs. 10,000

(B) Rs. 3,000

(C) Rs. 21,000

(D) Rs. 5,000

Correct Answer: (A) Rs. 10,000

Solution:

Concept:

- Forfeiture credits the capital received before forfeiture.
- After reissue, the forfeiture surplus relating to reissued shares is transferred to Capital Reserve; the balance on unreissued shares remains.

Step 1: Find the original forfeiture credit Capital received per share was $70 - 20 = \text{Rs } 50$. For 300 forfeited shares, the credit is $300 \times 50 = \text{Rs } 15,000$.

Step 2: Separate reissued and unreissued shares The 100 shares are reissued at Rs 100 with Rs 70 paid up, so there is no reissue discount to debit to forfeiture. Their forfeiture surplus of $100 \times 50 = \text{Rs } 5,000$ is transferred to Capital Reserve. The remaining balance is $15,000 - 5,000 = \text{Rs } 10,000$. Rs 5,000 belongs to the reissued portion; Rs 21,000 is called-up capital, while Rs 3,000 is not the retained forfeiture balance.

Step 3: Conclusion The remaining Share Forfeiture Account balance is Rs 10,000. Hence, the correct option is (A).

Quick Tip to Solve: Retain forfeiture receipts only for the 200 shares that remain unreissued.

13(a). Manav, Mayank and Manish were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2024, their Balance Sheet showed a debit balance of Rs. 60,000 in the Profit and Loss Account. They decided that from 1st April, 2024 they will share profits in the ratio of 2 : 2 : 1. The journal entry for writing off the debit balance of Profit and Loss Account on reconstitution of the firm will be :

Manav, Mayank and Manish

JOURNAL [1 mark]

(A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Manav's Capital A/c ... Dr.	30,000	
Mayank's Capital A/c ... Dr.	18,000	
Manish's Capital A/c ... Dr.	12,000	
To Profit and Loss A/c		60,000

(B)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Manav's Capital A/c ... Dr.	24,000	
Mayank's Capital A/c ... Dr.	24,000	
Manish's Capital A/c ... Dr.	12,000	
To Profit and Loss A/c		60,000

(C)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Mayank's Capital A/c ... Dr.	6,000	
To Manav's Capital A/c		6,000

(D)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Manav's Capital A/c ... Dr.	6,000	
To Mayank's Capital A/c		6,000

Correct Answer: (A)

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Manav's Capital A/c ... Dr.	30,000	
Mayank's Capital A/c ... Dr.	18,000	
Manish's Capital A/c ... Dr.	12,000	
To Profit and Loss A/c		60,000

Solution:

Concept:

- An accumulated debit balance in Profit and Loss Account is an old loss borne by the old partners in their old profit-sharing ratio.

- Writing off the loss debits partners' capital accounts and credits Profit and Loss Account.

Step 1: Allocate the old loss The old ratio is $5:3:2$. The Rs 60,000 loss is allocated as follows: Manav $= 60,000 \times 5/10 =$ Rs $30,000$; Mayank $= 60,000 \times 3/10 =$ Rs $18,000$; Manish $= 60,000 \times 2/10 =$ Rs $12,000$.

Step 2: Record the journal entry Journal of Manav, Mayank and Manish

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Manav's Capital A/c Dr.		30,000	
	Mayank's Capital A/c Dr.		18,000	
	Manish's Capital A/c Dr.		12,000	
	To Profit and Loss A/c			60,000
	(Being old loss written off)			

Option (B) incorrectly applies the new ratio. Options (C) and (D) merely adjust two partners and leave the debit balance unwritten off.

Step 3: Conclusion The capitals are debited by Rs 30,000, Rs 18,000 and Rs 12,000 respectively, and Profit and Loss Account is credited by Rs 60,000. Hence, the correct option is (A).

Quick Tip to Solve: Accumulated losses arising before reconstitution use the old sharing ratio.

OR

13(b). Murthy and Madhavan were partners in a firm sharing profits and losses in the ratio of 3 : 1. They admitted Shriniwas as a new partner in the firm. On admission of Shriniwas, there existed a balance of Rs. 8,00,000 in debtors account and a balance of Rs. 50,000 in provision for bad debts account. Debtors of Rs. 60,000 proved bad and hence were written off. It was decided to maintain a provision for bad debts at 10% of the debtors. The revaluation account will be debited by _____ on the reconstitution of the firm. [1 mark]

(A) Rs. 80,000

(B) Rs. 10,000

(C) Rs. 84,000

(D) Rs. 74,000

Correct Answer: (C) Rs. 84,000

Solution:

Concept:

- Bad debts reduce debtors before calculating the required closing provision.
- The net revaluation loss equals bad debts plus the required new provision minus the existing provision.

Step 1: Calculate revised debtors and provision After writing off Rs 60,000, debtors are $8,00,000 - 60,000 =$ Rs $7,40,000$. The required provision is $7,40,000 \times 10/100 =$ Rs $74,000$.

Step 2: Calculate the net revaluation debit The existing provision of Rs 50,000 is available against the loss. Net debit to Revaluation Account $= 60,000 + 74,000 - 50,000 =$ Rs $84,000$. Rs 80,000 uses unreduced debtors, Rs 10,000 counts only bad debts exceeding the old provision, and Rs 74,000

counts only the new provision.

Step 3: Conclusion Revaluation Account is debited by Rs 84,000. Hence, the correct option is (C).

Quick Tip to Solve: Calculate provision on debtors after bad debts, then deduct the old provision.

14(a). A portion of the uncalled capital reserved by a company to be called only in the event of winding up of the company, is called : [1 mark]

(A) Subscribed but not fully paid up capital

(B) Unissued capital

(C) Reserve capital

(D) Subscribed capital

Correct Answer: (C) Reserve capital

Solution:

Concept:

- Reserve capital is the portion of uncalled share capital earmarked to be called only on winding up.
- Uncalled capital is already part of subscribed capital but has not yet been demanded from shareholders.

Step 1: Apply the defining restriction The question explicitly restricts the call to the event of winding up. That restriction identifies reserve capital. It provides an additional amount that can be called from shareholders in that event.

Step 2: Distinguish the other choices Subscribed capital is the broader amount taken up by subscribers. Subscribed but not fully paid-up capital need not be reserved exclusively for winding up. Unissued capital has never been offered for subscription and is different from uncalled amounts on subscribed shares. Thus only reserve capital matches every element of the definition.

Step 3: Conclusion The amount is called reserve capital. Hence, the correct option is (C).

Quick Tip to Solve: The words "called only on winding up" identify reserve capital immediately.

OR

14(b). When applications for more shares of a company are received than the number of shares offered to the public for subscription, it is known as : [1 mark]

(A) Over subscription

(B) Full subscription

(C) Subscription at premium

(D) Under subscription

Correct Answer: (A) Over subscription

Solution:

Concept:

- Over subscription occurs when the number of shares applied for exceeds the number offered for public subscription.
- The extent of subscription compares quantities of shares; issue at premium compares the issue price with face value.

Step 1: Compare applications with the offer The company has received applications for more shares than it offered. Demand therefore exceeds the available shares, which is the defining condition for over subscription.

Step 2: Eliminate the other alternatives Full subscription means applications equal the shares offered; under subscription means applications are fewer. Subscription at premium means the issue price exceeds face value and says nothing about the number of applications received.

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

Quick Tip to Solve: Compare shares applied for with shares offered, independently of the issue price.

15. Assertion (A) : Partnership is the result of an agreement between two or more persons to do business and share its profits and losses.

Reason (R) : Partnership agreement should always be in written form.

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

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

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

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

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

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

Solution:

Concept:

- Partnership arises from an agreement between persons carrying on business and sharing its profits and losses.
- A partnership agreement may be oral or written; a written partnership deed is desirable evidence of its terms.

Step 1: Judge Assertion (A) Assertion (A) is correct. An agreement between two or more persons is the basis of their partnership relationship, and it sets out the arrangement for conducting business and sharing its results.

Step 2: Judge Reason (R) Reason (R) is incorrect. A partnership agreement need not always be written. Partners may agree orally, although recording their terms in a written deed helps avoid disputes.

Step 3: Check the explanation Because the Reason is false, it cannot explain the true Assertion. Options (A) and (B) require both statements to be true, while option (D) reverses their truth values.

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

Quick Tip to Solve: Distinguish a valid oral agreement from the desirable practice of making a written deed.

16. Ravi, Mohan and Vinod were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. The partnership deed provided that interest on partners' drawings will be charged @ 12% p.a. Starting from 1st July, 2023, Mohan withdrew Rs. 20,000 every month for his personal use. For the year ended 31st March, 2024 interest on Mohan's drawings will be charged for _____ months. [1 mark]

(A) 6 1/2

(B) 6

(C) 5 1/2

(D) 5

Correct Answer: (D) 5

Solution:

Concept:

- For equal drawings at regular intervals, average period equals $\frac{\text{first period}+\text{last period}}{2}$.
- Interest on drawings is total drawings $\times \frac{\text{rate}}{100} \times \frac{\text{average months}}{12}$.

Step 1: Identify the withdrawal dates Starting on 1 July, withdrawals occur at the beginning of each month through 1 March. There are nine equal withdrawals. The first remains withdrawn for nine months and the last for one month until 31 March.

Step 2: Compute the average period

$$\text{Average period} = \frac{9+1}{2} = 5 \text{ months}.$$

The alternatives of 6, $6\frac{1}{2}$ and $5\frac{1}{2}$ months do not equal the mean of these nine periods. The profit-sharing ratio does not affect the charging period.

Step 3: Conclusion Interest is charged for 5 months on total drawings. The correct option is (D).

Quick Tip to Solve: List the first and last withdrawal periods; their mean gives the period for equal drawings.

17. Devi and Anupam were partners in a firm. Their fixed capitals were Rs. 9,00,000 and Rs. 6,00,000 respectively on 1st April, 2023. The partnership deed provided for the following :

(i) Interest on capital @ 12% p.a.

(ii) Interest on drawings @ 15% p.a.

On 1st May, 2023, Devi introduced additional capital of Rs. 1,00,000 and on 1st June, 2023 Anupam withdrew Rs. 2,00,000 from her capital. Devi withdrew Rs. 4,000 per month for her personal use and Anupam withdrew Rs. 2,000 per month for her personal use. The net divisible profit of the firm for the year ended 31st March, 2024 after allowing interest on capital and charging interest on drawings was Rs. 3,00,000.

Prepare Current Accounts of the partners. [3 marks]

Solution:

Concept:

- Under fixed capitals, permanent capital additions and withdrawals affect capital accounts; interest, drawings and profit shares affect current accounts.
- With no profit-sharing ratio specified, divisible profit is shared equally. For monthly drawings with no date specified, use an average period of six months.

Step 1: Calculate interest on capital Devi's original capital earns interest for twelve months and the addition for eleven months:

$$9,00,000 \times 12\% + 1,00,000 \times 12\% \times \frac{11}{12} = \text{Rs } 1,19,000.$$

Anupam's capital reduction takes effect from 1 June:

$$6,00,000 \times 12\% - 2,00,000 \times 12\% \times \frac{10}{12} = \text{Rs } 52,000.$$

Permanent changes affect fixed capital accounts.

Step 2: Calculate drawings, interest and profit shares Devi's annual drawings are $4,000 \times 12 = \text{Rs } 48,000$, and Anupam's are $2,000 \times 12 = \text{Rs } 24,000$.

$$\text{Devi's interest on drawings} = 48,000 \times 15\% \times 6/12 = \text{Rs } 3,600,$$
$$\text{Anupam's interest on drawings} = 24,000 \times 15\% \times 6/12 = \text{Rs } 1,800.$$

The adjusted divisible profit of Rs 3,00,000 gives each partner Rs 1,50,000.

Step 3: Prepare the current accounts Partners' Current Accounts for the year ended 31 March, 2024

Dr.			Cr.		
Particulars	Devi (Rs)	Anupam (Rs)	Particulars	Devi (Rs)	Anupam (Rs)
To Drawings	48,000	24,000	By Interest on capital	1,19,000	52,000
To Interest on drawings	3,600	1,800	By P&L Appropriation	1,50,000	1,50,000
To Balance c/d	2,17,400	1,76,200			
Total	2,69,000	2,02,000	Total	2,69,000	2,02,000

Step 4: Conclusion Devi and Anupam have closing current account credit balances of Rs 2,17,400 and Rs 1,76,200 respectively.

Quick Tip to Solve: Keep permanent changes in fixed capital separate, and share the already adjusted divisible profit directly.

18. Jeevan and Kavi were partners in a firm with capitals of Rs. 12,00,000 and Rs. 15,00,000 respectively. Annual salary of the partners was Rs. 2,00,000 each. The market rate of interest was 10%. During the previous three years the profits were Rs. 8,00,000, Rs. 9,00,000 and Rs. 7,00,000. The goodwill of the firm is to be valued at 2 years' purchase of the last 3 years' average super profits. Calculate the goodwill of the firm. [3 marks]

Solution:

Concept:

- Average maintainable profit is average past profit less the annual remuneration of the working partners.
- Normal profit equals capital employed multiplied by the normal rate; goodwill equals super profit multiplied by years of purchase.

Step 1: Find the average maintainable profit The three annual profits are given before adjusting the stated partners' salaries. Their average is

$$\frac{8,00,000 + 9,00,000 + 7,00,000}{3} = \text{Rs } 8,00,000.$$

Annual salary of both partners together is $2,00,000 + 2,00,000 = \text{Rs } 4,00,000$. Hence average maintainable profit after this remuneration is $8,00,000 - 4,00,000 = \text{Rs } 4,00,000$. This provides a comparable earnings figure after allowing for the partners' services.

Step 2: Calculate normal profit and super profit Total capital employed is the sum of the two capitals:

$$12,00,000 + 15,00,000 = \text{Rs } 27,00,000.$$

At the market rate of 10%, normal profit is

$$27,00,000 \times \frac{10}{100} = \text{Rs } 2,70,000.$$

The maintainable earnings above this normal return are the super profit:

$$4,00,000 - 2,70,000 = \text{Rs } 1,30,000.$$

Salary is a charge for services, whereas the normal return measures the expected earnings on invested capital; both therefore enter the calculation separately.

Step 3: Value goodwill The question specifies two years' purchase of average super profits. Thus

$$\text{Goodwill} = 1,30,000 \times 2 = \text{Rs } 2,60,000.$$

The multiplier is applied to the excess earnings of Rs 1,30,000, not to the average accounting profit of Rs 8,00,000 or the normal profit of Rs 2,70,000.

Step 4: Conclusion The goodwill of the firm is Rs 2,60,000.

Quick Tip to Solve: Deduct both partners' annual salaries before comparing average profit with the normal return on capital.

19(a). **Aman, Raj and Suresh were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 8. Suresh was guaranteed a minimum profit of Rs. 5,00,000 per year. Any deficiency on this account was to be borne by Aman and Raj equally. The net profit of the firm for the year ended 31st March, 2024 was Rs. 8,00,000.**

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

Solution:

Concept:

- Initially distribute divisible profit in the agreed ratio. A guarantee then increases the guaranteed partnerś share by any deficiency.
- Charge the deficiency to the guaranteeing partners in the expressly agreed ratio, even if their ordinary profit-sharing ratio differs.

Step 1: Calculate ordinary shares The total of the ratio $5 : 3 : 8$ is 16. The ordinary distribution of Rs 8,00,000 is

$$\text{Aman} = 8,00,000 \times 5/16 = \text{Rs } 2,50,000,$$
$$\text{Raj} = 8,00,000 \times 3/16 = \text{Rs } 1,50,000,$$
$$\text{Suresh} = 8,00,000 \times 8/16 = \text{Rs } 4,00,000.$$

These amounts total Rs 8,00,000 but Suresh's ordinary share is below his guaranteed minimum.

Step 2: Adjust the guarantee The deficiency is $5,00,000 - 4,00,000 = \text{Rs } 1,00,000$. Aman and Raj bear it equally, so each sacrifices Rs 50,000. Their final shares are Rs 2,00,000 and Rs 1,00,000 respectively; Suresh receives Rs 5,00,000. Their ordinary ratio of 5:3 is not used to allocate this deficiency because the question expressly requires equal bearing. The adjusted shares still total the available profit of Rs 8,00,000.

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

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Aman's Capital A/c	2,00,000	By Profit and Loss A/c	8,00,000
To Raj's Capital A/c	1,00,000	(Net profit)	
To Suresh's Capital A/c	5,00,000		
Total	8,00,000	Total	8,00,000

The net profit is transferred to the credit side and its complete distribution is recorded on the debit side. No balance remains because the entire profit has been appropriated to partners.

Step 4: Conclusion Final profit shares: Aman Rs 2,00,000; Raj Rs 1,00,000; Suresh Rs 5,00,000.

Quick Tip to Solve: Compute the guaranteed partner's deficiency first, then allocate it in the special guarantee ratio.

OR

19(b). Jay and Vijay were partners in a firm sharing profits and losses in the ratio of 7 : 3. Their respective fixed capitals were Rs. 9,00,000 and Rs. 7,00,000. The partnership deed provided for interest on capital @ 8% per annum. After preparing the accounts for the year ended 31st March, 2024, it was discovered that interest on capital was allowed @ 9% per annum.

Showing your workings clearly, pass the necessary journal entry to rectify the error. [3 marks]

Solution:

Concept:

- Interest on capital is an appropriation of profit. Excess interest credited to partners reduces the residual profit distributed in their profit-sharing ratio.
- Under the fixed-capital method, adjustments for interest and profit are made through current accounts; fixed capital accounts remain unchanged.

Step 1: Calculate the excess interest allowed The excess rate is $9\% - 8\% = 1\%$. Hence Jay received excess interest of Rs $9,00,000 \times 1\% =$ Rs $9,000$, and Vijay received Rs $7,00,000 \times 1\% =$ Rs $7,000$. The total excess appropriation is Rs 16,000. Correct interest should be Rs 72,000 and Rs 56,000, respectively, instead of Rs 81,000 and Rs 63,000.

Step 2: Find the net adjustment for each partner Reversing the excess interest increases divisible profit by Rs 16,000. Jay's share of this increase is $16,000 \times 7/10 =$ Rs $11,200$, and Vijay's share is $16,000 \times 3/10 =$ Rs $4,800$. Thus Jay has a net credit of $11,200 - 9,000 =$ Rs $2,200$, while Vijay has a net debit of $7,000 - 4,800 =$ Rs $2,200$. The equal debit and credit confirm that the correction merely transfers profit between the partners.

Step 3: Pass the rectifying entry on 31st March, 2024 Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Vijay's Current A/c Dr. To Jay's Current A/c (Being excess interest on capital rectified after adjusting the consequent change in profit shares)		2,200	 2,200

Step 4: Conclusion Vijay's Current Account is debited and Jay's Current Account is credited with Rs 2,200.

Quick Tip to Solve: Always offset excess interest by the increase in each partnerś residual profit share before making the single entry.

20(a). Sandhya Ltd. took over the assets of Rs. 50,00,000 and liabilities of Rs. 7,00,000 of Guman Ltd. for purchase consideration of Rs. 40,00,000. The payment of purchase consideration was made by issue of 9% debentures of Rs. 100 each at a premium of 25% to Guman Ltd.

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

Solution:

Concept:

- Net assets acquired equal assets taken over less liabilities assumed. A purchase consideration below net assets creates capital reserve.
- Debentures issued at a premium discharge the vendor at their issue price, while the debenture account records only their nominal value.

Step 1: Compute capital reserve and number of debentures Net assets acquired are Rs $50,00,000 -$ Rs $7,00,000 =$ Rs $43,00,000$. Since purchase consideration is Rs 40,00,000, capital reserve is Rs $43,00,000 -$ Rs $40,00,000 =$ Rs $3,00,000$. Each debenture is issued at Rs $100 + 25\% \times$ Rs $100 =$ Rs 125. Therefore, the number issued is $40,00,000/125 = 32,000$. Nominal value is Rs 32,00,000 and securities premium is Rs 8,00,000. The 9% rate is the coupon rate and does not affect the number issued.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		50,00,000	
	To Sundry Liabilities A/c			7,00,000
	To Guman Ltd.			40,00,000
	To Capital Reserve A/c			3,00,000
	(Being assets and liabilities taken over for the agreed purchase consideration)			
	Guman Ltd. Dr.		40,00,000	
	To 9% Debentures A/c			32,00,000
	To Securities Premium A/c			8,00,000
	(Being purchase consideration discharged by issuing 32,000 debentures of Rs 100 each at a premium of 25%)			

The first entry balances at Rs 50,00,000 and the settlement entry balances at Rs 40,00,000. After the second entry the vendor account is fully settled.

Step 3: Conclusion Sandhya Ltd. issues 32,000 debentures; Securities Premium is Rs 8,00,000 and Capital Reserve is Rs 3,00,000.

Quick Tip to Solve: Divide purchase consideration by Rs 125, the issue price, and compare net assets with consideration separately.

OR

20(b). Pass necessary journal entries in the books of RR Ltd. for issue of debentures in the following cases :

(i) Issued 9,000, 9% debentures of Rs. 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years.

(ii) Issued 5,000, 11% debentures of Rs. 100 each at a premium of 10%, redeemable at a premium of 5% after 5 years. [3 marks]

Solution:

Concept:

- On issue, credit Debentures Account with the face value. Credit Premium on Redemption of Debentures Account with the contractual redemption premium.
- Loss on issue comprises issue discount plus redemption premium. An issue premium is separately credited to Securities Premium Account.

Step 1: Case (i): issue at discount, redemption at premium Face value is $9,000 \times$ Rs $100 =$ Rs $9,00,000$. The discount is $10\% \times 9,00,000 =$ Rs $90,000$, so cash received is Rs 8,10,000. Redemption premium is $5\% \times 9,00,000 =$ Rs $45,000$. Total loss on issue is therefore Rs $90,000 +$ Rs $45,000 =$ Rs $1,35,000$.

Journal of RR Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		8,10,000	
	Loss on Issue of Debentures A/c Dr.		1,35,000	
	To 9% Debentures A/c			9,00,000
	To Premium on Redemption of Debentures A/c			45,000
	(Being 9,000 debentures issued at 10% discount, redeemable at 5% premium after five years)			

Step 2: Case (ii): issue and redemption both at premium Face value is $5,000 \times$ Rs $100 =$ Rs $5,00,000$. Issue premium is $10\% \times 5,00,000 =$ Rs $50,000$, making bank receipts Rs 5,50,000. Redemption premium is $5\% \times 5,00,000 =$ Rs $25,000$; this is recognised as loss on issue. The issue premium and redemption premium are recorded separately.

Journal of RR Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		5,50,000	
	Loss on Issue of Debentures A/c Dr.		25,000	
	To 11% Debentures A/c			5,00,000
	To Securities Premium A/c			50,000
	To Premium on Redemption of Debentures A/c			25,000
	(Being 5,000 debentures issued at 10% premium, redeemable at 5% premium after five years)			

Step 3: Conclusion Loss on issue is Rs 1,35,000 in case (i) and Rs 25,000 in case (ii); securities premium in case (ii) is Rs 50,000.

Quick Tip to Solve: Use face value for redemption premium; keep securities premium separate from loss on issue in the issue entry.

21. Poonam Ltd. forfeited 2,00,000 equity shares of Rs. 10 each issued at a premium of Rs. 5 per share for the non-payment of the first call of Rs. 2 per share. The second and final call of Rs. 3 per share was not yet made. The forfeited shares were reissued at a discount of Rs. 1 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of Poonam Ltd. Also prepare Share Forfeiture Account. [4 marks]

Solution:

Concept:

- On forfeiture, Share Capital is debited with called-up face value; Share Forfeiture is credited only with capital money already received. Premium already received is not reversed.
- On reissue as fully paid, Share Capital is credited with full face value. The reissue discount is debited to Share Forfeiture; its remaining balance is transferred to Capital Reserve.

Step 1: Calculate the called-up and received capital The final call of Rs 3 was not made, so called-up capital per share is $10 - 3 =$ Rs 7. The unpaid first call is Rs 2, giving capital received per share of $7 - 2 =$ Rs 5. Thus, called-up capital is $2,00,000 \times 7 =$ Rs $14,00,000$, calls in arrears are Rs 4,00,000, and forfeited capital received is Rs 10,00,000. The Rs 5 premium per share was received before the unpaid first call; therefore Securities Premium is not debited. Reissue proceeds are $2,00,000 \times 9 =$ Rs $18,00,000$, and discount is Rs 2,00,000.

Step 2: Record the necessary journal entries Journal of Poonam Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)

	Share Capital A/c Dr.
	  To Share First Call A/c
	  To Share Forfeiture A/c
	(Being 2,00,000 shares forfeited for unpaid first call)
			14,00,000	
				4,00,000
				10,00,000

	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being forfeited shares reissued at Rs 9 each, fully paid)		18,00,000 2,00,000	 20,00,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being surplus on all reissued shares transferred)		8,00,000	 8,00,000

Step 3: Prepare the Share Forfeiture Account Share Forfeiture Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share Capital A/c To Capital Reserve A/c	2,00,000 8,00,000	By Share Capital A/c	10,00,000	
	Total	10,00,000	Total	10,00,000	

All forfeited shares have been reissued, so the entire remaining credit is a realised capital profit. The account closes with no balance to carry down.

Step 4: Conclusion The reissue discount is Rs 2,00,000 and the amount transferred to Capital Reserve is Rs 8,00,000.

Quick Tip to Solve: Exclude both the uncalled final call and the premium received when calculating forfeited capital.

22. Asha, Ashish and Naman were partners in a firm sharing profits and losses in the ratio of 2 : 5 : 3. The firm closes its books on 31st March every year. On 31st December, 2024 Ashish died. On the date of his death, there was a balance of Rs. 3,00,000 in his capital account and Rs. 2,00,000 in General Reserve.

The partnership deed provided that on the death of a partner, his representatives will be entitled to the following :

(i) Balance in the capital account and interest on the same @ 10% p.a.

(ii) His share in the goodwill of the firm. The goodwill of the firm on Ashish's death was valued at Rs. 6,00,000.

(iii) His share in the profits of the firm to be calculated on the basis of previous year's profit. The profit of the firm for the year ended 31st March, 2024 was Rs. 3,60,000.

Prepare Ashish's Capital Account to be presented to his executors. [4 marks]

Solution:

Concept:

- A deceased partner is credited with capital, share of accumulated reserves, goodwill, interest on capital and profit up to death as provided by the partnership deed.
- Ashish's profit share is $5/10 = 1/2$. The period from 1st April to 31st December is nine months, so time-based amounts use $9/12$.

Step 1: Calculate the amounts due to Ashish Opening capital is Rs 3,00,000. His share of General Reserve is $2,00,000 \times 5/10 = \text{Rs } 1,00,000$. Interest on opening capital for nine months is

$$3,00,000 \times \frac{10}{100} \times \frac{9}{12} = \text{Rs } 22,500.$$

His share of goodwill is $6,00,000 \times 5/10 = \text{Rs } 3,00,000$. With no new ratio specified, Asha and Naman continue in their old relative ratio of 2:3. Their gaining ratio is therefore 2:3, so their capital accounts are debited Rs 1,20,000 and Rs 1,80,000 respectively for Ashish's goodwill share. Goodwill is adjusted through the continuing partners' capital accounts without raising a goodwill asset.

Step 2: Estimate profit up to the date of death The previous year's annual profit is Rs 3,60,000. Estimated profit for the nine months to 31st December, 2024 is $3,60,000 \times 9/12 = \text{Rs } 2,70,000$. Ashish's share is

$$2,70,000 \times \frac{5}{10} = \text{Rs } 1,35,000.$$

It is credited to his capital through Profit and Loss Suspense Account because the current year's final profit has not yet been determined. Interest is calculated for the same nine-month period; no interest on the other adjustments is added because the deed only specifies interest on his existing capital balance.

Step 3: Prepare the capital account and transfer the amount due Ashish's Capital Account (as at 31st December, 2024)

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Ashish's Executors A/c	8,57,500	By Balance b/d	3,00,000	
			By General Reserve A/c	1,00,000	
			By Interest on Capital A/c	22,500	
			By Asha's Capital A/c	1,20,000	
			By Naman's Capital A/c	1,80,000	
			By Profit and Loss Suspense A/c	1,35,000	
	Total	8,57,500	Total	8,57,500	

The full amount is transferred to the executors, closing Ashish's Capital Account; no balance remains to carry down. The transfer recognises the firm's liability and does not imply that the executors have already received cash.

Step 4: Conclusion The amount payable to Ashish's executors is Rs 8,57,500.

Quick Tip to Solve: Count April to December as nine months, and apply Ashish's one-half share to both reserve and profit.

23. The following information has been obtained from the Balance Sheet of Jay Ltd. as at 31st March, 2024 :

Balance Sheet of Jay Ltd. as at 31st March, 2024

Particulars	Note No.	Amount (Rs.)
I - Equity and Liabilities :		
1 Shareholders' Funds		
(a) Share Capital	1	71,80,000

Notes to Accounts :

Note No.	Particulars	Amount (Rs.)	Amount (Rs.)
1	Authorised capital 1,00,000 Equity Shares of Rs. 100 each		1,00,00,000
	Issued capital 75,000 Equity Shares of Rs. 100 each		75,00,000
	Subscribed capital Subscribed and fully paid up 71,000 Equity Shares of Rs. 100 each		71,00,000
	Subscribed but not fully paid up 1,000 Equity Shares of Rs. 100 each	1,00,000	
	Less : Calls in Arrears	(20,000)	80,000
			71,80,000

Answer the following questions : [6 marks]

23(i). The total number of shares offered to the public for subscription are : [1 mark]

(A) 71,000

(B) 70,400

(C) 70,000

(D) 75,000

Correct Answer: (D) 75,000

Solution:

Concept:

- Issued capital is the part of authorised capital offered to the public for subscription.
- Subscribed capital concerns shares actually taken up; it need not equal the number offered.

Step 1: Identify the relevant line in the note The note states issued capital as 75,000 equity shares of Rs 100 each. Therefore, 75,000 is the number offered to the public. The authorised figure of 1,00,000 shares is only the maximum permitted issue.

Step 2: Check the printed alternatives Option (D) matches the issued number. Option (A), 71,000, is only the fully paid subscribed shares. Neither 70,400 in (B) nor 70,000 in (C) is the issued number shown in the note. Calls in arrears affect money received, not the number offered.

Step 3: Conclusion The total number of shares offered is 75,000. Hence, the correct option is (D).

Quick Tip to Solve: For shares offered to the public, read the issued-capital line directly.

23(ii). The amount of unissued share capital of the company is : [1 mark]

(A) Rs. 25,00,000

(B) Rs. 29,00,000

(C) Rs. 29,60,000

(D) Rs. 20,32,000

Correct Answer: (A) Rs. 25,00,000

Solution:

Concept:

- Unissued share capital equals authorised capital less issued capital.
- Calls in arrears are unpaid calls on subscribed shares and do not change unissued capital.

Step 1: Read the authorised and issued amounts The company is authorised to issue 1,00,000 shares of Rs 100, giving Rs 1,00,00,000. It has issued 75,000 shares of Rs 100, giving Rs 75,00,000. The unused issue capacity is therefore 25,000 shares.

Step 2: Compute and compare the choices Unissued capital is $1,00,00,000 - 75,00,000 =$ Rs $25,00,000$. This agrees with (A). Options (B), (C) and (D) do not equal the authorised amount less the issued amount; fully paid subscriptions or arrears must not replace issued capital in this subtraction.

Step 3: Conclusion Unissued share capital is Rs 25,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Subtract issued capital from authorised capital, without deducting calls in arrears.

23(iii). The subscribed capital of the company is : [1 mark]

(A) Rs. 71,80,000

(B) Rs. 71,00,000

(C) Rs. 80,00,000

(D) Rs. 1,00,00,000

Correct Answer: (A) Rs. 71,80,000

Solution:

Concept:

- The subscribed-capital amount presented in this balance sheet combines fully paid subscribed capital and the net amount of subscribed but not fully paid capital.
- Calls in arrears are deducted from the called-up amount of the partly paid category in the printed note.

Step 1: Calculate the two subscribed components Fully paid capital is Rs 71,00,000. The other 1,000 shares have Rs 1,00,000 called up, less Rs 20,000 calls in arrears, leaving Rs 80,000. Both categories belong to subscribed capital as presented in the question.

Step 2: Find the reported subscribed capital and check options The reported amount is $71,00,000 + 80,000 =$ Rs $71,80,000$, matching (A). Option (B) omits the partly paid category. Option (C), Rs 80,00,000, is not any subscribed subtotal in the note. Option (D), Rs 1,00,00,000, is authorised capital. Before deducting arrears, the face value of the subscribed shares is Rs 72,00,000; the question asks for the amount shown in this balance sheet.

Step 3: Conclusion The subscribed capital presented is Rs 71,80,000. Hence, the correct option is (A).

Quick Tip to Solve: Add the fully paid amount to the net partly paid amount shown in the final column.

23(iv). The registered capital of the company is : [1 mark]

(A) Rs. 71,80,000

(B) Rs. 80,00,000

(C) Rs. 1,00,00,000

(D) Rs. 71,00,000

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

Solution:

Concept:

- Registered capital is another name for authorised or nominal capital: the maximum share capital permitted by the memorandum of association.
- Authorised capital equals the number of authorised shares multiplied by their face value.

Step 1: Identify the relevant capital The note gives authorised capital of 1,00,000 equity shares of Rs 100 each. Registered capital is this authorised amount, regardless of how many shares have actually been issued or paid for.

Step 2: Calculate and compare the options

$$\text{Registered capital} = 1,00,000 \times 100 = \text{Rs } 1,00,00,000.$$

Option (C) matches. Rs 71,80,000 is the net share capital shown in the balance sheet, Rs 71,00,000 is fully paid subscribed capital, and Rs 80,00,000 is not the authorised amount.

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

Quick Tip to Solve: For registered capital, go straight to the authorised capital line in the note.

23(v). The amount per share not received on the shares shown under 'subscribed but not fully paid up capital' is : [1 mark]

(A) Rs. 100

(B) Rs. 20

(C) Rs. 1,000

(D) Rs. 80,000

Correct Answer: (B) Rs. 20

Solution:

Concept:

- Calls in arrears are the amounts called on shares but not received from shareholders.
- Unpaid amount per share equals total calls in arrears divided by the number of shares concerned.

Step 1: Locate the unpaid amount and shares The subscribed but not fully paid category contains 1,000 shares with nominal capital of Rs 1,00,000. The deduction for calls in arrears is Rs 20,000; Rs 80,000 is the amount already received on these shares.

Step 2: Calculate the amount per share

$$\text{Amount not received per share} = \frac{20,000}{1,000} = \text{Rs } 20.$$

Thus (B) fits. Rs 100 is the face value, 1,000 is the number of shares, and Rs 80,000 is the total paid amount; none is the unpaid amount per share.

Step 3: Conclusion The amount not received is Rs 20 per share. Hence, the correct option is (B).

Quick Tip to Solve: Divide calls in arrears by the partly paid shares, not by all subscribed shares.

23(vi). If the shares shown under 'subscribed but not fully paid up capital' are forfeited, 'Share Forfeiture Account' will appear at : [1 mark]

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 71,00,000

Correct Answer: (B) Rs. 80,000

Solution:

Concept:

- On forfeiture, Share Forfeiture Account is credited with share capital money already received on the forfeited shares.
- Unpaid calls are cancelled separately; they do not become a credit to Share Forfeiture Account.

Step 1: Find capital money already received The 1,000 partly paid shares have face value Rs 100 each, making their called capital Rs 1,00,000. Calls in arrears are Rs 20,000, so the company has received Rs 80,000 on them. No premium is involved in the given note.

Step 2: Apply the forfeiture principle

$$\text{Share Forfeiture credit} = 1,00,000 - 20,000 = \text{Rs } 80,000.$$

Option (B) is therefore correct. Rs 20,000 is unpaid calls, Rs 1,00,000 is the gross called capital, and Rs 71,00,000 concerns other fully paid shares, which are not being forfeited.

Step 3: Conclusion Share Forfeiture Account will appear at Rs 80,000. Hence, the correct option is (B).

Quick Tip to Solve: Forfeiture retains capital already paid; subtract arrears from called capital.

24(a). DDG Ltd. invited applications for issuing 75,000 equity shares of Rs. 75 each at a premium of Rs. 25 per share. The amount was payable as follows :

On Application and Allotment - Rs. 40 per share

On First and Final Call - Balance (including premium)

Applications for 1,25,000 shares were received. Applications for 25,000 shares were rejected and the application money was refunded. Shares were allotted to the remaining applicants on pro-rata basis. Excess money received with applications was adjusted towards sums due on first and final call. Govind, to whom 1,500 shares were allotted, failed to pay the first and final call. Namita, who had applied for 2,000 shares, also failed to pay the first and final call. Shares of both Govind and Namita were forfeited.

Pass the necessary journal entries for the above transactions in the books of DDG Ltd. [6 marks]

Solution:

Concept:

- Applications remaining after rejection are allotted pro rata. Excess application and allotment money is transferred to the first and final call.
- The call includes Rs 35 capital and Rs 25 premium per share. On forfeiture, cancel called capital and unpaid premium, and credit the capital already received to Share Forfeiture Account.

Step 1: Work out the pro-rata allotment and receipts Valid applications are $1,25,000 - 25,000 = 1,00,000$ shares. The allotment ratio is $75,000 : 1,00,000 = 3 : 4$. Application and allotment receipts are $1,25,000 \times 40 =$ Rs $50,00,000$, refunds are $25,000 \times 40 =$ Rs $10,00,000$, capital due is $75,000 \times 40 =$ Rs $30,00,000$, and excess transferred to the call is Rs 10,00,000.

Step 2: Calculate the call and individual defaults The issue price is $75 + 25 =$ Rs 100, so the call is $100 - 40 =$ Rs 60 per share. Total call due is Rs 45,00,000, comprising capital Rs 26,25,000 and premium Rs 18,75,000. Govind applied for $1,500 \times 4/3 = 2,000$ shares. Namita receives $2,000 \times 3/4 = 1,500$ shares. Each paid Rs 80,000, of which Rs 60,000 is application and allotment capital and Rs 20,000 is adjusted to the call. Each owes $1,500 \times 60 - 20,000 =$ Rs $70,000$. Bank receives $45,00,000 - 10,00,000 - 1,40,000 =$ Rs $33,60,000$ on the call.

Step 3: Record issue and call transactions Journal of DDG Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application money received)		50,00,000	 50,00,000

	Share Application and Allotment A/c Dr.
	  To Bank A/c
	  To Share Capital A/c
	  To Share First and Final Call A/c
	(Being refund, allotment and adjustment of excess)
			50,00,000	
				10,00,000
				30,00,000
				10,00,000

	Share First and Final Call A/c Dr.
	  To Share Capital A/c
	  To Securities Premium A/c
	(Being first and final call due, including premium)
			45,00,000	
				26,25,000
				18,75,000

	Bank A/c Dr. To Share First and Final Call A/c (Being call money received except the two defaults)		33,60,000	 33,60,000

Step 4: Record forfeiture of both holdings The excess application money adjusted to the call is capital money already received. Each shareholder has paid capital of Rs 80,000; premium of $1,500 \times 25 =$ Rs $37,500$ remains unpaid. For both shareholders, debit capital $3,000 \times 75 =$ Rs $2,25,000$, cancel unpaid premium Rs 75,000, cancel the call balance Rs 1,40,000, and credit forfeiture Rs 1,60,000.

Journal of DDG Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)

	Share Capital A/c Dr.
	Securities Premium A/c Dr.
	  To Share First and Final Call A/c
	  To Share Forfeiture A/c
	(Being 1,500 shares each of Govind and Namita forfeited)
			2,25,000
			75,000
				
				1,40,000
				1,60,000

The entry balances at Rs 3,00,000 on each side. No reissue is given, so no transfer to Capital Reserve is recorded.

Step 5: Conclusion Call money received is Rs 33,60,000. On forfeiture of 3,000 shares, Share Forfeiture Account is credited with Rs 1,60,000.

Quick Tip to Solve: Convert applied shares to allotted shares before calculating each default; excess applications reduce the call due.

OR

24(b). Karan Ltd. invited applications for issuing 80,000 equity shares of Rs. 80 each at par. The amount was payable as follows :

On Application and Allotment - Rs. 30 per share

On First and Final Call - Balance

Applications for 1,40,000 shares were received. Applications for 20,000 shares were rejected and the money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on first and final call. Ravi, who had applied for 1,200 shares, paid his entire share money along with his application. Chaman, to whom 2,400 shares were allotted, failed to pay the first and final call. Chaman's shares were forfeited.

Pass necessary journal entries for the above transactions in the books of Karan Ltd. Open 'Calls-in-Arrears Account' and 'Calls-in-Advance Account', wherever necessary.

[6 marks]

Solution:

Concept:

- Application and allotment capital equals allotted shares multiplied by Rs 30; the first and final call is $80 - 30 =$ Rs 50 per share.
- Excess application money is a liability until adjusted against the call. Calls-in-Arrears records the unpaid call after adjusting the defaulter's own excess.
- On forfeiture, debit fully called capital and credit unpaid calls and Share Forfeiture with the amount already received on the forfeited shares.

Step 1: Calculate allotment and the excess application money Valid applications are $1,40,000 - 20,000 = 1,20,000$ shares, against allotment of 80,000 shares. Thus allotment : application is $2:3$. Rejected money is $20,000 \times 30 =$ Rs $6,00,000$. Capital on application and allotment is $80,000 \times 30 =$ Rs $24,00,000$. Regular excess application money is $(1,20,000 - 80,000) \times 30 =$ Rs $12,00,000$.

Ravi applied for 1,200 shares and receives 800. His payment of the entire Rs 80 per applied share is Rs 96,000, comprising regular application money Rs 36,000 and additional advance Rs 60,000. His total capital liability is only $800 \times 80 =$ Rs $64,000$; therefore refund his surplus Rs 32,000. The retained application excess and additional advance together provide his entire call liability Rs 40,000.

Step 2: Calculate the call, arrears and forfeiture Chaman's application was for $2,400 \times 3/2 = 3,600$ shares. His application payment was Rs 1,08,000; Rs 72,000 is application and allotment capital, and Rs 36,000 is adjusted towards his call of Rs 1,20,000. Hence arrears are $1,20,000 - 36,000 =$ Rs $84,000$.

Step 3: Record the transactions

Journal of Karan Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Share Application and Allotment A/c (Being application and allotment money received on 1,40,000 shares)		42,00,000	42,00,000
	Bank A/c Dr. To Calls-in-Advance A/c (Being additional money received from Ravi with his application)		60,000	60,000
	Share Application and Allotment A/c Dr. To Share Capital A/c To Bank A/c To Calls-in-Advance A/c (Being allotment made, rejected applications refunded and excess transferred)		42,00,000	24,00,000 6,00,000 12,00,000
	Calls-in-Advance A/c Dr. To Bank A/c (Being Ravi's surplus beyond his total allotted share capital refunded)		32,000	32,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call of Rs 50 per share made)		40,00,000	40,00,000
	Bank A/c Dr. Calls-in-Advance A/c Dr. Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (Being call settled, with Chaman's unpaid balance recorded)		26,88,000 12,28,000 84,000	40,00,000
	Share Capital A/c Dr. To Calls-in-Arrears A/c To Share Forfeiture A/c (Being Chaman's 2,400 fully called shares forfeited)		1,92,000	84,000 1,08,000

Step 4: Close the special call accounts

Calls-in-Advance Account (amounts in Rs)

Dr.	Particulars	Amount	Particulars	Amount	Cr.
	To Bank (refund) To Share First and Final Call	32,000 12,28,000	By Bank (Ravi) By Share Application and Allotment	60,000 12,00,000	
	Total	12,60,000	Total	12,60,000	

Calls-in-Arrears Account (amounts in Rs)

Dr.	Particulars	Amount	Particulars	Amount	Cr.
	To Share First and Final Call	84,000	By Share Capital (forfeiture)	84,000	
	Total	84,000	Total	84,000	

Both accounts close with nil balance; no balance is carried down.

Step 5: Conclusion Chaman's shares are forfeited by debiting Share Capital with Rs 1,92,000; Calls-in-Arrears is credited with Rs 84,000 and Share Forfeiture with Rs 1,08,000.

Quick Tip to Solve: For a pro-rata defaulter, deduct that applicant's excess application money before calculating arrears.

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25. Rishi, Manu and Komal were partners in a firm sharing profits and losses in the ratio of 3 : 4 : 5. On 31st March, 2024 their firm was dissolved. After transferring sundry assets (other than cash in hand and cash at bank) and third party liabilities to realisation account, the following transactions took place :

(i) A creditor of Rs. 2,00,000 took over an old machine for Rs. 70,000 that had been completely written off and his balance was settled at a discount of 10%.

(ii) Remaining creditors of Rs. 8,00,000 agreed to take over stock of Rs. 6,00,000 in full settlement of their claim.

(iii) The remaining stock of Rs. 3,00,000 was sold at a loss of 30%.

(iv) Dissolution expenses amounting to Rs. 90,000 were paid by Komal.

(v) Saransh, an old customer whose account for Rs. 40,000 was written off as bad debt in the previous year, paid Rs. 36,000.

(vi) Loss on dissolution amounted to Rs. 2,40,000.

Pass necessary journal entries for the above transactions to close the books of Rishi, Manu and Komal at the time of dissolution of the firm. [6 marks]

Solution:

Concept:

- Assets and outside liabilities already transferred to Realisation must not be transferred again. Subsequent receipts are credited and payments are debited to Realisation.
- A creditor accepting an asset in settlement requires no separate entry for the takeover. Only any cash settlement is recorded; the same treatment applies to an unrecorded asset taken over by a creditor.
- Expenses paid personally by a partner credit that partner's capital account. Realisation loss is borne by partners in their profit-sharing ratio.

Step 1: Work out each settlement (i) The creditor's claim is Rs 2,00,000. After the old machine is accepted for Rs 70,000, the outstanding balance is Rs 1,30,000. Discount is $1,30,000 \times 10\% =$ Rs $13,000$, so cash paid is $1,30,000 - 13,000 =$ Rs $1,17,000$. The written-off machine has no book balance to transfer. Its takeover by the creditor needs no separate journal entry.

(ii) Creditors of Rs 8,00,000 accept stock with book value Rs 6,00,000 in full settlement. Both the stock and creditors have already been transferred to Realisation. No additional journal entry is passed for this non-cash settlement; recording either value again would duplicate the transfer.

(iii) Cash from remaining stock is $3,00,000 \times 70\% =$ Rs $2,10,000$. The loss is automatically reflected in Realisation, so no separate stock-loss entry is required.

Step 2: Identify the partner adjustment and distribute loss (iv) Komal has paid Rs 90,000 on behalf of the firm. Debit Realisation and credit Komal's Capital; the firm's Bank account is unaffected by this personal payment.

(v) Saransh's old debt is no longer in the books. Record the actual recovery Rs 36,000 by debiting Bank and crediting Realisation. Do not reinstate the former Rs 40,000 debtor or charge the unrecovered Rs 4,000 again.

(vi) The stipulated realisation loss is Rs 2,40,000. The ratio total is $3 + 4 + 5 = 12$. Rishi's share is $2,40,000 \times 3/12 =$ Rs $60,000$; Manu's is Rs 80,000 and Komal's is Rs 1,00,000. These debit balances total Rs 2,40,000 and close the Realisation loss.

Step 3: Pass the journal entries Journal of Rishi, Manu and Komal (31 March 2024)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr. To Bank A/c (Being creditor settled after takeover of an unrecorded machine and discount on the remaining balance)		1,17,000	1,17,000
	Bank A/c Dr. To Realisation A/c (Being remaining stock sold at 30 percent loss)		2,10,000	2,10,000
	Realisation A/c Dr. To Komal's Capital A/c (Being dissolution expenses paid by Komal)		90,000	90,000
	Bank A/c Dr. To Realisation A/c (Being previously written-off debt recovered)		36,000	36,000
31-3-2024	Rishi's Capital A/c Dr. Manu's Capital A/c Dr. Komal's Capital A/c Dr. To Realisation A/c (Being realisation loss transferred in the ratio 3:4:5)		60,000 80,000 1,00,000	 2,40,000

Step 4: Conclusion The cash payment to the first creditor is Rs 1,17,000; the stock sale and debt recovery yield Rs 2,10,000 and Rs 36,000. The realisation loss is transferred to Rishi, Manu and Komal in amounts Rs 60,000, Rs 80,000 and Rs 1,00,000 respectively.

Quick Tip to Solve: When assets and liabilities are already in Realisation, record only cash or partner adjustments for their final settlement.

26(a). Ratan, Singh and Sharma were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet on 31st March, 2024 was as follows :

Balance Sheet of Ratan, Singh and Sharma as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	90,000	Bank	65,000
Outstanding Wages	10,000	Stock	1,50,000
General Reserve	3,00,000	Debtors 90,000 Less : Provision for Doubtful Debts 5,000	85,000
Capitals :		Plant and Machinery	2,50,000
Ratan 3,60,000		Land and Building	4,50,000
Singh 2,40,000		Profit and Loss A/c	1,00,000
Sharma 1,00,000	7,00,000		
	11,00,000		11,00,000

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

(i) Plant and Machinery is revalued at Rs. 2,00,000.

(ii) Land and Building was to be appreciated by Rs. 49,500 and provision for bad debts will be maintained at 5% of the debtors.

(iii) Sharma's share in the goodwill of the firm was valued at Rs. 60,000 and the retiring partner's share was adjusted through the capital accounts of remaining partners.

(iv) Sharma was paid in cash brought by Ratan and Singh 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:

- Revaluation records changes in assets and liabilities; its profit or loss belongs to all partners in the old ratio $2:2:1$.
- Accumulated reserve is credited and the debit balance of Profit and Loss Account is debited to all partners in their old ratio.
- With no changed relative share stated, Ratan and Singh continue in $2:2=1:1$; their equal gains bear Sharma's goodwill compensation equally.

Step 1: Calculate revaluation adjustments The reduction in plant is $2,50,000-2,00,000=$ Rs $50,000$. Required provision on debtors is $90,000\times5\%=$ Rs $4,500$, releasing $5,000-4,500=$ Rs 500. Appreciation of land and building is Rs 49,500. Thus total gains and losses are both Rs 50,000; there is no revaluation profit or loss.

Revaluation Account (1st April, 2024)

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Plant and Machinery	50,000	By Land and Building	49,500
		By Provision for Doubtful Debts	500
Total	50,000	Total	50,000

Step 2: Distribute reserve, accumulated loss and goodwill General reserve of Rs 3,00,000 is credited

as Rs 1,20,000, Rs 1,20,000 and Rs 60,000. The debit Profit and Loss balance of Rs 1,00,000 is charged as Rs 40,000, Rs 40,000 and Rs 20,000 respectively. Sharma's goodwill compensation of Rs 60,000 is credited to his capital; Ratan and Singh each bear Rs 30,000.

After these entries, the capitals are:

$$Ratan : 3,60,000 + 1,20,000 - 40,000 - 30,000 = 4,10,000,$$
$$Singh : 2,40,000 + 1,20,000 - 40,000 - 30,000 = 2,90,000,$$
$$Sharma : 1,00,000 + 60,000 - 20,000 + 60,000 = 2,00,000.$$

Step 3: Determine cash brought in and prepare capital accounts Ratan and Singh bring the entire Rs 2,00,000 payable to Sharma. Their combined final capital is $4,10,000 + 2,90,000 + 2,00,000 =$ Rs $9,00,000$. In their new ratio of $1:1$, each must have Rs 4,50,000. Hence Ratan brings Rs 40,000 and Singh brings Rs 1,60,000.

Partners' Capital Accounts (1st April, 2024)

Dr. Particulars	Ratan Rs	Singh Rs	Sharma Rs	Cr. Particulars	Ratan Rs	Singh Rs	Sharma Rs
To P&L A/c	40,000	40,000	20,000	By Balance b/d	3,60,000	2,40,000	1,00,000
To Sharma's Capital	30,000	30,000	–	By General Reserve	1,20,000	1,20,000	60,000
To Bank	–	–	2,00,000	By Ratan's Capital	–	–	30,000
To Balance c/d	4,50,000	4,50,000	–	By Singh's Capital	–	–	30,000
				By Bank	40,000	1,60,000	–
Total	5,20,000	5,20,000	2,20,000	Total	5,20,000	5,20,000	2,20,000

Step 4: Conclusion Revaluation results in neither profit nor loss. Sharma receives Rs 2,00,000; Ratan brings Rs 40,000 and Singh Rs 1,60,000, leaving their capitals at Rs 4,50,000 each.

Quick Tip to Solve: Add only the cash brought for retirement to the continuing partners' adjusted combined capital before dividing it in the new ratio.

OR

26(b). Mita and Vihaan were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2024 their Balance Sheet was as follows :

Balance Sheet of Mita and Vihaan as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	2,00,000	Cash	50,000
Capitals :		Sundry Debtors 2,00,000 Less : Provision for doubtful debts 7,000	1,93,000
Mita 4,00,000		Stock	2, 50,000
Vihaan 3,00,000	7,00,000	Plant and Machinery	3,50,000
		Patents	57,000
	9,00,000		9,00,000

On the above date, Zen was admitted as a new partner for 4/15th share in the profits on the following terms :

(i) Zen will bring Rs. 3,00,000 as his capital and his share of goodwill premium in cash. On Zen's admission, goodwill of the firm was valued at Rs. 4,12,500.

(ii) The provision for bad debts will be maintained at 5% of the debtors.

(iii) Stock will be valued at Rs. 2,00,000, plant and machinery at Rs. 4,00,000 and patents at Rs. 1,20,000.

(iv) There was a bill of Rs. 30,000 for goods purchased which was omitted from the books.

Pass necessary journal entries for the above transactions in the books of the firm on Zen's admission.

[6 marks]

Solution:

Concept:

- Goodwill premium equals firm goodwill multiplied by the incoming partner's share; it is credited to sacrificing partners in their sacrificing ratio.
- Without a different sacrifice specified, the old partners sacrifice in their old ratio $3:2$. Revaluation profit is also shared by old partners in $3:2$.
- An increase in an asset is credited to Revaluation Account; a decrease in an asset or an increase in a liability is debited to it.

Step 1: Calculate goodwill premium and revaluation profit Zen brings capital Rs 3,00,000 and premium $4,12,500 \times 4/15 = \text{Rs } 1,10,000$. Mita receives $1,10,000 \times 3/5 = \text{Rs } 66,000$; Vihaan receives Rs 44,000. The new ratio is $33:22:20$, as the old partners retain $11/15$ between them in $3:2$.

Required provision is $2,00,000 \times 5\% = \text{Rs } 10,000$; additional provision is Rs 3,000. Stock falls by Rs 50,000, plant rises by Rs 50,000 and patents rise by Rs 63,000. The omitted purchase bill creates a liability of Rs 30,000 and is charged to revaluation. Thus

$$\text{Revaluation profit} = (50,000 + 63,000) - (3,000 + 50,000 + 30,000) = \text{Rs } 30,000.$$

Mita receives Rs 18,000 and Vihaan Rs 12,000. The stated stock valuation is used without a further addition for the omitted purchase bill.

Step 2: Record capital and goodwill Journal of the Firm (31st March, 2024)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.03.24	Cash A/c Dr.		4,10,000	
	To Zen's Capital A/c			3,00,000
	To Premium for Goodwill A/c			1,10,000
	(Being capital and goodwill premium brought in by Zen)			
31.03.24	Premium for Goodwill A/c Dr.		1,10,000	
	To Mita's Capital A/c			66,000
	To Vihaan's Capital A/c			44,000
	(Being premium distributed in the sacrificing ratio of 3:2)			

Step 3: Record decreases in assets and omitted liability Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.03.24	Revaluation A/c Dr.		83,000	
	To Provision for Doubtful Debts A/c			3,000
	To Stock A/c			50,000
	To Sundry Creditors A/c			30,000
	(Being additional provision, reduction in stock and omitted purchase liability recorded)			

Step 4: Record increases in assets and distribute profit Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31.03.24	Plant and Machinery A/c Dr.		50,000	
	Patents A/c Dr.		63,000	
	To Revaluation A/c			1,13,000
	(Being appreciation in plant and machinery and patents recorded)			
31.03.24	Revaluation A/c Dr.		30,000	
	To Mita's Capital A/c			18,000
	To Vihaan's Capital A/c			12,000
	(Being revaluation profit transferred to old partners in 3:2)			

The premium is retained in the business because its withdrawal is not required. No goodwill asset is raised; the cash premium compensates the sacrificing partners directly.

Step 5: Conclusion Zen brings Rs 4,10,000 including goodwill premium of Rs 1,10,000. Revaluation profit of Rs 30,000 is credited to Mita and Vihaan as Rs 18,000 and Rs 12,000.

Quick Tip to Solve: Calculate only the extra bad-debt provision: the required Rs 10,000 less the existing Rs 7,000 gives a Rs 3,000 revaluation charge.

Part B (20 marks)

OPTION – I

(Analysis of Financial Statements)

27. Statement I : The balance in the Statement of Profit and Loss in the Balance Sheet of Samta Ltd. showed a deficit of Rs. 2,00,000 on 31.03.2023 and a surplus of Rs. 3,00,000 on 31.3.2024. Rs. 5,00,000 will be considered as profit earned during the year for preparing Cash Flow Statement.

Statement II : On 31.03.2023 the goodwill account of Zeeta Ltd. showed a balance of Rs. 4,00,000 and on 31.03.2024 it showed a balance of Rs. 5,00,000. Rs. 1,00,000 will be considered as goodwill acquired during the year for the preparation of Cash Flow Statement.

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

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Statement I is true, Statement II is false.

(D) Statement II is true, Statement I is false.

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

Solution:

Concept:

- Profit for the year from the Statement of Profit and Loss balances is closing surplus minus opening surplus, treating a deficit as negative.
- With no other goodwill movements given, an increase in goodwill represents goodwill purchased during the year, an investing cash outflow.

Step 1: Test Statement I The opening balance is a deficit, so it is $-$Rs $2,00,000$, while the closing surplus is $+$Rs $3,00,000$. Therefore profit earned is

$$3,00,000 - (-2,00,000) = \text{Rs } 5,00,000.$$

Statement I is true. Subtracting Rs 2,00,000 as though it were an opening surplus would give an incorrect result.

Step 2: Test Statement II and the options Goodwill increases from Rs 4,00,000 to Rs 5,00,000. With no write-off or other adjustment stated, goodwill acquired is $5,00,000 - 4,00,000 = \text{Rs } 1,00,000$. Statement II is true. Consequently (B) wrongly rejects both statements, while (C) and (D) each wrongly reject one true statement.

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

Quick Tip to Solve: Put a minus sign on an opening deficit before subtracting it from closing surplus.

28(a). Which of the following transactions will result in outflow of cash ? [1 mark]

(A) Cash payments to and on behalf of the employees

(B) Cash receipts from royalties

(C) Issue of shares

(D) Dividend received from investments in other enterprises

Correct Answer: (A) Cash payments to and on behalf of the employees

Solution:

Concept:

- Cash outflow means cash paid by the enterprise; a receipt increases its cash balance.
- Cash payments to employees, including payments made on their behalf, are operating cash outflows.

Step 1: Identify the payment Option (A) expressly describes cash payments to and on behalf of employees. Salaries, wages and employee-related payments made by the enterprise reduce its cash balance, so this transaction is a cash outflow from operating activities.

Step 2: Eliminate the receipts Option (B) is a cash receipt from royalties and therefore an inflow. Issue of shares in option (C), when for cash, brings money into the enterprise as a financing inflow. Dividend received in option (D) also brings cash into the enterprise. None of these receipt transactions represents an outflow. Classifying the activity does not change the direction of its cash movement.

Step 3: Conclusion Cash payments to and on behalf of the employees result in cash outflow. Hence, the correct option is (A).

Quick Tip to Solve: Look first for the direction: "payments" means cash leaves, whereas "receipts" and "received" mean cash enters.

OR

28(b). In case of a non-financial enterprise, payment of dividend is considered as a/an : [1 mark]

(A) Operating Activity

(B) Investing Activity

(C) Financing Activity

(D) Both Investing and Financing Activity

Correct Answer: (C) Financing Activity

Solution:

Concept:

- Financing activities change the size or composition of owners' capital and borrowings.
- For a non-financial enterprise, dividend paid is a financing cash outflow: it is the cost of obtaining owners' finance.

Step 1: Identify the payment Dividend is a distribution of profit to shareholders who have supplied equity finance. Its payment reduces cash and represents a return on the funds provided by owners.

Step 2: Compare the classifications Option (A) concerns the principal revenue-producing operations. Option (B) concerns acquisition and disposal of long-term assets and investments. Dividend paid fits neither description and is classified wholly as financing, so the mixed classification in (D) also fails.

Step 3: Conclusion Payment of dividend is a Financing Activity. Hence, the correct option is (C).

Quick Tip to Solve: Link dividend paid to shareholders supplying finance; distinguish it from dividend received on an investment.

29. The Current Ratio of Magnum Ltd. is 2.5 : 1. Which of the following transactions will result in decrease in this ratio ? [1 mark]

(A) Purchased goods for cash Rs. 73,000

(B) Cash collected from debtors Rs. 41,000

(C) Outstanding salaries paid Rs. 62,000

(D) Repayment of long term loan Rs. 8,00,000

Correct Answer: (D) Repayment of long term loan Rs. 8,00,000

Solution:

Concept:

- Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$.
- When the current ratio exceeds one, paying a current liability increases the ratio; paying a long-term liability out of cash reduces it.

Step 1: Test transactions affecting current assets Purchasing goods for cash in (A) exchanges cash for inventory. Collecting cash from debtors in (B) exchanges receivables for cash. Both leave total current assets and current liabilities unchanged, so neither changes the ratio.

Step 2: Compare the liability repayments Let current liabilities be L, so current assets are $2.5L$. Paying outstanding salaries x in (C) gives $\dfrac{2.5L - x}{L - x} > 2.5$. In (D), cash falls by Rs 8,00,000 while current liabilities remain unchanged, giving $\dfrac{2.5L - 8,00,000}{L} < 2.5$.

Step 3: Conclusion Repayment of long term loan of Rs 8,00,000 decreases the current ratio. Hence, the correct option is (D).

Quick Tip to Solve: First check whether cash payment also reduces a current liability; only the long-term repayment leaves the denominator unchanged.

30(a). The statement that shows changes in all items of financial statements in absolute and percentage terms over a period of time, for a firm, or between two firms is called _____.

[1 mark]

(A) Common Size Statement

(B) Comparative Statement

(C) Cash Flow Statement

(D) Financial Statement

Correct Answer: (B) Comparative Statement

Solution:

Concept:

- A comparative statement presents corresponding financial items side by side and shows absolute and percentage changes.
- Percentage change $= \dfrac{\text{Current amount} - \text{Base amount}}{\text{Base amount}} \times 100.$

Step 1: Match the definition The question specifically refers to changes in every item expressed both in money amounts and in percentages over time or between firms. These two change columns are characteristic of a comparative statement.

Step 2: Eliminate the other statements A common size statement expresses each item as a percentage of a common base rather than computing its change. A cash flow statement reports cash inflows and outflows. Financial statement is a general term and does not identify the stated comparative analysis.

Step 3: Conclusion The statement is a Comparative Statement. Hence, the correct option is (B).

Quick Tip to Solve: Look for the pair of columns showing absolute change and percentage change to identify a comparative statement.

OR

30(b). _____ ratios indicate the speed at which activities of the business are being performed.

[1 mark]

(A) Liquidity

(B) Solvency

(C) Profitability

(D) Activity

Correct Answer: (D) Activity

Solution:

Concept:

- Activity ratios, also called turnover ratios, measure the efficiency and speed with which business resources are used.
- Liquidity measures short-term payment capacity, solvency measures long-term financial stability,

and profitability measures earning performance.

Step 1: Identify the key words The phrase speed at which activities are performed refers to turnover of resources. For example, inventory turnover indicates how frequently inventory is sold and replaced, while trade receivables turnover indicates collection efficiency.

Step 2: Distinguish the alternatives Liquidity in (A) concerns meeting current obligations, solvency in (B) concerns long-term obligations, and profitability in (C) concerns profit generation. These do not directly describe the speed of performing business activities. The matching category is activity ratios.

Step 3: Conclusion Activity ratios indicate the speed at which business activities are performed. Hence, the correct option is (D).

Quick Tip to Solve: Associate speed, turnover and efficiency with activity ratios; associate payment capacity with liquidity or solvency.

31. Show 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) Calls in advance

(b) Public deposits

(c) Intangible assets under development [3 marks]

Solution:

Concept:

- Schedule III groups liabilities into current and non-current categories and presents non-current assets separately.
- Classify each balance by its nature: advance call money is a liability, public deposits are borrowings, and development expenditure on an intangible asset is an asset.

Step 1: Classify calls in advance Calls in advance are amounts received from shareholders before the company makes the related calls. Until the calls become due, the amount is a liability rather than paid-up share capital. Show it under Current Liabilities, with the sub-head Other Current Liabilities.

Step 2: Classify public deposits Public deposits represent funds borrowed from the public. In the usual Schedule III classification for this item, show them under Non-current Liabilities, with the sub-head Long-term Borrowings. The portion repayable within twelve months would instead be classified as a current maturity under current liabilities.

Step 3: Present the balance sheet classification Balance Sheet classification (Schedule III, Part I)

Item	Major head	Sub-head / further classification
Calls in advance	Current Liabilities	Other Current Liabilities
Public deposits	Non-current Liabilities	Long-term Borrowings
Intangible assets under development	Non-current Assets	Fixed Assets: Intangible assets under development

Intangible assets under development are separately presented within fixed assets because development is still in progress; they are not inventories or current expenses.

Step 4: Conclusion Calls in advance: Other Current Liabilities; Public deposits: Long-term Borrowings;

Intangible assets under development: Fixed Assets under Non-current Assets.

Quick Tip to Solve: Decide first whether the item is a liability or asset, then place it under the Schedule III sub-head matching its nature.

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

Particulars	2022 - 23 (Rs.)	2023 - 24 (Rs.)
Revenue from operations	16,00,000	20,00,000
Cost of revenue from operations	8,00,000	10,00,000
Other expenses	2,00,000	4,00,000
Tax Rate 40%		

[3 marks]

Solution:

Concept:

- Absolute change $=$ 2023–24 amount $-$ 2022–23 amount.
- Percentage change $= \dfrac{\text{Absolute change}}{\text{2022–23 amount}} \times 100$.
- Profit before tax is revenue less total expenses; tax equals 40% of profit before tax.

Step 1: Calculate expenses, tax and profit For 2022–23, total expenses $= 8,00,000 + 2,00,000 =$ Rs $10,00,000$; profit before tax $= 16,00,000 - 10,00,000 =$ Rs $6,00,000$. Tax $= 6,00,000 \times 40\% =$ Rs $2,40,000$, leaving profit after tax of Rs 3,60,000. For 2023–24, total expenses $= 10,00,000 + 4,00,000 =$ Rs $14,00,000$; profit before tax remains Rs 6,00,000, tax Rs 2,40,000 and profit after tax Rs 3,60,000.

Step 2: Prepare the comparative statement Jamna Ltd.

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

Particulars	2022–23 (Rs)	2023–24 (Rs)	Change (Rs)	Change (%)
Revenue from operations	16,00,000	20,00,000	4,00,000	25
Expenses:				
Cost of revenue from operations	8,00,000	10,00,000	2,00,000	25
Other expenses	2,00,000	4,00,000	2,00,000	100
Total expenses	10,00,000	14,00,000	4,00,000	40
Profit before tax	6,00,000	6,00,000	Nil	0
Less: Tax (40%)	2,40,000	2,40,000	Nil	0
Profit after tax	3,60,000	3,60,000	Nil	0

The base for every percentage is the corresponding 2022–23 figure. Thus revenue increases by $4,00,000/16,00,000 \times 100 = 25\%$, whereas other expenses double, giving a 100% increase.

Step 3: Conclusion Revenue increased by 25% and total expenses by 40%; profit after tax remained unchanged at Rs 3,60,000.

Quick Tip to Solve: Use the earlier year as the denominator for each change percentage; calculate tax after finding profit before tax.

33(a). **The following information has been obtained from the books of Vivek Ltd. :**

	Rs.
10% Debentures	15,00,000
Current Liabilities	2,00,000
Non-Current Assets	25,00,000
Current Assets	7,00,000

During the year ended 31st March, 2024, net profit after interest and tax amounted to Rs. 4,10,000. Tax paid was Rs. 40,000.

Calculate Return on Investment. [4 marks]

Solution:

Concept:

- Return on Investment measures profit before interest and tax as a percentage of capital employed: $\text{ROI} = \dfrac{\text{PBIT}}{\text{Capital employed}} \times 100$. PBIT means profit before interest and tax.
- Capital employed equals total assets less current liabilities. Interest on long-term borrowings is added back to net profit because the return is measured for all providers of long-term finance.

Step 1: Calculate annual debenture interest The annual interest on 10% debentures is

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

This interest has already been deducted in arriving at the given net profit after interest and tax, so it must be restored to obtain PBIT.

Step 2: Find profit before interest and tax Add back both interest and the given tax to the after-tax profit:

$$\begin{aligned}\text{PBIT} &= \text{Net profit after interest and tax} + \text{Interest} + \text{Tax}\\ &= 4,10,000 + 1,50,000 + 40,000\\ &= \text{Rs } 6,00,000.\end{aligned}$$

This represents earnings before the financing cost and tax are deducted.

Step 3: Calculate capital employed and ROI Total assets comprise non-current and current assets. Only current liabilities are deducted; debentures are long-term finance and remain included in capital employed.

$$\begin{aligned}\text{Capital employed} &= 25,00,000 + 7,00,000 - 2,00,000\\ &= \text{Rs } 30,00,000.\end{aligned}$$

$$\text{ROI} = \frac{6,00,000}{30,00,000} \times 100 = 20\%.$$

The numerator and denominator therefore both relate to the total long-term funds employed in the business.

Step 4: Conclusion Vivek Ltd.'s Return on Investment is $\boxed{20\%}$.

Quick Tip to Solve: Add back both tax and debenture interest to the given net profit; deduct only current liabilities from total assets.

OR

33(b). Calculate 'Operating Ratio' from the following information :

	Rs.
Revenue from operations	
Cash	**5,00,000**
Credit	**20,00,000**
Purchases	
Cash	**2,00,000**
Credit	**10,00,000**
Carriage Inward	**20,000**
Salaries	**1,45,000**
Increase in inventory	**50,000**
Wages	**85,000**

[4 marks]

Solution:

Concept:

- Operating Ratio expresses operating cost as a percentage of revenue from operations: $\text{Operating Ratio} = \dfrac{\text{Cost of revenue from operations} + \text{Operating expenses}}{\text{Revenue from operations}} \times 100.$
- Cost of revenue from operations includes purchases and direct expenses, adjusted for the inventory change. An increase in inventory reduces the cost of goods sold. Salaries are an operating expense.

Step 1: Total revenue from operations and purchases Both cash and credit transactions form part of the respective totals.

$$\begin{aligned} \text{Revenue from operations} &= 5,00,000 + 20,00,000 \\ &= \text{Rs } 25,00,000. \\ \text{Purchases} &= 2,00,000 + 10,00,000 \\ &= \text{Rs } 12,00,000. \end{aligned}$$

The distinction between cash and credit does not affect the operating ratio.

Step 2: Calculate cost of revenue from operations Carriage inward and wages are direct expenses. The increase in inventory means that closing inventory exceeds opening inventory by Rs 50,000, which must be deducted from the cost available for sale.

$$\begin{aligned} \text{Cost of revenue from operations} &= \text{Purchases} + \text{Carriage inward} \\ &\quad + \text{Wages} - \text{Increase in inventory} \\ &= 12,00,000 + 20,000 + 85,000 - 50,000 \\ &= \text{Rs } 12,55,000. \end{aligned}$$

Step 3: Find operating cost and the operating ratio Salaries are added as an indirect operating expense. Wages have already been included in the cost of revenue from operations and are not added

again.

$$\begin{aligned}\text{Operating cost} &= 12,55,000 + 1,45,000\\ &= \text{Rs } 14,00,000.\\ \text{Operating Ratio} &= \frac{14,00,000}{25,00,000} \times 100\\ &= 56\%.\end{aligned}$$

Thus Rs 56 out of every Rs 100 of operating revenue is absorbed by operating cost.

Step 4: Conclusion The Operating Ratio is $\boxed{56\%}$.

Quick Tip to Solve: Subtract an increase in inventory from purchases and direct expenses; add salaries once to obtain total operating cost.

34. From the following Balance Sheet of Bose Ltd. as at 31st March, 2024, calculate 'Cash Flows from Operating Activities'.

Balance Sheet of Bose Ltd. as at 31st March, 2024

Particulars	Note No.	31.03.2024 (Rs.)	31.03.2023 (Rs.)
I - Equity and Liabilities :			
1. Shareholders' Funds			
(a) Share Capital		37,00,000	25,00,000
(b) Reserves and Surplus	1	5,00,000	12,00,000
2 Non-Current Liabilities			
Long term borrowings	2	20,00,000	18,00,000
3. Current Liabilities			
(a) Short term borrowings		6,00,000	5,50,000
(b) Trade Payables		5,00,000	3,50,000
Total		73,00,000	64,00,000
II - Assets :			
1. Non-Current Assets			
(a) Property, Plant and Equipment and Intangible Assets			
(i) Property, Plant and Equipment	3	45,00,000	41,00,000
(ii) Intangible Assets	4	3,00,000	5,00,000
2. Current Assets			
(a) Current Investments		5,00,000	2,00,000
(b) Inventories		8,00,000	10,00,000
(c) Trade Receivables		10,00,000	2,00,000
(d) Cash and Cash equivalents		2,00,000	4,00,000
Total		73,00,000	64,00,000

Notes to Accounts :

Note No.	Particulars	31.3.2024 (Rs.)	31.3.2023 (Rs.)
1	Reserves and Surplus (i.e. Balance in the Statement of Profit and Loss)	5,00,000	12,00,000
2	Long Term Borrowings 10% Debentures	20,00,000	18,00,000
3	Property, Plant and Equipment Plant and Machinery Less : Accumulated Depreciation	 50,00,000 5,00,000 45,00,000	 44,00,000 3,00,000 41,00,000
4	Intangible Assets Goodwill	 3,00,000	 5,00,000

Additional Information :

(i) A piece of machinery costing Rs. 4,00,000 on which accumulated depreciation was Rs. 3,00,000 was sold at a loss of Rs. 70,000.

(ii) 10% Debentures of 2,00,000 were issued on 31.3.2024. [6 marks]

Solution:

Concept:

- Under the indirect method, adjust net profit or loss for non-cash and non-operating items, then for operating working-capital changes.
- Depreciation and goodwill written off are non-cash charges; loss on sale of machinery and debenture interest are added back to operating profit.
- A decrease in inventories and an increase in trade payables release operating cash; an increase in trade receivables absorbs operating cash.

Step 1: Determine the loss and the non-cash adjustments The balance in the Statement of Profit and Loss falls from Rs 12,00,000 to Rs 5,00,000. As no appropriation or other adjustment is given, the net loss for the year is:

$$12,00,000 - 5,00,000 = \text{Rs } 7,00,000.$$

Depreciation on the machinery sold must be removed from the accumulated depreciation balance when determining the current year's charge:

$$\begin{aligned}\text{Depreciation for the year} &= 5,00,000 - 3,00,000 + 3,00,000 \\ &= \text{Rs } 5,00,000.\end{aligned}$$

Goodwill written off is Rs $5,00,000 - 3,00,000 = 2,00,000$. The loss of Rs 70,000 on sale of machinery is also added back because the sale is an investing activity.

Step 2: Calculate interest and operating working-capital changes The additional Rs 2,00,000 debentures were issued on 31st March, 2024, so interest for the year is calculated on the opening debentures only:

$$\text{Interest} = 18,00,000 \times \frac{10}{100} = \text{Rs } 1,80,000.$$

For this non-financial company, the interest expense is added back in calculating operating cash flow.

Inventories decrease by Rs 2,00,000, trade receivables increase by Rs 8,00,000 and trade payables increase by Rs 1,50,000. Share capital, debentures and short-term borrowings are financing items. Plant purchases and current investments belong to investing activities and are not operating working capital.

Step 3: Prepare the operating section of the cash flow statement Bose Ltd.: Cash Flow Statement (Operating Activities) for the year ended 31st March, 2024

Particulars	Amount (Rs)
Net loss as per Statement of Profit and Loss	(7,00,000)
Add: Depreciation on plant and machinery	5,00,000
Add: Goodwill written off	2,00,000
Add: Loss on sale of machinery	70,000
Add: Interest on debentures	1,80,000
Operating profit before working-capital changes	2,50,000
Add: Decrease in inventories	2,00,000
Add: Increase in trade payables	1,50,000
Less: Increase in trade receivables	(8,00,000)
Cash used in operations	(2,00,000)
Less: Income tax paid (no amount given)	–
Net cash used in operating activities	(2,00,000)

No tax payment is supplied, so no further deduction is made. Parentheses indicate a negative amount or cash outflow.

Step 4: Conclusion Cash flows from operating activities are $\boxed{-\text{Rs } 2,00,000}$, i.e. net cash used in operating activities is Rs 2,00,000.

Quick Tip to Solve: For depreciation, add the accumulated depreciation removed on sale; use opening debentures when the fresh issue is on the closing date.

OPTION II (Computerised Accounting)

27. Which chart element provides additional information about a data marker to identify the details of data in data series ? [1 mark]

(A) Data label

(B) Data table

(C) Data point

(D) Data marks

Correct Answer: (A) Data label

Solution:

Concept:

- A data marker is the graphical representation of a single value in a chart.
- A data label supplies identifying information, such as the value, category or series name, beside a marker.

Step 1: Identify the required chart element The question asks for information attached to a data marker so that its underlying data can be identified. A data label performs this role by displaying the

relevant value or descriptive text near the marker.

Step 2: Eliminate the other choices A data table displays chart data in tabular form beneath a chart, rather than labelling an individual marker. A data point is the value being plotted. Data marks represent the plotted values themselves; they do not name the element that supplies the additional identifying text.

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

Quick Tip to Solve: Look for the word label when information is displayed beside an individual chart marker.

28(a). How are ranges identified within Excel ? [1 mark]

(A) Using Hashtag

(B) Using Vector

(C) Using Colour

(D) Using Comma

Correct Answer: (C) Using Colour

Solution:

Concept:

- A range is a cell or a group of cells used in an Excel operation.
- When a range is selected or referenced while editing a formula, Excel uses a coloured outline to identify it visually.

Step 1: Identify the intended visual convention Excel highlights a referenced range using colour. For example, when editing a formula, a coloured border around the relevant cells helps the user match those cells to the corresponding reference.

Step 2: Compare the given alternatives A hashtag is not the visual identifier of a range, and a vector is not the Excel convention being tested. A comma can separate arguments or references in a formula, but it is not the colour highlighting that identifies the selected range. Thus colour is the appropriate choice among the printed options.

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

Quick Tip to Solve: Distinguish visual identification by colour from the cell addresses used to write a range reference.

OR

28(b). Two important requirements of an accounting report are : [1 mark]

(A) Language processing and utility

(B) Storage and presentation

(C) System analysis and operations

(D) Timelines and relevance

Correct Answer: (D) Timelines and relevance

Solution:

Concept:

- An accounting report must reach users in time for the decisions it supports.
- Relevant information relates to the purpose of a report and helps users make decisions.

Step 1: Identify the two reporting qualities Timeliness means that information is available when needed. Relevance means that its content is useful for the decision being made. A report that arrives too late, or includes unrelated information, has reduced usefulness.

Step 2: Evaluate the alternatives Language processing and utility do not state the required pair of accounting-report qualities. Storage and presentation describe handling and displaying information. System analysis and operations relate to system processes. The printed choice mentioning timelines and relevance expresses the intended pair, timeliness and relevance.

Step 3: Conclusion The correct option is (D): Timelines and relevance (i.e. timeliness and relevance).

Quick Tip to Solve: Choose reporting qualities that make information useful for a decision and available at the right time.

29. The outcome of an arithmetic expression or function is called : [1 mark]

(A) Horizontal value

(B) Derived value

(C) Basic value

(D) Vertical value

Correct Answer: (B) Derived value

Solution:

Concept:

- A basic value is entered directly as input data.
- A derived value is calculated from existing values by an arithmetic expression or a function.

Step 1: Classify the result of a calculation When an arithmetic expression is evaluated or a function is applied, the output is obtained by processing the input values. For example, multiplying quantity by rate produces an amount derived from those two inputs.

Step 2: Compare the options Derived value therefore names the calculated result. A basic value is an

original input rather than the outcome of the calculation. Horizontal and vertical describe directions or arrangements in a worksheet and do not classify a result produced by an arithmetic expression or function.

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

Quick Tip to Solve: If a number is calculated from other entries instead of entered as original data, classify it as derived.

30(a). Which of the following voucher records outflow of money from the business ? [1 mark]

(A) Journal Voucher

(B) Receipt Voucher

(C) Contra Voucher

(D) Payment Voucher

Correct Answer: (D) Payment Voucher

Solution:

Concept:

- A payment voucher documents money paid out by the business through cash or bank.
- Voucher selection depends on the nature and direction of the transaction.

Step 1: Identify the direction of money movement An outflow occurs when the business pays money, for example to settle a supplier or an expense. Such a transaction is supported and recorded by a payment voucher.

Step 2: Distinguish the other voucher types A receipt voucher records an inflow, the opposite of the movement asked for. A contra voucher records internal transfers between cash and bank or between bank accounts. A journal voucher generally records adjustments or non-cash transactions. Consequently, the voucher specifically associated with money paid out is the payment voucher.

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

Quick Tip to Solve: Match payment with outflow and receipt with inflow before checking the remaining voucher choices.

OR

30(b). The raw facts for any business application is known as which of the following components of Computerised Accounting System ? [1 mark]

(A) Data

(B) Hardware

(C) Software

(D) Procedure

Correct Answer: (A) Data

Solution:

Concept:

- Data means the raw facts and figures entered into an accounting system before processing.
- Hardware, software and procedures provide the equipment, instructions and methods used to process data.

Step 1: Identify the component described Unprocessed facts such as the date of a transaction, invoice number, quantity sold and amount received are inputs to the system. Collectively these raw facts are called data. Processing organises data into meaningful accounting information.

Step 2: Eliminate the other choices Hardware means physical equipment such as computers and printers; software means programs that process the inputs. Procedure means the prescribed sequence of activities for operating the system. These components handle raw facts but are not themselves the raw facts.

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

Quick Tip to Solve: Distinguish raw input facts (data) from processed output (information).

31. Which built-in function can be used to compute monthly instalments of repayment of loan ? State its parameters also. [3 marks]

Solution:

Concept:

- The built-in `PMT` function calculates a constant periodic payment for a loan at a constant interest rate.
- The rate and the number of periods must use the same time interval: monthly repayments require a monthly rate and a total number of months.

Step 1: State the function and its syntax The function is `PMT`. Its syntax is

```
PMT(rate, nper, pv, [fv], [type]).
```

It calculates the equal periodic instalment, including interest and repayment of principal, on the basis of a fixed rate and equal payments.

Step 2: Explain the required parameters `rate`: interest rate per payment period. For monthly

payments use the annual rate divided by 12. `nper`: total number of instalments; for a loan of n years with monthly payments, use $12n$. `pv`: present value, i.e. the principal or loan amount received at the beginning.

Step 3: Explain the optional parameters and sign convention `fv`: balance desired after the final payment; it is normally zero for a fully repaid loan and defaults to zero if omitted. `type`: timing of payment, with 0 for the end of a period (the default) and 1 for its beginning. If the loan amount is entered as a positive receipt, the function returns a negative payment to represent a cash outflow. For example, a positive displayed monthly instalment can be obtained using `=PMT(annual_rate/12, years*12, -loan_amount)`.

Step 4: Conclusion Use `PMT(rate, nper, pv, [fv], [type])`, with a monthly rate and the total number of monthly instalments.

Quick Tip to Solve: Convert both the interest rate and loan duration to monthly units before using PMT.

32. State the phases of 'Accounting Cycle'. [3 marks]

Solution:

Concept:

- The accounting cycle is the recurring sequence by which transactions become accounting records and financial statements.
- The main phases are identification and measurement, recording, classification, summarisation, and analysis, interpretation and communication.

Step 1: Identify, measure and record transactions First identify economic transactions supported by source documents and measure them in money terms. Then record them systematically and chronologically in the journal or appropriate subsidiary books, applying the rules of debit and credit. This creates the original record of each transaction.

Step 2: Classify and summarise the records Classify the recorded transactions by posting them to their respective ledger accounts, such as cash, purchases, sales and individual parties. Balance the accounts and prepare a trial balance to check the arithmetical agreement of debit and credit balances. Summarise the balances, after necessary adjustments, in the financial statements, including the statement of profit and loss and balance sheet.

Step 3: Analyse, interpret and communicate the results Analyse and interpret the financial statements to assess profitability and financial position. Communicate the resulting accounting information to users for decision making. At the end of the period, closing entries transfer the balances of nominal accounts, while balances of real and personal accounts are carried forward to the next accounting period.

Step 4: Conclusion The phases are identification and measurement, recording, classification, summarisation, and analysis, interpretation and communication of accounting information.

Quick Tip to Solve: Remember the flow: source documents, journal, ledger, trial balance, financial statements, and users.

33(a). Develop a code for Nisha, Roll No. 23 who took admission in Section A, Class XI in the year 2024 in School No. 10 run by the 'Education For All Trust'. Section A is a science stream section and its code is 1. [4 marks]

Solution:

Concept:

- A group code combines separate fields, each representing one attribute of the item or person identified.
- A student code should identify the school, admission year, class, stream or section and roll number in a fixed, readable order.

Step 1: Select a consistent coding structure Use the group-code format

School / Admission year / Class / Stream / Roll number.

State this order explicitly so that each part of the code can be interpreted. The trust runs the school; within its student register the school number identifies the relevant school.

Step 2: Assign the supplied values to the fields Nisha belongs to School No. 10, and her year of admission is 2024. Class XI is represented numerically by 11. Section A is the science-stream section, whose given code is 1. Her roll number is 23. Thus the five fields, in the declared order, are 10, 2024, 11, 1 and 23.

Step 3: Construct and interpret the code The group code is

$$\boxed{\texttt{10/2024/11/1/23}}.$$

Reading from left to right, it identifies School 10 of the Education For All Trust, admission in 2024, Class XI, science-stream Section A and student Roll No. 23. The separators make field boundaries clear; in a fixed-width database the same fields can be stored separately. The name Nisha is stored against this identifier in the student record rather than substituted for her roll number. The code is unique within the stated school, year, class and section because the roll number identifies the student within that group.

Step 4: Conclusion One suitable student identification code for Nisha is $\boxed{\texttt{10/2024/11/1/23}}$, in the declared order school/year/class/stream/roll number.

Quick Tip to Solve: Declare the order of the fields, then use the given science-stream code 1 without replacing it by the letter A.

OR

33(b). Explain number formatting. [4 marks]

Solution:

Concept:

- Number formatting controls how a numeric cell value is displayed in a spreadsheet, such as its decimal places, grouping separators, currency symbol or percentage sign.
- Formatting changes presentation; the underlying numeric value is retained for calculations. A formula normally uses that stored value rather than the rounded display.

Step 1: Meaning and purpose Number formatting means selecting the manner in which numbers appear in worksheet cells. It makes accounting reports consistent, readable and suitable for their purpose. For example, an amount can be shown with two decimal places and grouping separators, while a ratio can be displayed as a percentage. Applying a format is different from entering a new value or changing the formula.

Step 2: Common number formats General displays ordinary numerical entries; Number allows a chosen number of decimal places and digit grouping. Currency displays a monetary symbol with the amount, while Accounting aligns currency symbols and decimal points in a column. Percentage displays a fraction as a percentage: a stored value of 0.25 appears as 25%. Date and Time display date or time serial values in a chosen readable form. Scientific format uses exponential notation for very large or small numbers.

Step 3: Examples and effect on calculations A stored amount of 1234.567 may be displayed as $1,234.57$ using two decimal places and a thousands separator. The extra decimal digits remain stored; merely formatting the cell does not round its underlying value. Similarly, a stored value of 0.5 can appear as 50%. Thus an accountant should select a consistent format for each kind of information, such as monetary amounts, dates and ratios.

Step 4: Applying the format Select the required cell or range, open Format Cells and choose the Number category. Select the appropriate format, specify details such as decimal places, symbol and grouping separator, and confirm with OK. The Number group on the Home tab also provides common formatting commands. Formatting a whole column consistently helps users compare balances and interpret reports correctly.

Step 5: Conclusion Number formatting is the presentation of numeric cell values in a chosen form, such as number, currency, accounting, percentage, date or scientific notation, without changing their underlying values.

Quick Tip to Solve: Check the stored value in the formula bar before treating a rounded display as an exact amount.

34. Name the error which occurs when a given number is divided by zero; e.g. 7/0. What are the reasons for this error ? How can this error be corrected ? [6 marks]

Solution:

Concept:

- A spreadsheet reports a division-by-zero error when a formula attempts to divide a number by zero; division by zero has no defined numerical result.
- A blank cell used directly as a divisor is treated as zero in an arithmetic division. Check both the divisor reference and any formula producing that divisor.

Step 1: Name the error The error is `#DIV/0!`. For example, entering `=7/0` produces this error because no numerical quotient exists for division by zero. It is an error value, not a result of zero.

Step 2: Reasons for the error First, the formula may contain zero directly as the divisor, as in `=7/0`. Secondly, it may refer to a cell containing zero or to an empty cell as the divisor. For example, `=A1/B1` gives this error if B1 is zero or blank. A wrong cell reference may accidentally select such a cell. The divisor can also be calculated by another formula whose result is zero; hence apparently populated input cells do not rule out this error.

Step 3: Correct the input or formula Inspect the formula and identify its denominator. Replace an accidental zero with the correct nonzero value, enter the missing denominator in a blank cell, or correct a reference that points to the wrong cell. If the denominator is calculated, trace and correct its source data or formula. For instance, if A1 contains 7 and the intended divisor in B1 is 2, entering the correct value 2 makes the quotient 3.5. Never replace a genuine zero arbitrarily merely to remove the error.

Step 4: Prevent division while the denominator is unavailable If a zero or blank denominator is valid or temporary, use a logical test so that division occurs only when the denominator is nonzero. For example, `=IF(B1=0,"",A1/B1)` returns an empty display when B1 is zero or blank, and otherwise calculates the quotient. A meaningful message can be used instead of the empty string. This avoids attempting an undefined calculation while retaining the correct formula for valid data.

Step 5: Handle errors appropriately Alternatively, `=IFERROR(A1/B1,"Check divisor")` can display a useful message instead of the error. IFERROR handles other errors as well, so the underlying inputs and references should still be checked. If the divisor really is zero, there is no correct numerical quotient to show; the appropriate action is to flag the condition or leave the result blank until a valid denominator is available, rather than conceal it with a fabricated answer.

Step 6: Conclusion The error is #DIV/0!. It arises from a zero divisor or a blank or zero-valued divisor cell. Correct the divisor or reference, or guard the division with IF; IFERROR may provide a suitable error message.

Quick Tip to Solve: Trace the denominator first: check its value, whether it is blank, and whether its reference is correct.