CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-6-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. A, B and C were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. D was admitted as a new partner for 1/5th share in the profits of the firm. D acquired his share entirely from A. The new profit sharing ratio between A, B, C and D will be : [1 mark]

(A) 5:2:2:1

(B) 3:3:2:2

(C) 3:2:3:2

(D) 4:3:2:1

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

Solution:

Concept:

- A partner's new share equals the old share minus the share sacrificed to the incoming partner.
- When the incoming partner obtains the entire share from one partner, the other old partners retain their original shares.

Step 1: Calculate the revised shares The old shares of A, B and C are $5/10$, $3/10$ and $2/10$. D receives $1/5 = 2/10$, entirely from A. Thus

$$A = \frac{5}{10} - \frac{2}{10} = \frac{3}{10}, \quad B = \frac{3}{10}, \quad C = \frac{2}{10}, \quad D = \frac{2}{10}.$$

Step 2: Compare all four options On multiplying each share by 10, the ratio becomes $3 : 3 : 2 : 2$. Option (A) changes B's share and gives D only $1/10$; option (C) interchanges the unchanged shares of B and C; option (D) also gives D only $1/10$. Only option (B) preserves B and C's shares and gives D the stated share.

Step 3: Conclusion The new profit-sharing ratio of A, B, C and D is $3 : 3 : 2 : 2$. Hence, the correct option is (B).

Quick Tip to Solve: Convert the incoming share to tenths and deduct it only from A; B and C keep their old shares.

2. 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 made at regular monthly intervals, the average period is half the sum of the periods of the first and last drawings.
- Interest on drawings equals total drawings multiplied by the annual rate and the average period expressed in years.

Step 1: Identify the first and last periods Mohan starts withdrawing on 1st July, 2023, so the equal monthly drawings are made on the first day of each month from July to March. There are nine drawings. The first remains outstanding for 9 months up to 31st March, 2024; the last, made on 1st March, remains outstanding for 1 month.

Step 2: Calculate and check the average period

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

As a check, the holding periods are $9, 8, 7, 6, 5, 4, 3, 2, 1$, with sum 45; $45/9 = 5$. The 12% rate and monthly amount determine the interest amount, not this average period. Options (A), (B) and (C) give periods longer than the mean of these nine actual periods.

Step 3: Conclusion Interest on Mohan's drawings is charged for an average period of 5 months. Hence, the correct option is (D).

Quick Tip to Solve: For July-to-March beginning-of-month drawings, use the first and last periods, 9 and 1, rather than the full-year average.

3. 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 who agree to carry on a business and share its profits, with mutual agency.
- A partnership agreement may be oral or written; a written partnership deed records the agreed terms and helps avoid disputes.

Step 1: Evaluate the assertion The assertion describes partnership as the result of an agreement between two or more persons to do business and share profits and losses. This is correct: partnership is created by agreement, and the partners agree how the business results are shared.

Step 2: Evaluate the reason The reason says the agreement should always be in written form. This is incorrect as a statement of an essential requirement: an oral agreement can also create a partnership. Writing is desirable for evidence and clarity, but is not compulsory merely to establish partnership.

Step 3: Test the explanation and options Because the reason itself is false, it cannot explain the correct assertion. Options (A) and (B) wrongly treat both statements as correct, while (D) wrongly rejects the assertion and accepts the reason. The required combination is a true assertion and a false reason.

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

Quick Tip to Solve: Distinguish a recommended written deed from an essential written agreement: an oral partnership agreement is also valid.

4(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 reserved to be called only on winding up of the company.
- Uncalled capital has not yet been demanded from shareholders; it differs from capital already called but unpaid.

Step 1: Identify the defining condition The question specifies both that the amount is uncalled and that the company will call it only in the event of winding up. This restriction is the defining feature of reserve capital, rather than a general category of subscribed or unpaid capital.

Step 2: Eliminate the other classifications Subscribed but not fully paid-up capital concerns subscribed shares on which the full amount has not been paid; it does not itself impose a winding-up restriction. Unissued capital has not been issued for subscription. Subscribed capital is the capital taken up by subscribers. Therefore options (A), (B) and (D) do not match the specific restriction in the question.

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

Quick Tip to Solve: Underline "uncalled" and "only on winding up" together: that combination identifies reserve capital.

OR

4(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 applications are received for more shares than the number offered to the public.

- Full and under subscription compare the number applied for with the number offered; premium compares issue price with face value.

Step 1: Compare demand with the offer Let A be the number of shares applied for and O the number offered for public subscription. The condition in the question is $A > O$. The applications therefore exceed the offer, which is the meaning of over subscription.

Step 2: Rule out the remaining terms Full subscription would require $A = O$, and under subscription would require $A < O$. Subscription at premium concerns shares issued above face value and does not tell us how many shares were applied for. Thus (B), (C) and (D) each describe a different condition.

Step 3: Conclusion The situation is over subscription. Hence, the correct option is (A).

Quick Tip to Solve: Compare share quantities to identify subscription level; compare issue price with face value only to identify premium.

5(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:

- A debit balance in Profit and Loss Account is an accumulated loss belonging to the old partners in their old profit-sharing ratio.
- To write off that balance, debit the old partners' capital accounts and credit Profit and Loss Account.

Step 1: Allocate the accumulated loss The loss arose before the change in ratio, so use $5:3:2$, not the new ratio $2:2:1$.

$$\text{Manav} = 60,000 \times \frac{5}{10} = \text{Rs } 30,000,$$
$$\text{Mayank} = 60,000 \times \frac{3}{10} = \text{Rs } 18,000,$$
$$\text{Manish} = 60,000 \times \frac{2}{10} = \text{Rs } 12,000.$$

Step 2: Record the writing-off 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 accumulated loss written off in the old ratio of 5:3:2)			

Total debits equal the credit of Rs 60,000. Option (B) incorrectly uses the new ratio. Options (C) and (D) merely transfer Rs 6,000 between capital accounts and do not write off the debit balance.

Step 3: Conclusion Debit Manav, Mayank and Manish by Rs 30,000, Rs 18,000 and Rs 12,000 respectively, and credit Profit and Loss Account by Rs 60,000. Hence, the correct option is (A).

Quick Tip to Solve: To write off an existing loss before a ratio change, debit all old partners in the old ratio and credit the loss account.

OR

5(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 the gross debtors before a new percentage-based provision is calculated.
- The revaluation loss equals bad debts plus the new required provision minus the existing provision.

Step 1: Find the revised debtors and provision After writing off the bad debts, debtors are $8,00,000 - 60,000 = \text{Rs } 7,40,000$. The new provision must be based on this remaining balance:

$$\text{Required provision} = 7,40,000 \times \frac{10}{100} = \text{Rs } 74,000.$$

Step 2: Calculate the total revaluation debit The old provision already covers Rs 50,000 of the loss exposure. The further debit needed is

$$\text{Loss} = 60,000 + 74,000 - 50,000 = \text{Rs } 84,000.$$

Equivalently, Rs 10,000 of bad debts exceeds the existing provision, and a fresh Rs 74,000 provision is then required. Option (A) uses 10% of the original debtors; (B) includes only uncovered bad debts; (D) includes only the new provision. Each omits part of the complete adjustment.

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

Quick Tip to Solve: Use reduced debtors for the new provision, then calculate bad debts plus new provision minus old provision.

6(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:

- On forfeiture, Share Forfeiture Account is credited with the capital amount already received on the forfeited shares.
- Uncalled capital is excluded from both called-up share capital and calls in arrears.

Step 1: Identify called-up and received capital Of the Rs 10 face value, the final call of Rs 3 has not been made. Thus called-up capital per share is $10 - 3 = \text{Rs } 7$. The unpaid first call is Rs 2 per share, so the amount already received towards capital is $7 - 2 = \text{Rs } 5$ per share.

Step 2: Determine the forfeiture-account treatment

$$\text{Amount received} = 600 \times 5 = \text{Rs } 3,000.$$

This amount is credited to Share Forfeiture Account. The unpaid first call, $600 \times 2 = \text{Rs } 1,200$, represents the arrears cancelled, not the forfeited receipts. Thus options (A) and (B) use the wrong amount, and option (C) gives the correct amount on the wrong side.

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

Quick Tip to Solve: First remove the uncalled Rs 3 from face value, then subtract the unpaid Rs 2; credit the Rs 5 already received per share.

OR

6(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:

- Share Forfeiture Account initially records the capital already received on all forfeited shares.
- After reissue, the forfeiture surplus relating only to the reissued shares is transferred to Capital Reserve; the balance relating to unreissued shares remains.

Step 1: Calculate the original forfeited amount The amount received towards capital on each share was $70 - 20 = \text{Rs } 50$. Therefore, the initial credit to Share Forfeiture Account was

$$300 \times 50 = \text{Rs } 15,000.$$

Step 2: Separate reissued and unreissued shares The 100 reissued shares are issued at Rs 100 each, Rs 70 paid up. They are reissued above their paid-up value, so there is no reissue discount to charge against forfeiture. The forfeiture amount on these 100 shares, $100 \times 50 = \text{Rs } 5,000$, is transferred to Capital Reserve. The premium of Rs 30 per reissued share does not reduce forfeiture.

$$\text{Remaining balance} = 15,000 - 5,000 = \text{Rs } 10,000.$$

Option (B) is the reissue premium, (C) is the original called-up capital, and (D) is the forfeiture amount transferred on reissue; none is the residual balance.

Step 3: Conclusion Share Forfeiture Account retains a credit balance of Rs 10,000, relating to the 200 unreissued shares. Hence, the correct option is (A).

Quick Tip to Solve: Multiply the 200 unreissued shares by the Rs 50 originally received per share to check the remaining forfeiture balance.

7. 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 number of debentures issued for a purchase equals purchase consideration divided by the issue price of each debenture.
- Issue discount reduces the amount credited towards the purchase per debenture. Redemption premium is a future obligation and does not increase the issue price.

Step 1: Calculate the issue price The face value is Rs 100 and the issue discount is 5% of face value. Therefore, the consideration discharged by each debenture is

$$\text{Issue price} = 100 - \frac{5}{100} \times 100 = \text{Rs } 95.$$

The 9% rate determines interest, not the number issued.

Step 2: Divide the purchase consideration For machinery costing Rs 9,50,000,

$$\text{Number issued} = \frac{9,50,000}{95} = 10,000.$$

Check: $10,000 \times 95 = 9,50,000$. Option (B) incorrectly uses face value; (C) and (D) do not discharge Rs 9,50,000 when their stated counts are multiplied by the issue price of Rs 95.

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

Quick Tip to Solve: For debentures issued to a vendor, divide the purchase price by issue price; exclude interest and redemption premium.

8(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 compensates the firm for the personal use of its funds by a partner.
- When only total drawings during the year are given and withdrawal dates are unspecified, use the conventional average period of six months.

Step 1: Select the applicable period Mohan withdrew a total of Rs 80,000 during the year. The question specifies no withdrawal date or monthly schedule. Accordingly, the annual total is treated as outstanding for an average of six months; it is not treated as a withdrawal made on the first day of the year.

Step 2: Calculate interest for six months Using annual rate $r = 12\%$ and average period $t = 6$ months,

$$I = 80,000 \times \frac{12}{100} \times \frac{6}{12} = \text{Rs } 4,800.$$

Option (A), Rs 9,600, charges a full year; (C), Rs 800, corresponds to one month, and (D), Rs 1,600, to two months. Neither shorter period is supported.

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

Quick Tip to Solve: When annual total drawings are stated without dates, apply six months; use exact time only if withdrawal dates are supplied.

OR

8(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:

- When interest on partners' capital is allowed, Interest on Capital Account is debited and the relevant partners' capital or current accounts are credited.
- Interest on capital is subsequently transferred to Profit and Loss Appropriation Account; it is an appropriation of profit.

Step 1: Identify the debit at the time of allowance The allowance creates an entitlement in favour of each partner. The debit is recorded in Interest on Capital Account. The matching credit goes to Partners' Capital Accounts under fluctuating capitals or Partners' Current Accounts under fixed capitals.

Step 2: Distinguish allowance from transfer Profit and Loss Appropriation Account bears the interest when Interest on Capital Account is closed. Ordinary Profit and Loss Account in option (A) is not the debit for allowing the appropriation. Options (B) and (D) name the partners' accounts that receive the credit, not the debit. Thus only option (C) identifies the required account.

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

Quick Tip to Solve: For the initial allowance, debit the named interest account and credit the partner; distinguish this from its later transfer to appropriation.

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 is the new profit share minus the old profit share.

- The gaining ratio compares these increases, not the new shares themselves. Both shares must be expressed on a common denominator.

Step 1: Calculate each continuing partner's gain Old shares of Mohit and Paras are $3/9$ and $2/9$; new shares are $5/8$ and $3/8$. Thus,

$$\text{Mohit's gain} = \frac{5}{8} - \frac{3}{9} = \frac{45-24}{72} = \frac{21}{72},$$
$$\text{Paras's gain} = \frac{3}{8} - \frac{2}{9} = \frac{27-16}{72} = \frac{11}{72}.$$

Step 2: Compare gains and check their total The common denominator cancels, giving $21 : 11$. The total gain is $(21+11)/72 = 32/72 = 4/9$, exactly Daman's old share. Option (B) gives the old relative shares; (C) gives the new ratio, not gains; (D) wrongly assumes equal acquisition.

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

Quick Tip to Solve: Subtract old share from new share separately, then check that total gains equal the retiring partner's share.

10. 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:

- On dissolution, losses including deficiencies of capital are met first out of profits and next out of partners' capital.
- If profits and capital are insufficient, partners contribute individually in their profit-sharing ratio to meet the remaining loss.

Step 1: Apply the sequence to existing firm funds The first available source is the firm's profits. Once these are exhausted, the loss is absorbed by partners' capital. The order is therefore profits followed by capital; partners do not have to contribute personally before these internal sources have been applied.

Step 2: Identify the final source and compare options Any deficiency still remaining is borne by partners individually in their profit-sharing ratio. Option (A) incorrectly puts personal contributions before capital. Option (B) incorrectly uses capital before profits. Option (C) incorrectly begins with personal contributions. Option (D) alone preserves all three stages in their proper order.

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

Quick Tip to Solve: For loss settlement remember the source sequence: profits, capital, personal contribution; do not confuse it with the order of paying liabilities.

11. 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 capital allowed under the partnership deed is an appropriation made before the residual profit is divided in the profit-sharing ratio.
- The decrease in divisible profit equals the total interest on both partners' capitals, calculated at the agreed annual rate.

Step 1: Calculate each partner's interest The opening capitals remain applicable for the year because no capital changes are given.

$$\text{Ashok's interest} = 10,00,000 \times 10\% = \text{Rs } 1,00,000,$$
$$\text{Avinash's interest} = 15,00,000 \times 10\% = \text{Rs } 1,50,000.$$

Step 2: Determine the change in divisible profit Total interest is Rs $1,00,000 + 1,50,000 = 2,50,000$. Allowing it reduces the residual profit available for division by this amount. The ratio $3 : 2$ applies to the residual profit and does not alter the total interest. Option (B) reverses the effect; (C) confuses total earned profit with divisible profit; (D) understates interest by a factor of ten.

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

Quick Tip to Solve: For the effect on divisible profit, add the interest entitlements; the profit-sharing ratio is unnecessary unless individual net adjustments are asked.

12. 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; their holders' names are not entered in the company's register of debentureholders.
- Registered debentures identify holders in the company's records and require the prescribed transfer process.

Step 1: Identify the decisive features The question gives two linked features: transfer by delivery and the absence of a company record of the holders. These are the defining features of bearer debentures, because possession of the instrument establishes the holder's claim.

Step 2: Eliminate the other classifications Option (A), secured debentures, describes whether assets secure the debt, not the transfer method. Option (B), redeemable debentures, describes repayment at an agreed time. Option (C), registered debentures, directly conflicts with the statement that the company keeps no record of holders. Only option (D) satisfies both conditions together.

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

Quick Tip to Solve: Link delivery plus no register to bearer debentures; security and redemption classify different features of the same debt instrument.

13. 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 Account receives the amount already paid towards share capital on the forfeited shares.
- On reissue, any discount is charged against forfeiture on those shares; the remaining surplus on

reissued shares is transferred to Capital Reserve.

Step 1: Calculate the amount forfeited Rs 80 per share was called up, of which the unpaid first call was Rs 20. Therefore Rs $80 - 20 = 60$ per share had been received.

$$\text{Amount forfeited} = 600 \times 60 = \text{Rs } 36,000.$$

The uncalled Rs 20 is not money received and cannot be included in forfeiture.

Step 2: Deduct discount on reissue The shares are reissued as fully paid shares of Rs 100 at Rs 90, so the discount is Rs $100 - 90 = 10$ per share.

$$\text{Reissue discount} = 600 \times 10 = \text{Rs } 6,000,$$
$$\text{Surplus transferred} = 36,000 - 6,000 = \text{Rs } 30,000.$$

Option (A) omits the reissue discount; (C) is called-up capital; (D) is reissue cash received, neither of which measures capital profit.

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

Quick Tip to Solve: Use called-up less unpaid capital for forfeiture, but use full face value less reissue price when shares are reissued fully paid.

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14. 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:

- Overvaluation of opening stock increases cost of goods sold and understates profit; correcting it increases profit.
- Overvaluation of closing stock decreases cost of goods sold and overstates profit; correcting it reduces profit. Goodwill here equals the corrected previous-year profit.

Step 1: Correct the two stock errors separately The stated profit is Rs 5,76,000. Opening stock overvaluation of Rs 50,000 has reduced this profit, so add it back. Closing stock overvaluation of Rs 50,000 has increased this profit, so deduct it. The corrections act in opposite directions, although

both stock balances were overvalued.

Step 2: Calculate adjusted profit and apply the valuation basis

$$\text{Adjusted profit} = 5,76,000 + 50,000 - 50,000 = \text{Rs } 5,76,000.$$

The equal stock errors cancel. Goodwill is valued at one previous-year profit, so neither the old ratio $4:5$ nor Usha's $1/4$ share changes the whole firm's goodwill. Options (B), (C) and (D) incorrectly create a net adjustment where the stated errors cancel.

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

Quick Tip to Solve: Correct opening-stock overvaluation by adding it to profit and closing-stock overvaluation by subtracting it; equal errors cancel.

15(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:

- A retiring partner receives the adjusted capital balance plus compensation for his share of goodwill.
- Hidden goodwill belonging to the retiring partner equals the agreed settlement less his adjusted capital.

Step 1: Identify the two components Raghav's adjusted capital is Rs 2,20,000, after all reserve and revaluation adjustments. The agreed full settlement is Rs 4,00,000. Therefore the excess payment represents his own share of goodwill; it is not another capital adjustment.

Step 2: Calculate the excess settlement

$$\text{Raghav's goodwill share} = 4,00,000 - 2,20,000 = \text{Rs } 1,80,000.$$

Option (A) is his adjusted capital and option (C) is the whole settlement. Option (D), Rs 40,000, would wrongly apply his profit share again to an amount already representing his personal goodwill entitlement.

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

Quick Tip to Solve: Deduct adjusted capital from full settlement; do not multiply this personal goodwill amount by the retiring partner's share again.

OR

15(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:

- Capital implied by a new partner's contribution equals that contribution divided by the fraction of profits acquired.
- Hidden goodwill equals the implied total capital less the actual total capital of all partners after admission.

Step 1: Find the implied total capital Hema contributes Rs 1,50,000 for a $1/5$ share. This contribution values the total capital of the firm at

$$1,50,000 \div \frac{1}{5} = \text{Rs } 7,50,000.$$

Step 2: Deduct the actual combined capitals The combined actual capital includes Hema's contribution as well as the old capitals:

$$1,60,000 + 1,00,000 + 1,50,000 = \text{Rs } 4,10,000.$$

Thus hidden goodwill is

$$7,50,000 - 4,10,000 = \text{Rs } 3,40,000.$$

Option (A) is the actual combined capital and option (B) is the implied total capital, not goodwill. Option (D) does not equal the excess of the implied capital over the actual capitals.

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 contribution in actual capital before subtracting it from the implied total.

16. 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. 1,20,000.

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:

- Estimated profit to the date of death is based on the previous annual profit, adjusted for elapsed time and the deceased partner's share.
- The deceased partner's Capital Account is credited and Profit and Loss Suspense Account is debited for this estimated profit.

Step 1: Calculate profit for nine months The period from 1st April, 2024 to 31st December, 2024 is nine months. Khan's fraction is $1/(2+2+1) = 1/5$. His profit entitlement is

$$6,00,000 \times \frac{9}{12} \times \frac{1}{5} = \text{Rs } 90,000.$$

Step 2: Apply the correct debit and credit Profit increases the amount owed to Khan, so his Capital Account is credited by Rs 90,000. Profit and Loss Suspense Account is debited by the same amount until the profit for the year is finally determined. Option (A) reverses this entry. Options (C) and (D) use Rs 1,20,000, his share for a complete year, instead of nine months; (C) also reverses the accounts.

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 last year-end to death first; a deceased partner's positive profit share credits capital.

17. On 1st April, 2023, Jain and Gupta started a partnership firm with fixed capitals of Rs. 15,00,000 and Rs. 12,00,000 respectively. They decided to share profits and losses in the ratio of 3 : 2. On 1st July, 2023, Jain withdrew Rs. 1,00,000 from his capital and Gupta introduced further capital of Rs. 2,00,000. Partnership deed provided for interest on capital @ 10% p.a. During the year Jain withdrew Rs. 50,000 and Gupta withdrew Rs. 60,000 for their personal use. Interest on drawings was to be charged @ 18% p.a. After preparing Profit and Loss Appropriation Account for the year ended 31st March, 2024, Rs. 72,000 and Rs. 48,000 were credited respectively to the current accounts of Jain and Gupta as their share of divisible profit.

Prepare Current Accounts of Jain and Gupta. [3 marks]

Solution:

Concept:

- Under the fixed capital method, permanent capital changes enter Capital Accounts; drawings, interest and profit shares enter Current Accounts.
- Interest on capital uses the time for which each capital is employed. With no dates given for personal drawings, interest is calculated for an average period of six months.

Step 1: Prepare working notes for interest **Working Notes**

Jain withdraws capital on 1st July, so Rs 15,00,000 is employed for three months and Rs 14,00,000 for nine months. Gupta has Rs 12,00,000 for three months and Rs 14,00,000 for nine months.

$$\begin{aligned}\text{Jain's interest} &= 15,00,000 \times 10\% \times \frac{3}{12} \\ &\quad + 14,00,000 \times 10\% \times \frac{9}{12} = \text{Rs } 1,42,500, \\ \text{Gupta's interest} &= 12,00,000 \times 10\% \times \frac{3}{12} \\ &\quad + 14,00,000 \times 10\% \times \frac{9}{12} = \text{Rs } 1,35,000.\end{aligned}$$

$$\text{Jain's interest on drawings} = 50,000 \times 18\% \times \frac{6}{12} = \text{Rs } 4,500,$$

$$\text{Gupta's interest on drawings} = 60,000 \times 18\% \times \frac{6}{12} = \text{Rs } 5,400.$$

The stated profit shares of Rs 72,000 and Rs 48,000 are already the divisible profit allocations; do not apportion them again.

Step 2: Prepare the Current Accounts The opening current balances are nil because the firm begins business on 1st April, 2023. The permanent capital withdrawal of Rs 1,00,000 and introduction of Rs 2,00,000 stay in the respective Capital Accounts.

Jain's Current Account for the year ended 31st March, 2024

Dr. Particulars	Rs	Cr. Particulars	Rs
To Drawings	50,000	By Interest on capital	1,42,500
To Interest on drawings	4,500	By Profit and Loss Appropriation	72,000
To Balance c/d	1,60,000		
Total	2,14,500	Total	2,14,500

Gupta's Current Account for the year ended 31st March, 2024

Dr. Particulars	Rs	Cr. Particulars	Rs
To Drawings	60,000	By Interest on capital	1,35,000
To Interest on drawings	5,400	By Profit and Loss Appropriation	48,000
To Balance c/d	1,17,600		
Total	1,83,000	Total	1,83,000

The balances are brought down on the credit side as By Balance b/d on 1st April, 2024.

Step 3: Conclusion Jain's Current Account has a credit balance of Rs 1,60,000, and Gupta's has a credit balance of Rs 1,17,600 on 31st March, 2024.

Quick Tip to Solve: Keep July capital changes out of the Current Accounts, but use them to time-weight interest on capital.

18(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:

- First distribute the net profit in the agreed profit-sharing ratio, then compare the guaranteed partner's normal share with the minimum.
- A guarantee deficiency reduces only the shares of the partners who bear it, in their agreed deficiency-bearing ratio.

Step 1: Calculate normal shares and the deficiency **Working Notes**

The ratio totals $5 + 3 + 8 = 16$. The normal allocation of Rs 8,00,000 is

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

Suresh's normal share falls short of the guaranteed Rs 5,00,000 by Rs 1,00,000. Aman and Raj bear this shortfall equally, so each sacrifices Rs 50,000. The final allocations are therefore Aman: Rs 2,00,000; Raj: Rs 1,00,000; Suresh: Rs 5,00,000. Equal deficiency sharing applies despite Aman and Raj having different profit shares.

Step 2: Prepare the appropriation account **Profit and Loss Appropriation Account**
Aman, Raj and Suresh
For the year ended 31st March, 2024

Dr. Particulars	Rs	Cr. Particulars	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 total distribution remains Rs 8,00,000; the guarantee reallocates the existing profit and does not create additional profit or a business expense. With no fixed-capital stipulation, the profit allocations are transferred to the partners' Capital Accounts.

Step 3: Conclusion The final profit allocations are Aman Rs 2,00,000, Raj Rs 1,00,000 and Suresh Rs 5,00,000; both sides of the appropriation account total Rs 8,00,000.

Quick Tip to Solve: Compute Suresh's normal share first, then split only the Rs 1,00,000 shortfall equally between Aman and Raj.

OR

18(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:

- Excess interest on capital must be withdrawn from the partners who received it, while the resulting increase in divisible profit is redistributed in the profit-sharing ratio.
- For fixed capitals, the net correction is posted through the partners' Current Accounts, leaving their fixed capitals unchanged.

Step 1: Determine the excess interest and restored profit **Working Notes**
The excessive rate is $9\% - 8\% = 1\%$. Jay received $9,00,000 \times 9\% = \text{Rs } 81,000$, instead of Rs 72,000 at 8%, so his excess is Rs 9,000. Vijay received Rs 63,000 instead of Rs 56,000; his excess is Rs 7,000. Cancelling this combined excess of Rs 16,000 increases the profit available for distribution. In the ratio $7 : 3$, the partners should receive

$$\text{Jay: } 16,000 \times \frac{7}{10} = \text{Rs } 11,200, \qquad \text{Vijay: } 16,000 \times \frac{3}{10} = \text{Rs } 4,800.$$

Step 2: Find the net adjustments and record the journal Jay's net entitlement is a credit of $11,200 - 9,000 = \text{Rs } 2,200$. Vijay must be debited by $7,000 - 4,800 = \text{Rs } 2,200$. Thus the correction transfers the net amount from Vijay to Jay without changing the firm's total capital.

Journal of Jay and Vijay

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Vijay's Current A/c Dr.		2,200	
	To Jay's Current A/c			2,200
	(Being excess interest on capital allowed at 9% instead of 8% rectified after adjusting the related profit shares)			

Both sides of the adjustment are equal. Simply reversing Rs 9,000 and Rs 7,000 would be incomplete because it would omit redistribution of the recovered appropriation as profit.

Step 3: Conclusion Debit Vijay's Current Account by Rs 2,200 and credit Jay's Current Account by Rs 2,200.

Quick Tip to Solve: For each partner, subtract excess interest from their share of the restored Rs 16,000 profit; post only the net difference.

19(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:

- When a business is acquired, debit the assets taken over and credit the liabilities assumed. The vendor is credited with the agreed purchase consideration; the excess of net assets over that consideration is capital reserve.
- Debentures issued to settle the vendor are credited at their nominal value. The excess of their issue price over nominal value is credited to Securities Premium Account.

Step 1: Calculate capital reserve on acquisition The net assets taken over are assets less the liabilities assumed:

$$\text{Net assets} = \text{Rs } 50,00,000 - \text{Rs } 7,00,000 = \text{Rs } 43,00,000.$$

The agreed purchase consideration is Rs 40,00,000. Since the net assets exceed this amount, there is a capital reserve, not goodwill:

$$\text{Capital reserve} = \text{Rs } 43,00,000 - \text{Rs } 40,00,000 = \text{Rs } 3,00,000.$$

Step 2: Calculate the debentures issued to Guman Ltd. Each Rs 100 debenture is issued at a premium of 25%, so its issue price is Rs 125. The purchase consideration is discharged at this issue price:

$$\begin{aligned} \text{Number of debentures} &= 40,00,000/125 = 32,000, \\ \text{Nominal value} &= 32,000 \times 100 = \text{Rs } 32,00,000, \\ \text{Securities premium} &= 32,000 \times 25 = \text{Rs } 8,00,000. \end{aligned}$$

Thus the debenture liability and securities premium together settle the entire Rs 40,00,000 payable to

the vendor. The 9% rate is the annual interest rate; it does not determine the number issued.

Step 3: Record the acquisition and settlement **Journal of Sandhya Ltd.**

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

Step 4: Conclusion Capital reserve is Rs 3,00,000. Sandhya Ltd. issues 32,000 debentures, crediting 9% Debentures Account with Rs 32,00,000 and Securities Premium Account with Rs 8,00,000.

Quick Tip to Solve: Divide purchase consideration by Rs 125, the issue price, and not by the Rs 100 face value; keep acquisition capital reserve separate from securities premium.

OR

19(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:

- Bank Account is debited with the actual issue proceeds and Debentures Account is credited with the total face value. Issue discount and premium payable on redemption are debited to Loss on Issue of Debentures Account.
- Issue premium is credited to Securities Premium Account. Premium on Redemption of Debentures Account records the additional liability payable on redemption, recognised when the debentures are issued.

Step 1: Case (i): compute issue proceeds and loss For 9,000 debentures of Rs 100 each, the nominal amount is Rs 9,00,000. The issue price is Rs 90 per debenture and redemption is at Rs 105 per

debenture:

$$\text{Bank proceeds} = 9,000 \times 90 = \text{Rs } 8,10,000,$$
$$\text{Issue discount} = 9,00,000 \times 10\% = \text{Rs } 90,000,$$
$$\text{Redemption premium} = 9,00,000 \times 5\% = \text{Rs } 45,000,$$
$$\text{Loss on issue} = 90,000 + 45,000 = \text{Rs } 1,35,000.$$

Both the discount allowed now and premium payable later are included in the loss recognised on issue.

Journal of RR Ltd.: Case (i)

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 of Rs 100 each issued at 10% discount, redeemable after five years at 5% premium)			

Step 2: Case (ii): compute issue premium and redemption loss For 5,000 debentures of Rs 100 each, the nominal amount is Rs 5,00,000. The issue price is Rs 110 per debenture:

$$\text{Bank proceeds} = 5,000 \times 110 = \text{Rs } 5,50,000,$$
$$\text{Securities premium} = 5,00,000 \times 10\% = \text{Rs } 50,000,$$
$$\text{Redemption premium} = 5,00,000 \times 5\% = \text{Rs } 25,000.$$

There is no issue discount. The Rs 25,000 premium payable on redemption is debited as loss on issue, while the Rs 50,000 received as issue premium is shown separately as securities premium.

Journal of RR Ltd.: Case (ii)

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 of Rs 100 each issued at 10% premium, redeemable after five years at 5% premium)			

The annual coupon rates of 9% and 11% determine interest in the respective cases. They do not change the issue proceeds or redemption premium. No actual redemption entry is passed at the issue date.

Step 3: Conclusion In case (i), Bank is debited by Rs 8,10,000 and loss on issue is Rs 1,35,000. In case (ii), Bank is debited by Rs 5,50,000, loss on issue is Rs 25,000, and securities premium is Rs 50,000, as recorded above.

Quick Tip to Solve: Compute every percentage on face value: add discount and redemption premium for the loss, but show issue premium separately in Securities Premium Account.

20. 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:

- Maintainable average profit is the average of past profits after allowing the annual remuneration of the working partners. Partners' remuneration is deducted once in computing the profit available as a return on capital.
- Normal profit equals total capital employed multiplied by the normal rate of return. Super profit is maintainable average profit minus normal profit, and goodwill equals super profit multiplied by the years' purchase.

Step 1: Find average profit after partners' salaries The three annual profits are Rs 8,00,000, Rs 9,00,000 and Rs 7,00,000. Their simple average is:

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

Each partner is entitled to an annual salary of Rs 2,00,000. Therefore, the combined annual remuneration is Rs 4,00,000. Deduct this remuneration to obtain the maintainable profit available for comparison with a normal return on capital:

$$\text{Adjusted average profit} = 8,00,000 - 4,00,000 = \text{Rs } 4,00,000.$$

As salaries are the same each year, deducting them from the average gives the same result as adjusting each year's profit before averaging.

Step 2: Calculate normal profit on total capital Both partners' capitals form the capital employed in the firm:

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

The given market interest rate of 10% is the normal rate of return for this valuation. Hence:

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

This is the return that the same capital would normally earn. It is deducted from adjusted average profit to identify the firm's excess earning capacity.

Step 3: Determine super profit and capitalise it for two years

$$\begin{aligned} \text{Average super profit} &= 4,00,000 - 2,70,000 \\ &= \text{Rs } 1,30,000, \\ \text{Goodwill} &= 1,30,000 \times 2 \\ &= \text{Rs } 2,60,000. \end{aligned}$$

The three-year period determines the average earnings; the two years' purchase is the multiplier used to value goodwill. These are distinct roles and the goodwill is not multiplied by three.

Step 4: Conclusion The goodwill of Jeevan and Kavi's firm is $\boxed{\text{Rs } 2,60,000}$.

Quick Tip to Solve: Deduct both partners' annual salaries from average profit before subtracting the normal return on their combined capital; multiply the remaining super profit by two.

21. JK Ltd. forfeited 6,000 equity shares of Rs. 10 each issued at a premium of Rs. 2 per share for the non-payment of first call of Rs. 2 per share. The second and final call of Rs. 2 per share had not yet been made. The forfeited shares were reissued at a discount of Rs. 3 per share fully paid up.

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

Solution:

Concept:

- On forfeiture, Share Capital is debited with the called-up face value; only the unpaid call is credited to Share First Call. Share Forfeiture receives the capital amount already collected.
- Premium already received is not reversed. A reissue discount is debited to Share Forfeiture, and its remaining balance on the reissued shares is transferred to Capital Reserve.

Step 1: Determine the called-up and received capital The final call of Rs 2 has not been made, so called-up capital per share is $10 - 2 = \text{Rs } 8$. Of this, the first call of Rs 2 remains unpaid; capital received is therefore $8 - 2 = \text{Rs } 6$ per share. The premium of Rs 2 was received because the only default stated is the first call. Thus:

$$\text{Called-up capital} = 6,000 \times 8 = \text{Rs } 48,000,$$
$$\text{Unpaid first call} = 6,000 \times 2 = \text{Rs } 12,000,$$
$$\text{Capital forfeited} = 6,000 \times 6 = \text{Rs } 36,000.$$

No entry is passed for the uncalled final call. On reissue as fully paid, Share Capital is credited with the full face value of Rs 60,000, even though only Rs 48,000 was called before forfeiture.

Step 2: Record forfeiture, reissue and transfer of capital profit Reissue proceeds are $6,000 \times (10-3) = \text{Rs } 42,000$, and the discount is $6,000 \times 3 = \text{Rs } 18,000$. The discount is within the Rs 36,000 forfeited amount. All the forfeited shares are reissued, so the whole remaining balance is transferable to Capital Reserve.

Journal of JK 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 6,000 shares forfeited for non-payment of the first call)
			48,000	
				12,000
				36,000

	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Being forfeited shares reissued at Rs 7 each as fully paid)		42,000 18,000	 60,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being profit on reissue transferred to Capital Reserve)		18,000	 18,000

Step 3: Prepare the Share Forfeiture Account **Share Forfeiture Account**

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Share Capital A/c	18,000	By Share Capital A/c	36,000
To Capital Reserve A/c	18,000		
Total	36,000	Total	36,000

The account closes after transferring the surplus; no forfeited balance remains to carry down because all 6,000 shares have been reissued.

Step 4: Conclusion Share Forfeiture is credited with Rs 36,000 at forfeiture, debited with Rs 18,000 on reissue, and the remaining Rs 18,000 is transferred to Capital Reserve.

Quick Tip to Solve: Exclude the uncalled Rs 2 from capital at forfeiture, but credit the full Rs 10 face value when the shares are reissued fully paid.

22. Chandni, Bhanu and Garima were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm closes its books on 31st March every year. On 1st October, 2024, Chandni died. On that date her capital account showed a credit balance of Rs. 3,00,000. On the date of Chandni's death, the firm had a general reserve of Rs. 60,000. The partnership deed provided that on the death of a partner, her representatives will be entitled to the following :

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

(ii) Her share in the goodwill of the firm. The goodwill of the firm on Chandni's death was valued at Rs. 1,20,000.

(iii) Her share in the profits of the firm to be calculated on the basis of the previous year's profit. The profit of the firm for the year ended 31st March, 2024 was Rs. 4,50,000.

Prepare Chandni's Capital Account to be presented to her executors. [4 marks]

Solution:

Concept:

- A deceased partner's capital account is credited with her existing capital, share of accumulated reserves, goodwill, interest on capital and profit up to the date of death.
- Chandni's old profit share is $5/10 = 1/2$. Interest and estimated profit for the current year are calculated for six months, from 1st April to 1st October, 2024. The amount due is transferred to her Executor's Account.

Step 1: Calculate reserve, interest and goodwill entitlements Chandni's capital balance of Rs 3,00,000 is the starting credit. The general reserve belongs to all partners in their old ratio; therefore her share is:

$$60,000 \times \frac{5}{10} = \text{Rs } 30,000.$$

The partnership deed grants interest at 10% per annum. For the six months since the last annual closing:

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

Her goodwill entitlement is $1,20,000 \times 5/10 = \text{Rs } 60,000$. No revised sharing ratio is given for Bhanu and Garima, so they continue in their relative old ratio of $3 : 2$; this is also their gaining ratio. They bear Chandni's goodwill as follows:

$$\text{Bhanu} = 60,000 \times \frac{3}{5} = \text{Rs } 36,000,$$
$$\text{Garima} = 60,000 \times \frac{2}{5} = \text{Rs } 24,000.$$

Their capital accounts are debited and Chandni's capital is credited with these amounts; goodwill need not be raised as an asset.

Step 2: Estimate profit up to the date of death The deed uses the previous year's profit, Rs 4,50,000, as the basis for estimating current-year profit. First calculate the firm's estimated profit for six months,

then take Chandni's one-half share:

$$\text{Firm's six-month profit} = 4,50,000 \times \frac{6}{12} = \text{Rs } 2,25,000,$$
$$\text{Chandni's share} = 2,25,000 \times \frac{5}{10} = \text{Rs } 1,12,500.$$

Credit this estimated share through Profit and Loss Suspense Account, since the firm's annual accounts have not yet been closed. The past year's profit is the specified estimation basis; the interest entitlement is separately credited under the deed.

Step 3: Prepare Chandni's Capital Account and transfer the balance **Chandni's Capital Account**

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Chandni's Executor's A/c	5,17,500	By Balance b/d	3,00,000
		By General Reserve A/c	30,000
		By Interest on Capital A/c	15,000
		By Bhanu's Capital A/c	36,000
		By Garima's Capital A/c	24,000
		By Profit and Loss Suspense A/c	1,12,500
Total	5,17,500	Total	5,17,500

The debit transfer closes Chandni's capital account and establishes the amount payable to her executor. No cash payment is assumed, because the question asks only for the capital account to be presented to the executors. The two sides agree at Rs 5,17,500.

Step 4: Conclusion The amount due to Chandni's executors on 1st October, 2024 is Rs 5,17,500, comprising capital Rs 3,00,000, reserve Rs 30,000, interest Rs 15,000, goodwill Rs 60,000 and estimated profit Rs 1,12,500.

Quick Tip to Solve: Apply six months only to interest and current-year profit; take Chandni's full one-half share of reserve and goodwill at the date of death.

23(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:

- The pro-rata ratio is shares allotted to valid shares applied for. Application money of rejected applicants is refunded; excess money of accepted applicants is adjusted against the call.
- The issue price is Rs 100: face value Rs 75 plus premium Rs 25. Application and allotment of Rs 40 is capital; the final call of Rs 60 comprises capital Rs 35 and premium Rs 25.
- On forfeiture, debit called-up share capital and reverse premium that remains unpaid. Credit the unpaid call and credit Share Forfeiture with capital money already received.

Step 1: Work out pro-rata allotment and the call Valid applications are $1,25,000 - 25,000 = 1,00,000$ shares. Thus,

$$\text{Allotted : applied} = 75,000 : 1,00,000 = 3 : 4.$$

Application receipts are $1,25,000 \times 40 =$ Rs $50,00,000$. Refunds are $25,000 \times 40 =$ Rs $10,00,000$. Share capital credited on application and allotment is $75,000 \times 40 =$ Rs $30,00,000$, leaving Rs 10,00,000 for adjustment against the call. The first and final call is $75,000 \times 60 =$ Rs $45,00,000$, comprising capital Rs 26,25,000 and premium Rs 18,75,000.

Step 2: Calculate both defaults and forfeiture amounts Govind was allotted 1,500 shares, so he applied for $1,500 \times 4/3 = 2,000$ shares. Namita applied for 2,000 shares and was allotted $2,000 \times 3/4 = 1,500$ shares. Therefore, the working is identical for each:

$$\begin{aligned}
\text{Application money paid} &= 2,000 \times 40 = \text{Rs } 80,000,\\
\text{Application capital due} &= 1,500 \times 40 = \text{Rs } 60,000,\\
\text{Excess adjusted to call} &= 80,000 - 60,000 = \text{Rs } 20,000,\\
\text{Call due} &= 1,500 \times 60 = \text{Rs } 90,000,\\
\text{Unpaid call} &= 90,000 - 20,000 = \text{Rs } 70,000.
\end{aligned}$$

The excess application money is applied against the capital component of the call. Consequently, premium of $1,500 \times 25 =$ Rs $37,500$ remains unpaid for each defaulter. Each forfeiture debits capital Rs 1,12,500 and unpaid premium Rs 37,500, and credits the call Rs 70,000 and Share Forfeiture Rs 80,000. Together, arrears are Rs 1,40,000; cash collected on the call is $45,00,000 - 10,00,000 - 1,40,000 =$ Rs $33,60,000$.

Step 3: Record application receipts, refund and adjustment **Journal of DDG Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		50,00,000	
	To Share Application and Allotment A/c			50,00,000
	(Being application money received on 1,25,000 shares)			
	Share Application and Allotment A/c Dr.		50,00,000	
	To Share Capital A/c			30,00,000
	To Bank A/c			10,00,000
	To Share First and Final Call A/c			10,00,000
	(Being allotment capital transferred, rejected applications refunded and excess adjusted against call)			

Step 4: Record the call and its receipt **Journal of DDG Ltd. (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		45,00,000	
	To Share Capital A/c			26,25,000
	To Securities Premium A/c			18,75,000
	(Being first and final call due, including premium)			
	Bank A/c Dr.		33,60,000	
	To Share First and Final Call A/c			33,60,000
	(Being call received after adjustment of excess application money, except Govind's and Namita's unpaid amounts)			

Step 5: Record forfeiture of the two identical holdings **Journal of DDG Ltd. (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		2,25,000	
	Securities Premium A/c Dr.		75,000	
	To Share First and Final Call A/c			1,40,000
	To Share Forfeiture A/c			1,60,000
	(Being 1,500 shares each of Govind and Namita forfeited for non-payment of call, and unpaid premium reversed)			

Step 6: Conclusion For 3,000 forfeited shares, Share Capital is debited Rs 2,25,000, unpaid premium reversed is Rs 75,000 and Share Forfeiture is credited Rs 1,60,000. Call money received in cash is Rs 33,60,000.

Quick Tip to Solve: Convert Govind's allotted shares into applied shares first: both defaulters then have exactly the same holding and payment history, so their forfeiture entries can be combined.

OR

23(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:

- For accepted applicants, the allotment ratio is $80,000 : 1,20,000 = 2 : 3$. Excess application money reduces the final call payable on allotted shares.
- Calls-in-Advance is a liability until the corresponding call becomes due. Calls-in-Arrears records amounts due but unpaid. The issue is at par, so no Securities Premium account arises.
- Forfeiture cancels the called-up capital of defaulted shares, credits their unpaid call balance and transfers the capital actually received to Share Forfeiture.

Step 1: Compute pro-rata allotment and the normal excess The company rejects 20,000 of 1,40,000 applications, leaving 1,20,000 valid applications for 80,000 shares. Application and allotment capital is $80,000 \times 30 =$ Rs $24,00,000$. Normal application receipts are $1,40,000 \times 30 =$ Rs $42,00,000$; the rejected applicants receive Rs 6,00,000 back. Valid applicants' normal excess is $(1,20,000 - 80,000) \times 30 =$ Rs $12,00,000$. The first and final call is $80,000 \times (80 - 30) =$ Rs $40,00,000$.

Step 2: Determine Ravi's advance and refund Ravi applied for 1,200 shares and received $1,200 \times 2/3 = 800$ shares. Having paid the entire share money with his application, he remitted $1,200 \times 80 =$ Rs $96,000$. This consists of normal application money Rs 36,000 and an additional payment Rs 60,000. Only $800 \times 80 =$ Rs $64,000$ is payable on his actual allotment. Accordingly, Rs 32,000 is refunded to Ravi. His Rs 96,000 is allocated as follows:

$$\text{Rs } 24,000 \text{ application capital} + \text{Rs } 40,000 \text{ call advance} + \text{Rs } 32,000 \text{ refund.}$$

Normal application excess already includes Ravi's $36,000 - 24,000 =$ Rs $12,000$. Hence, total calls in advance retained are $12,00,000 + 60,000 - 32,000 =$ Rs $12,28,000$. Total refunds are $6,00,000 + 32,000 =$ Rs $6,32,000$, and total initial cash receipts are Rs 42,60,000.

Step 3: Compute Chaman's arrears and forfeiture Chaman was allotted 2,400 shares against applications for $2,400 \times 3/2 = 3,600$ shares. His payment was $3,600 \times 30 =$ Rs $1,08,000$, of which Rs 72,000

was application capital and Rs 36,000 was adjusted against the final call.

$$\text{Call due on Chaman's shares} = 2,400 \times 50 = \text{Rs } 1,20,000,$$
$$\text{Calls in arrears} = 1,20,000 - 36,000 = \text{Rs } 84,000,$$
$$\text{Capital forfeited} = 2,400 \times 80 = \text{Rs } 1,92,000,$$
$$\text{Amount transferred to forfeiture} = 1,92,000 - 84,000 = \text{Rs } 1,08,000.$$

Cash received when the call is collected equals $40,00,000 - 12,28,000 - 84,000 = \text{Rs } 26,88,000$.

Step 4: Record application and allotment transactions **Journal of Karan Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		42,60,000	
	To Share Application and Allotment A/c			42,00,000
	To Calls-in-Advance A/c			60,000
	(Being application money received, including Ravi's additional advance)			
	Share Application and Allotment A/c Dr.		42,00,000	
	To Share Capital A/c			24,00,000
	To Bank A/c			6,00,000
	To Calls-in-Advance A/c			12,00,000
	(Being allotment capital transferred, rejected applicants refunded and excess held for final call)			
	Calls-in-Advance A/c Dr.		32,000	
	To Bank A/c			32,000
	(Being Ravi's payment in excess of total amount due on 800 allotted shares refunded)			

Step 5: Record the call, collection and forfeiture **Journal of Karan Ltd. (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		40,00,000	
	To Share Capital A/c			40,00,000
	(Being final call of Rs 50 per share made due)			
	Bank A/c Dr.		26,88,000	
	Calls-in-Advance A/c Dr.		12,28,000	
	Calls-in-Arrears A/c Dr.		84,000	
	To Share First and Final Call A/c			40,00,000
	(Being call collected, advances adjusted and Chaman's unpaid balance transferred to arrears)			
	Share Capital A/c Dr.		1,92,000	
	To Calls-in-Arrears A/c			84,000
	To Share Forfeiture A/c			1,08,000
	(Being Chaman's 2,400 fully called shares forfeited for non-payment of final call)			

Step 6: Show the calls accounts **Calls-in-Advance Account**

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Bank A/c	32,000	By Bank A/c	60,000	
	To Share First and Final Call A/c	12,28,000	By Share Application and Allotment A/c	12,00,000	
	To Balance c/d	Nil			
	Total	12,60,000	Total	12,60,000	

Calls-in-Arrears Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Share First and Final Call A/c	84,000	By Share Capital A/c	84,000	
			By Balance c/d	Nil	
	Total	84,000	Total	84,000	

Both accounts close with a nil balance after the advance is applied and the defaulted shares are forfeited.

Step 7: Conclusion Ravi receives a refund of Rs 32,000. The retained calls in advance are Rs 12,28,000 and Chaman's arrears are Rs 84,000. Forfeiture credits Rs 1,08,000 to Share Forfeiture; final-call cash received is Rs 26,88,000.

Quick Tip to Solve: For Ravi, compare total cash sent on 1,200 applied shares with the full price of only 800 allotted shares; refund the surplus before calculating the advance available for the call.

24(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 Account records changes in assets and liabilities. Its profit or loss belongs to all old partners in their old ratio, $2:2:1$.
- Accumulated reserves and the debit balance of Profit and Loss Account are transferred to all partners' capital accounts in the old ratio. The continuing partners compensate the retiring partner for goodwill in their gaining ratio.
- When no changed ratio is specified for the continuing partners, their mutual ratio remains unchanged. Ratan and Singh therefore share future profits equally, and their adjusted capitals must also be equal.

Step 1: Prepare working notes for revaluation and goodwill **Working Notes**

Plant and machinery decreases by Rs $2,50,000 - 2,00,000 = 50,000$. Land and building increases by Rs 49,500. Required provision for doubtful debts is $90,000 \times 5\% = 4,500$; the existing provision of Rs 5,000 is reduced by Rs 500, a revaluation gain. Thus total gains are Rs $49,500 + 500 = 50,000$, exactly equal to the loss. No revaluation profit or loss is transferred to capitals.

The new ratio of Ratan and Singh is $2:2 = 1:1$. Each partner's gain is $1/2 - 2/5 = 1/10$, so their gaining ratio is $1:1$. Sharma's goodwill entitlement of Rs 60,000 is credited to his capital and debited equally to Ratan and Singh, Rs 30,000 each. No goodwill asset is raised.

Step 2: Draw up the Revaluation Account **Revaluation Account**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	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

The account closes with equal totals; there is no balance to carry down.

Step 3: Work out the cash contributions and final capitals Distribute the General Reserve of Rs 3,00,000 as Rs 1,20,000, Rs 1,20,000 and Rs 60,000 to Ratan, Singh and Sharma. Write off the Profit and Loss debit balance of Rs 1,00,000 as Rs 40,000, Rs 40,000 and Rs 20,000 respectively.

$$\begin{aligned}
\text{Ratan's adjusted capital} &= 3,60,000 + 1,20,000 - 40,000 - 30,000 \\
&= \text{Rs } 4,10,000, \\
\text{Singh's adjusted capital} &= 2,40,000 + 1,20,000 - 40,000 - 30,000 \\
&= \text{Rs } 2,90,000, \\
\text{Sharma's amount due} &= 1,00,000 + 60,000 - 20,000 + 60,000 \\
&= \text{Rs } 2,00,000.
\end{aligned}$$

Ratan and Singh bring the full Rs 2,00,000 paid to Sharma; the existing bank balance is not used to reduce this contribution. Their final combined capital is Rs $4,10,000 + 2,90,000 + 2,00,000 = 9,00,000$. Each must hold Rs 4,50,000. Ratan therefore brings Rs $4,50,000 - 4,10,000 = 40,000$ and Singh brings Rs $4,50,000 - 2,90,000 = 1,60,000$.

Step 4: Prepare the partners' capital accounts To keep all amounts clear, the three capital accounts are shown separately in the same two-sided ledger format. Each account below is in rupees.

Ratan's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	40,000	By Balance b/d	3,60,000
To Sharma's Capital A/c	30,000	By General Reserve	1,20,000
To Balance c/d	4,50,000	By Bank	40,000
Total	5,20,000	Total	5,20,000

Singh's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	40,000	By Balance b/d	2,40,000
To Sharma's Capital A/c	30,000	By General Reserve	1,20,000
To Balance c/d	4,50,000	By Bank	1,60,000
Total	5,20,000	Total	5,20,000

Sharma's Capital Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	20,000	By Balance b/d	1,00,000
To Bank	2,00,000	By General Reserve	60,000
		By Ratan's Capital A/c	30,000
		By Singh's Capital A/c	30,000
Total	2,20,000	Total	2,20,000

Sharma's capital account is fully settled, so it has no closing balance.

Step 5: Conclusion Revaluation gives neither profit nor loss. Sharma receives Rs 2,00,000. Ratan brings Rs 40,000 and Singh brings Rs 1,60,000, leaving their closing capitals at Rs 4,50,000 each in the new ratio $1 : 1$.

Quick Tip to Solve: First adjust reserves, losses and goodwill; then add Sharma's entire payout to the continuing partners' combined adjusted capital before dividing it in their new ratio.

OR

24(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:

- The incoming partner brings capital and goodwill premium separately. Goodwill premium is credited to the sacrificing partners in their sacrificing ratio.
- Revaluation records asset increases on the credit side, and asset decreases and unrecorded liabilities on the debit side. Revaluation profit belongs only to the old partners in their old profit-sharing ratio.
- Each journal entry must have equal debit and credit amounts. A provision is adjusted only by the difference between its required and existing balances.

Step 1: Calculate goodwill and revaluation adjustments **Working Notes**

Zen takes $4/15$ of the profits. Since no different sacrifice is stated, Mita and Vihaan sacrifice in their old ratio $3 : 2$. Zen's goodwill premium is

$$\text{Rs } 4,12,500 \times \frac{4}{15} = \text{Rs } 1,10,000.$$

Mita receives Rs $1,10,000 \times 3/5 = 66,000$ and Vihaan receives Rs $1,10,000 \times 2/5 = 44,000$. Total cash introduced by Zen is Rs $3,00,000 + 1,10,000 = 4,10,000$.

Required provision is Rs $2,00,000 \times 5\% = 10,000$, so the additional provision is Rs $10,000 - 7,000 = 3,000$. Stock falls by Rs 50,000; plant and machinery rises by Rs 50,000; patents rise by Rs $1,20,000 - 57,000 = 63,000$. The omitted purchase bill creates an unrecorded creditor of Rs 30,000, charged to revaluation; stock has already been revalued to the stated Rs 2,00,000 and is not increased again for this bill.

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

Its shares are Rs $30,000 \times 3/5 = 18,000$ for Mita and Rs $30,000 \times 2/5 = 12,000$ for Vihaan.

Step 2: Record Zen's capital and goodwill premium **Journal of the Firm (on Zen's admission)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-24	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 cash by Zen)			
31-3-24	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 goodwill premium transferred in the sacrificing ratio of 3:2)			

The firm does not raise the entire goodwill value of Rs 4,12,500 as an asset: only the premium brought by Zen is distributed.

Step 3: Record decreases and increases in assets **Journal of the Firm (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-24	Revaluation A/c Dr.		53,000	
	To Provision for Doubtful Debts A/c			3,000
	To Stock A/c			50,000
	(Being additional provision created and stock reduced to its revised value)			
31-3-24	Plant and Machinery A/c Dr.		50,000	
	Patents A/c Dr.		63,000	
	To Revaluation A/c			1,13,000
	(Being plant and machinery and patents appreciated to their revised values)			

The provision balance is now Rs 10,000, leaving net debtors of Rs 1,90,000. The revised asset balances are stock Rs 2,00,000, plant and machinery Rs 4,00,000 and patents Rs 1,20,000.

Step 4: Record the omitted liability and distribute revaluation profit **Journal of the Firm (continued)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-24	Revaluation A/c Dr. To Sundry Creditors A/c (Being omitted bill for goods purchased recognised as a liability)		30,000	 30,000
31-3-24	Revaluation A/c Dr. To Mita's Capital A/c To Vihaan's Capital A/c (Being revaluation profit transferred to the old partners in the ratio of 3:2)		30,000	 18,000 12,000

Creditors increase to Rs 2,30,000. As a check, Mita's capital becomes Rs $4,00,000 + 66,000 + 18,000 = 4,84,000$, Vihaan's becomes Rs $3,00,000 + 44,000 + 12,000 = 3,56,000$, and Zen's capital is Rs 3,00,000. Zen receives no share of pre-admission revaluation profit.

Step 5: Conclusion Zen introduces Rs 4,10,000 in cash: Rs 3,00,000 capital and Rs 1,10,000 goodwill premium. Mita and Vihaan receive goodwill credits of Rs 66,000 and Rs 44,000 and revaluation profit credits of Rs 18,000 and Rs 12,000 respectively. The journal entries above record every admission adjustment.

Quick Tip to Solve: Debit revaluation with only the Rs 3,000 increase in provision, and remember the omitted Rs 30,000 purchase creditor before dividing the revaluation profit in 3:2.

25. Lalit and Madan were partners in a firm sharing profits and losses in the ratio of 7 : 3. On 31st March, 2024 their firm was dissolved. After transferring sundry assets (other than cash) and third party liabilities to Realisation Account, the following transactions took place :

(i) The firm had stock of Rs. 2,00,000. 40% of this stock was taken over by a creditor of Rs. 1,00,000 in full settlement of his claim. The remaining stock was sold at a loss of 10%.

(ii) The remaining creditors were paid Rs. 2,10,000.

(iii) Plant and Machinery of Rs. 5,00,000 were accepted by Mrs. Madan against the settlement of her loan of Rs. 5,40,000.

(iv) Debtors of Rs. 3,50,000 were sold to a debt collection agency who charged a commission of Rs. 25,000.

(v) Investments of Rs. 1,00,000 were taken over by the partners in their profit sharing ratio.

(vi) Expenses of dissolution were Rs. 8,000.

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

Solution:

Concept:

- Once assets and third-party liabilities have been transferred to Realisation Account, cash proceeds are credited and cash payments are debited to that account.
- When a third-party creditor takes over an already-transferred asset in full settlement, no further journal entry is passed. Both balances are already in Realisation Account.

- Assets taken over by partners are debited to their respective Capital Accounts and credited to Realisation Account.

Step 1: Deal with the stock and its sale **Working Notes:** Stock taken over by the creditor is $2,00,000 \times 40\% =$ Rs $80,000$. No entry is required for this takeover against the creditor's claim of Rs 1,00,000, because both stock and creditor have already been transferred to Realisation Account. The difference is automatically reflected in that account; no separate gain entry is required. The remaining stock has book value $2,00,000 - 80,000 =$ Rs $1,20,000$. Its sale proceeds are $1,20,000 \times 90\% =$ Rs $1,08,000$. Only the cash actually realised is recorded.

Journal of Lalit and Madan

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Bank A/c Dr. To Realisation A/c (Being remaining stock sold at a loss of 10%)		1,08,000	 1,08,000

Step 2: Record payment to the remaining creditors The remaining creditors are paid Rs 2,10,000. As their balances have already been transferred, debit Realisation Account rather than the individual creditors. Credit Bank Account for the amount paid.

Journal of Lalit and Madan

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Realisation A/c Dr. To Bank A/c (Being remaining creditors paid)		2,10,000	 2,10,000

Step 3: Apply the rule to Mrs. Madan's loan No journal entry is required for Plant and Machinery of Rs 5,00,000 accepted by Mrs. Madan in settlement of her loan of Rs 5,40,000. Mrs. Madan is an outside creditor, not the partner Madan. Her loan and the machinery are both already transferred to Realisation Account. The Rs 40,000 difference is included automatically in the final realisation result; neither Madan's Capital Account nor Bank Account is affected.

Step 4: Record the net realisation from debtors The agency deducts commission of Rs 25,000 from debtors of Rs 3,50,000. The firm therefore receives $3,50,000 - 25,000 =$ Rs $3,25,000$. Recording the net proceeds in Realisation Account includes the commission in the realisation result without charging it again.

Journal of Lalit and Madan

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Bank A/c Dr. To Realisation A/c (Being debtors realised after commission of Rs 25,000)		3,25,000	 3,25,000

Step 5: Record investments taken over by the partners The agreed takeover amount is Rs 1,00,000, divided in the profit-sharing ratio $7:3$: Lalit takes $1,00,000 \times 7/10 =$ Rs $70,000$, and Madan takes $1,00,000 \times 3/10 =$ Rs $30,000$. Debit the capital accounts since the partners receive firm assets in part settlement of their capital claims.

Journal of Lalit and Madan

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Lalit's Capital A/c Dr. Madan's Capital A/c Dr. To Realisation A/c (Being investments taken over by partners in the ratio 7:3)		70,000 30,000	 1,00,000

Step 6: Record dissolution expenses The dissolution expenses of Rs 8,000 are borne and paid by the firm. Debit Realisation Account and credit Bank Account; no partner has been assigned responsibility for bearing or paying these expenses.

Journal of Lalit and Madan

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Realisation A/c Dr. To Bank A/c (Being dissolution expenses paid by the firm)		8,000	 8,000

Step 7: Conclusion The necessary entries record stock proceeds of Rs 1,08,000, creditors paid Rs 2,10,000, net debtors realised Rs 3,25,000, investments taken over Rs 1,00,000 and expenses Rs 8,000. The two direct settlements of transferred liabilities against transferred assets require no entry.

Quick Tip to Solve: Check whether both the asset and outside liability are already in Realisation Account before entering a direct settlement; this prevents recording the same gain twice.

26. 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]

26(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 refers to the portion of issued capital taken up by applicants; it need not equal the amount offered.

Step 1: Identify the relevant category The words "offered to the public" identify issued capital. The note explicitly states that Jay Ltd. issued 75,000 equity shares of Rs 100 each, amounting to Rs 75,00,000.

Step 2: Compare the alternatives The number offered is $75,00,000/100 = 75,000$. The 71,000 in option (A) counts only fully paid subscribed shares. The counts 70,400 and 70,000 in options (B) and (C) do not represent the stated issue. Calls in arrears affect the amount 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", read issued capital; do not substitute fully paid shares or deduct calls in arrears.

26(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 capital is the authorised capital that has not yet been offered for subscription.
- Unissued capital equals authorised capital minus issued capital; subscribed and paid-up amounts do not enter this calculation.

Step 1: Read the authorised and issued amounts The note gives authorised capital of Rs 1,00,00,000 and issued capital of Rs 75,00,000. Both amounts are nominal amounts, so they are directly comparable.

Step 2: Calculate the unissued balance

$$\text{Unissued capital} = 1,00,00,000 - 75,00,000 = \text{Rs } 25,00,000.$$

Option (B), Rs 29,00,000, wrongly subtracts only fully paid subscribed capital. Neither Rs 29,60,000 nor Rs 20,32,000 equals the difference between the authorised and issued amounts, so options (C) and (D) are excluded.

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; ignore arrears and the fully paid share count for this question.

26(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 share-capital note presents subscribed capital under fully paid and not fully paid categories.
- For the amount presented in the Balance Sheet, calls in arrears are deducted from the nominal subscribed amount.

Step 1: Combine the two subscribed categories Fully paid subscribed capital is Rs 71,00,000. The 1,000 shares in the not fully paid category have nominal capital of Rs 1,00,000, less calls in arrears of Rs 20,000, leaving Rs 80,000 as the amount presented for that category.

Step 2: Read the total presented in the note

$$71,00,000 + (1,00,000 - 20,000) = \text{Rs } 71,80,000.$$

The nominal value of all 72,000 subscribed shares is Rs 72,00,000; the question's offered answer refers to the net amount presented under subscribed capital. Option (B) omits the partly paid category. Option (C) is not a stated total, while option (D) is authorised capital.

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

Quick Tip to Solve: Add both subscribed categories and deduct the Rs 20,000 arrears once to reconcile the note with the Balance Sheet.

26(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.
- It is the maximum nominal capital specified in the memorandum; it is distinct from issued and subscribed capital.

Step 1: Locate the authorised capital The first category in the note is authorised capital: 1,00,000 equity shares with face value Rs 100 each. This is the registered limit, regardless of how many shares have actually been issued or paid for.

Step 2: Calculate and compare the amounts

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

Option (A), Rs 71,80,000, is the net share capital presented. Option (D), Rs 71,00,000, is fully paid subscribed capital. Option (B), Rs 80,00,000, is not the authorised amount stated in the note.

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

Quick Tip to Solve: Treat registered, authorised and nominal capital as synonyms, then use the first category in the share-capital note.

26(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 represent the called amount not yet received from shareholders.
- Unpaid amount per share equals total calls in arrears divided by the number of shares on which the calls remain unpaid.

Step 1: Identify the affected shares Only the 1,000 shares shown as subscribed but not fully paid up have arrears. Their total unpaid amount is Rs 20,000; the 71,000 fully paid shares must not be

included in the denominator.

Step 2: Divide arrears by the affected share count

$$\text{Unpaid amount per share} = \frac{20,000}{1,000} = \text{Rs } 20.$$

Option (A), Rs 100, is the face value per share. Option (C), Rs 1,000, confuses the number of shares with an amount. Option (D), Rs 80,000, is the total paid amount on these shares, not 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 Rs 20,000 by the 1,000 partly paid shares only, rather than by all subscribed shares.

26(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 the amount already received towards share capital on the forfeited shares.
- The unpaid called amount is cancelled through Calls in Arrears Account; it is not credited to Share Forfeiture Account.

Step 1: Calculate the amount already received The 1,000 shares have called-up capital of $1,000 \times 100 = \text{Rs } 1,00,000$. Calls in arrears are Rs 20,000. Hence the capital already received on these shares is $1,00,000 - 20,000 = \text{Rs } 80,000$. No securities premium is stated.

Step 2: Identify the forfeiture credit Forfeiture cancels share capital of Rs 1,00,000 against the unpaid Rs 20,000 and the Rs 80,000 already received. Thus option (A) gives arrears, option (C) gives the nominal capital cancelled and option (D) gives capital on the other fully paid shares; none is the forfeiture credit.

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

Quick Tip to Solve: For the forfeiture credit, retain only money already received on the forfeited shares: called-up capital less arrears.

Part B (20 marks)

OPTION I (Analysis of Financial Statements)

27(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 compares corresponding financial-statement items for different periods or firms.
- Absolute change is the later amount less the base amount; percentage change is this difference divided by the base amount, multiplied by 100.

Step 1: Identify the features in the definition The question explicitly requires both absolute changes and percentage changes. A comparative statement places the amounts side by side and calculates these changes for each corresponding item, making increases and decreases easy to assess.

Step 2: Distinguish the other statements A common-size statement expresses each item as a percentage of a common base, such as total assets or revenue from operations. A cash flow statement reports movements of cash under operating, investing and financing activities. Financial statement is the general term and does not specifically describe this comparison technique.

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

Quick Tip to Solve: Look for the pair "absolute change and percentage change": it identifies a comparative statement.

OR

27(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 or turnover ratios measure how efficiently business resources are used.
- They indicate the speed of conversion or turnover of items such as inventory and trade receivables.

Step 1: Connect speed with turnover The speed at which business activities are performed concerns the frequency with which resources move through the operating cycle. For example, inventory turnover measures how quickly inventory is sold and replaced, while trade receivables turnover indicates the speed of collection.

Step 2: Eliminate the other ratio groups Liquidity ratios assess the ability to meet short-term obligations. Solvency ratios assess long-term financial stability and the ability to meet long-term commitments. Profitability ratios measure the earning capacity of the business. None of these groups primarily measures the speed of business activities.

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

Quick Tip to Solve: Associate the words speed, efficiency and turnover with activity ratios; match short-term payment ability with liquidity.

28. 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 is Current assets/Current liabilities. Here current assets are $2.5L$, where L is current liabilities.

- Test each transaction by identifying its separate effects on current assets and current liabilities.

Step 1: Check exchanges within current assets Purchasing goods for cash of Rs 73,000 increases inventory and decreases cash equally. Collecting Rs 41,000 from debtors increases cash and decreases trade receivables equally. Thus (A) and (B) leave total current assets and current liabilities unchanged.

Step 2: Check payment of a current liability Paying outstanding salaries of Rs 62,000 reduces both current assets and current liabilities by the same amount x. Since the original ratio exceeds one, the ratio increases:

$$\frac{2.5L - x}{L - x} = 2.5 + \frac{1.5x}{L - x} > 2.5.$$

Thus option (C) does not decrease it.

Step 3: Check repayment of the long-term loan Repaying Rs 8,00,000 reduces cash, a current asset, and reduces a long-term liability. Current liabilities remain unchanged, so the new ratio is

$$\frac{2.5L - 8,00,000}{L} < 2.5.$$

This transaction therefore decreases the current ratio.

Step 4: Conclusion Repayment of the long-term loan of Rs 8,00,000 decreases the current ratio. Hence, the correct option is (D).

Quick Tip to Solve: When the current ratio exceeds one, paying a current liability increases it; paying a long-term liability from cash decreases it.

29(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:

- A cash outflow is a payment that reduces cash and cash equivalents.
- The direction of cash movement must be distinguished from its classification as operating, investing or financing.

Step 1: Identify the payment Cash payments to and on behalf of employees, such as salaries, wages and payments made for employee benefits, reduce the enterprise's cash. They are operating cash outflows because they arise in the ordinary conduct of business.

Step 2: Test each remaining transaction Cash receipts from royalties increase cash. An issue of shares for cash brings money into the business as a financing inflow. Dividend received from investments in other enterprises is also a receipt and increases cash. Hence options (B), (C) and (D) describe inflows

rather than the outflow asked for.

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

Quick Tip to Solve: First underline payments or receipts: payments to employees reduce cash, while royalties, share proceeds and dividends received increase it.

OR

29(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 relate to changes in owners' capital and borrowings and payments connected with their financing.
- For a non-financial enterprise, dividend paid is classified as a financing cash outflow under the CBSE cash flow statement treatment.

Step 1: Identify who receives the dividend The enterprise pays dividend to its shareholders. This is a return to providers of ownership capital, so the payment relates to financing the business. It is not a payment made to purchase an investment asset.

Step 2: Distinguish paid from received Dividend received on investments is an investing cash inflow for a non-financial enterprise. Dividend paid is a financing cash outflow. It is neither an operating payment nor a transaction split between investing and financing, so options (A), (B) and (D) do not apply.

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

Quick Tip to Solve: For a non-financial enterprise, remember the direction: dividend received is investing; dividend paid is financing.

30. There are two statements :

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:

- An opening deficit in the Statement of Profit and Loss is treated as a negative balance when finding the increase in retained profits.
- In the absence of other stated adjustments, an increase in goodwill represents goodwill acquired during the year.

Step 1: Evaluate Statement I Opening balance is a deficit of Rs 2,00,000, so it is $-2,00,000$. Closing balance is a surplus of Rs 3,00,000. Therefore,

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

The business first makes good the opening deficit and then creates the closing surplus. Statement I is true.

Step 2: Evaluate Statement II Goodwill increases from Rs 4,00,000 to Rs 5,00,000. With no write-off or other goodwill movement given, the acquisition is

$$\text{Goodwill acquired} = 5,00,000 - 4,00,000 = \text{Rs } 1,00,000.$$

Thus Statement II is also true; goodwill acquired for cash is shown as an investing outflow.

Step 3: Match the truth values to the options Both statements agree with their respective balance movements. The alternatives saying that both are false or that only one is true therefore do not fit the given information.

Step 4: Conclusion Both Statement I and Statement II are true. Hence, the correct option is (A).

Quick Tip to Solve: Write an opening deficit with a minus sign before subtracting it; for goodwill, compare closing and opening balances and check for any stated write-off.

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) Stock-in-trade

(b) Motor Vehicles

(c) Provision for tax [3 marks]

Solution:

Concept:

- Schedule III classifies assets and liabilities as current or non-current and then presents them under the appropriate sub-heads.
- Inventory held for sale belongs to current assets; physical assets used over several periods belong to property, plant and equipment.
- A provision recognises an obligation whose amount or timing is uncertain. A provision for tax payable in the short term is a short-term provision.

Step 1: Classify stock-in-trade Stock-in-trade consists of goods bought for resale in the ordinary course of business. It is expected to be realised through the normal operating cycle and is therefore included in Current Assets under Inventories.

Step 2: Classify motor vehicles Motor vehicles used by the company are physical assets held for business operations rather than for resale. Their benefit extends beyond the current operating period. They are included in Non-current Assets under Property, Plant and Equipment (tangible fixed assets).

Step 3: Classify provision for tax Provision for tax represents the amount provided for tax payable by the company. In the absence of any indication that settlement is long term, it is shown under Current Liabilities, within Short-term Provisions. It is a liability and is not included in reserves or deducted from inventories.

Step 4: Present the required heads **Classification in the Balance Sheet**

Item	Major head	Sub-head
Stock-in-trade	Current Assets	Inventories
Motor Vehicles	Non-current Assets	Property, Plant and Equipment (Tangible Fixed Assets)
Provision for tax	Current Liabilities	Short-term Provisions

Step 5: Conclusion Stock-in-trade is inventory under Current Assets; motor vehicles are property, plant and equipment under Non-current Assets; provision for tax is a short-term provision under Current Liabilities.

Quick Tip to Solve: Classify each item first by its purpose and settlement period, then name the sub-head: goods for resale, assets for use, or tax payable.

32. From the following information, prepare a Common Size Statement of Profit and Loss of QLM Ltd. for the year ended 31st March, 2023 and 31st March, 2024.

Particulars	2022 - 23 (Rs.)	2023 - 24 (Rs.)
Revenue from operations	40,00,000	50,00,000
Cost of revenue from operations	20,00,000	25,00,000
Other expenses	4,00,000	5,00,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A common size Statement of Profit and Loss expresses each item as a percentage of revenue from operations of the same year. Thus revenue from operations is the base, equal to 100% in each column.
- Common size percentage $= \dfrac{\text{Amount of the item}}{\text{Revenue from operations}} \times 100$. Profit before tax is revenue less total expenses; profit after tax is profit before tax less tax.

Step 1: Calculate profit and tax for each year **Working Notes:** For 2022–23, total expenses are Rs $20,00,000 + 4,00,000 = 24,00,000$. Profit before tax is Rs $40,00,000 - 24,00,000 = 16,00,000$. Tax at 50% of this profit is Rs $8,00,000$, leaving profit after tax of Rs $8,00,000$.

For 2023–24, total expenses are Rs $25,00,000 + 5,00,000 = 30,00,000$. Profit before tax is Rs $50,00,000 - 30,00,000 = 20,00,000$. Tax at 50% is Rs $10,00,000$, leaving profit after tax of Rs $10,00,000$. Tax is applied to profit before tax, not to revenue.

Step 2: Express every item as a percentage of revenue For example, cost of revenue in 2022–23 is $20,00,000/40,00,000 \times 100 = 50\%$, and other expenses are $4,00,000/40,00,000 \times 100 = 10\%$. Use Rs 50,00,000 as the denominator for 2023–24. Although the absolute amounts rise, their proportions remain unchanged.

QLM Ltd.
Common Size Statement of Profit and Loss
For the years ended 31st March, 2023 and 2024

Particulars	2022–23 Rs	2023–24 Rs	2022–23 %	2023–24 %
Revenue from operations	40,00,000	50,00,000	100	100
Expenses:				
Cost of revenue from operations	20,00,000	25,00,000	50	50
Other expenses	4,00,000	5,00,000	10	10
Total expenses	24,00,000	30,00,000	60	60
Profit before tax	16,00,000	20,00,000	40	40
Less: Tax	8,00,000	10,00,000	20	20
Profit after tax	8,00,000	10,00,000	20	20

Step 3: Conclusion In both years, total expenses are 60%, profit before tax is 40%, and profit after tax is 20% of revenue from operations. The common size percentages are identical for the two years.

Quick Tip to Solve: Use each year's own revenue as the base. A 50% tax rate on a 40% pretax margin gives tax equal to 20% of revenue.

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 the profit earned on capital employed. The numerator is profit before interest and tax (PBIT), because capital employed includes both shareholders' funds and long-term borrowed funds.
- ROI $= \dfrac{\text{PBIT}}{\text{Capital employed}} \times 100$, where capital employed equals total assets less current liabilities, or non-current assets plus working capital.
- Interest on debentures equals the face value of debentures multiplied by the annual interest rate. Add back interest and tax to profit after interest and tax to obtain PBIT.

Step 1: Determine the annual debenture interest **Working Notes:** Vivek Ltd. has 10% debentures of Rs 15,00,000. Their annual interest is:

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

This interest is a financing charge deducted before arriving at the stated net profit. Since ROI measures the return on all long-term capital, it must be added back.

Step 2: Find profit before interest and tax Start with the given profit after interest and tax of Rs 4,10,000. Add the tax of Rs 40,000 to obtain profit before tax, and then add the debenture interest:

$$\begin{aligned} \text{Profit before tax} &= 4,10,000 + 40,000 \\ &= \text{Rs } 4,50,000, \\ \text{PBIT} &= 4,50,000 + 1,50,000 \\ &= \text{Rs } 6,00,000. \end{aligned}$$

Step 3: Calculate capital employed and substitute Working capital is current assets less current liabilities. Thus the investment financed by long-term funds is:

$$\begin{aligned} \text{Working capital} &= 7,00,000 - 2,00,000 \\ &= \text{Rs } 5,00,000, \\ \text{Capital employed} &= 25,00,000 + 5,00,000 \\ &= \text{Rs } 30,00,000. \end{aligned}$$

Equivalently, total assets of Rs 32,00,000 less current liabilities of Rs 2,00,000 give the same capital employed. Debentures are not deducted from this amount because they are a source of long-term capital.

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

Step 4: Conclusion Return on Investment of Vivek Ltd. is $\boxed{20\%}$. The business earns Rs 20 before interest and tax for every Rs 100 of capital employed.

Quick Tip to Solve: Pair PBIT with total capital employed: add back both debenture interest and tax, and 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:

- The operating ratio shows the proportion of revenue from operations absorbed by operating cost.
  $$\text{Operating ratio} = \frac{\text{Cost of revenue from operations} + \text{Operating expenses}}{\text{Revenue from operations}} \times 100.$$
- Cost of revenue from operations equals purchases plus direct expenses plus opening inventory less closing inventory. An increase in inventory therefore reduces the cost charged against this year's revenue.
- Carriage inward and wages are direct expenses included in cost of revenue from operations. Salaries are operating expenses; they are included once in total operating cost.

Step 1: Combine cash and credit transactions **Working Notes:** Both cash and credit sales are part of revenue from operations; likewise both cash and credit purchases contribute to the cost of goods

acquired.

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

Step 2: Adjust purchases for direct expenses and inventory Add carriage inward of Rs 20,000 and wages of Rs 85,000. Closing inventory exceeds opening inventory by Rs 50,000, so opening inventory less closing inventory equals minus Rs 50,000. Deduct this increase to exclude the cost of goods still held at year-end:

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

The increase in stock is subtracted, not added, because purchases have already included goods that remain unsold.

Step 3: Find operating cost and apply the ratio Salaries of Rs 1,45,000 are the remaining operating expense. Wages and carriage inward must not be counted again because they are already included in the cost of revenue:

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

As a check, revenue less operating cost is Rs 11,00,000, giving an operating profit margin of 44%. The operating ratio and operating profit ratio together account for all revenue.

Step 4: Conclusion The Operating Ratio is $\boxed{56\%}$. Thus Rs 56 out of every Rs 100 of revenue from operations is used to meet operating cost.

Quick Tip to Solve: Subtract the Rs 50,000 inventory increase from purchases and direct expenses; then add salaries once before dividing by total cash plus credit sales.

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, begin with net profit or loss before tax, add back non-cash and financing expenses, then adjust operating current assets and liabilities.
- Depreciation and goodwill written off are non-cash expenses. Loss on sale of machinery and debenture interest are added back to isolate operating cash flow.
- A decrease in inventories and an increase in trade payables release operating cash; an increase in trade receivables absorbs it.

Step 1: Calculate net loss and non-cash charges **Working Notes** The balance in the Statement of Profit and Loss falls from Rs 12,00,000 to Rs 5,00,000. No tax provision, dividend or other appropriation is given. Therefore the decrease represents the loss for the year:

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

Depreciation on the machinery sold must first be removed from the accumulated depreciation balance. Thus:

$$\begin{aligned} \text{Closing accumulated depreciation} &= \text{Opening balance} \\ &\quad + \text{Depreciation for the year} \\ &\quad - \text{Depreciation on machinery sold,} \\ 5,00,000 &= 3,00,000 + D - 3,00,000, \\ D &= 5,00,000. \end{aligned}$$

The goodwill written off is $5,00,000 - 3,00,000 = \text{Rs } 2,00,000$. Both charges reduce profit without using cash in the current year, so both are added back.

Step 2: Determine non-operating adjustments The machinery sold had a book value of $4,00,000 - 3,00,000 = \text{Rs } 1,00,000$. Its loss on sale is Rs 70,000, as given. This loss is added back because the sale belongs to investing activities; the sale proceeds of Rs 30,000 are not operating receipts.

The additional debentures were issued on 31st March, 2024, so interest for the year is calculated on the opening debentures only:

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

For this non-financial company, interest paid is a financing cash flow. Accordingly its expense is added back in the operating calculation.

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

Particulars	Amount (Rs)
A. Cash flows from operating activities	
Net loss before tax	(7,00,000)
Adjustments for:	
Depreciation on plant and machinery	5,00,000
Goodwill written off	2,00,000
Loss on sale of machinery	70,000
Interest on debentures	1,80,000
Operating profit before working capital changes	**2,50,000**
Decrease in inventories (10,00,000 - 8,00,000)	2,00,000
Increase in trade receivables (10,00,000 - 2,00,000)	(8,00,000)
Increase in trade payables (5,00,000 - 3,50,000)	1,50,000
Cash used in operations	**(2,00,000)**
Income tax paid (no payment given)	–
Net cash used in operating activities	**(2,00,000)**

The working capital adjustment is $2,00,000 - 8,00,000 + 1,50,000 = -4,50,000$. Inventories and trade receivables are operating assets, while trade payables are operating liabilities. Current investments, share capital, long-term and short-term borrowings are not included in these operating working capital adjustments. Cash and cash equivalents are themselves the balances reconciled by the overall cash flow statement, so their change is not an operating adjustment.

Step 4: Conclusion Cash flows from operating activities are $-$Rs $2,00,000$; hence, net cash used in operating activities is Rs 2,00,000.

Quick Tip to Solve: When machinery is sold, add its accumulated depreciation to the increase in accumulated depreciation to find the year's charge; charge no full-year interest on debentures issued on the last day.

OPTION II (Computerised Accounting)

27(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 records money paid by the business through cash or bank.
- Voucher selection depends on whether money is received, paid, transferred internally or adjusted without cash.

Step 1: Identify the direction of money An outflow occurs when the business pays money, for example

to a supplier or for an expense. A payment voucher records the corresponding reduction in cash or bank balance.

Step 2: Distinguish the other vouchers A receipt voucher records inflow. A contra voucher records transfers between the business's own cash and bank accounts, rather than payment outside the business. A journal voucher is used for non-cash adjustments and other journal transactions.

Step 3: Conclusion Money paid out of the business is recorded in a Payment Voucher. Hence, the correct option is (D).

Quick Tip to Solve: For voucher questions, first identify the direction: paid out means payment; received means receipt.

OR

27(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 are the raw facts entered into a computerised accounting system.
- Processing transforms raw facts into meaningful information, such as accounting reports.

Step 1: Identify the input component A business application receives raw facts such as transaction dates, invoice numbers, quantities and amounts. These unprocessed facts constitute data, which are subsequently processed by the accounting system.

Step 2: Eliminate the other components Hardware means the physical equipment; software means the programs that process the facts; and procedure means the prescribed sequence of activities for using the system. None of these three terms means the raw facts themselves.

Step 3: Conclusion The raw facts are Data. Hence, the correct option is (A).

Quick Tip to Solve: Treat transaction facts as data; distinguish them from the equipment, programs and procedures used to process them.

28. 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 supplied directly as input, whereas a derived value is calculated from other values.
- An arithmetic expression or a function processes input values to produce a result.

Step 1: Classify the calculated result For example, if a cell contains the expression $12+8$, the resulting value 20 is obtained by calculation. Similarly, the output of a SUM function is computed from its arguments. In each case the output is a derived value.

Step 2: Reject the alternatives A basic value is an original input rather than the result of this calculation. Horizontal and vertical describe directions in a worksheet; neither term identifies the outcome of an expression or function.

Step 3: Conclusion The outcome is a Derived value. Hence, the correct option is (B).

Quick Tip to Solve: Ask whether the value was entered as an original input or calculated: the calculated output is derived.

29(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 group of cells referred to in a spreadsheet operation.
- While a formula is being edited, Excel visually identifies referenced ranges using coloured outlines and corresponding colours in the formula.

Step 1: Interpret range identification The question asks how ranges are identified within Excel among the listed choices. Colour coding distinguishes the referenced cell ranges visually when entering or editing a formula, so each reference can be matched with its range.

Step 2: Check the other choices A hashtag and a vector are not the visual identification method for cell ranges. A comma may separate function arguments or references, but is not their visual identifier. Range addresses such as A1:B5 name the endpoints; colour identifies the referenced area on the

worksheet.

Step 3: Conclusion Ranges are visually identified using Colour. Hence, the correct option is (C).

Quick Tip to Solve: When editing a formula, match each coloured reference with the same-coloured outline around its cells.

OR

29(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 its users in time to support a decision.
- It must also contain relevant information that serves the purpose for which the report is prepared.

Step 1: Identify the two reporting requirements Timeliness ensures that information is available before a decision loses its usefulness. Relevance ensures that the information relates to the users' needs. A late report or a report containing unrelated information cannot effectively support those needs.

Step 2: Compare the printed alternatives Language processing, storage, presentation, system analysis and operations concern system capabilities or implementation rather than the required pair of reporting qualities. Option (D), printed as "Timelines and relevance", denotes the intended requirements of timeliness and relevance.

Step 3: Conclusion The intended pair is timeliness and relevance, given in option (D) as "Timelines and relevance". Hence, the correct option is (D).

Quick Tip to Solve: For report quality, test whether the information arrives in time and whether it matters to the decision.

30. 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 chart represents worksheet values through data markers such as bars, columns or points.
- A data label supplies identifying information about an individual marker, such as its value, category or series name.

Step 1: Identify the required chart element The question asks for additional information attached to a data marker. A data label displays such details beside the marker, making the corresponding data easier to identify without reading its position against the scale.

Step 2: Distinguish the other options A data table presents the chart's source values in rows and columns. A data point is an individual value in a series, while a data marker is its graphical representation. These are different from the descriptive information supplied by a label; "data marks" does not name the required labelling element.

Step 3: Conclusion The element is a data label. Hence, the correct option is (A).

Quick Tip to Solve: When a question asks for a value or name shown beside a bar or point, identify the element as a data label.

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

Solution:

Concept:

- The accounting cycle is the sequence through which financial transactions are identified, recorded, classified and summarised into financial statements for an accounting period.
- Source documents provide evidence of transactions, while journals, ledgers and the trial balance organise the information used to prepare the final accounts.

Step 1: Identify and record transactions First, identify and analyse financial transactions from source documents, such as invoices, receipts and payment records. Prepare the appropriate accounting vouchers and determine the accounts to be debited and credited. Record the transactions chronologically in the journal or the relevant subsidiary books. This is the recording phase of the cycle.

Step 2: Classify and summarise the records Post the recorded transactions to their respective ledger accounts and balance those accounts. This is classification. Prepare a trial balance from the ledger balances to check the equality of debit and credit totals. Identify necessary period-end adjustments,

such as outstanding expenses, prepaid expenses and depreciation, and incorporate them in the accounts to obtain adjusted balances.

Step 3: Prepare statements and close the period Use the adjusted balances to prepare the financial statements, including the statement determining profit or loss and the balance sheet showing financial position. Finally, pass closing entries for temporary accounts and carry forward the balances of continuing accounts to the next period. These steps complete the summarising and reporting phase and allow the next accounting cycle to begin.

Step 4: Conclusion The phases are identification and analysis, recording, ledger posting and balancing, trial balance preparation, adjustments, financial statement preparation, and closing the books for the period.

Quick Tip to Solve: Recall the sequence: source documents, journal, ledger, trial balance, adjustments, financial statements and closing entries.

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

Solution:

Concept:

- The spreadsheet PMT function calculates the constant periodic payment for a loan with a constant periodic interest rate and a fixed number of payments.
- The interest rate and number of payment periods must use the same time unit. For monthly instalments, use the monthly rate and the number of months.

Step 1: State the function and its syntax The required built-in function is PMT. Its syntax is

$$\mathrm{PMT}(\text{rate}, \text{nper}, \text{pv}, [\text{fv}], [\text{type}]).$$

Square brackets indicate optional arguments; they are not typed as part of the formula. The calculated payment covers principal and interest for each period, assuming payments and the rate remain constant.

Step 2: Explain the required parameters **rate** is the interest rate per payment period. For a quoted nominal annual rate and monthly payments, divide the annual rate by 12. **nper** is the total number of payments; a term of n years requires $12n$ monthly payments. **pv** is the present value, namely the loan principal received at the beginning.

Step 3: Explain the optional parameters and payment sign **fv** is the desired outstanding balance after the last payment. It is normally zero for a fully repaid loan and defaults to zero if omitted. **type** states when payments are made: 0 means the end of each period and is the default; 1 means the beginning of each period. For a positive loan principal entered as pv, PMT normally returns a negative amount because instalments are cash outflows. A minus sign before PMT displays the payment as a positive amount.

Step 4: Conclusion Use PMT with parameters rate, nper, pv, and the optional fv and type. For monthly

loan instalments, enter a monthly interest rate and the total number of monthly payments.

Quick Tip to Solve: Convert both rate and duration to months before applying PMT; use type 0 unless payments are due at the beginning of each month.

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 into one identifier. Each field represents a particular attribute, and its position and width must be defined consistently.
- A student admission code can identify the admission year, school, class, section or stream, and roll number. The roll number distinguishes students within the same group.

Step 1: Choose an ordered coding scheme Use the order admission year, school number, class, section code, and roll number. Allocate four digits to the year, two to the school, two to the class, one to the given section code, and two to the roll number. This produces a fixed-width group code of eleven digits. The scheme is being defined explicitly so that each part can be interpreted without confusion.

Step 2: Assign the given values to their fields Nisha's admission year is 2024, so the year field is 2024. School No. 10 gives the school field 10. Class XI is represented numerically by 11. Section A is the science section, whose supplied code is 1; therefore use 1 rather than inventing another stream or section code. Nisha's Roll No. 23 gives the final field 23.

$$\underbrace{2024}_{\text{Year}} \mid \underbrace{10}_{\text{School}} \mid \underbrace{11}_{\text{Class}} \mid \underbrace{1}_{\text{Section}} \mid \underbrace{23}_{\text{Roll No.}}$$

Step 3: Combine and verify the code Concatenate the fields in the declared order, retaining the fixed width of each field. Reading the result back gives admission in 2024, School 10, Class XI, science Section A and Roll No. 23, which agrees with all the supplied details. Nisha's name remains in the corresponding student record. A separate trust code is unnecessary within the Education For All Trust's own school database, since all these school records already belong to that trust.

Step 4: Conclusion One suitable group code for Nisha is $\boxed{20241011123}$, interpreted as $2024 \mid 10 \mid 11 \mid 1 \mid 23$ in the declared field order.

Quick Tip to Solve: Write the field order before joining the digits, and use the supplied section code 1; keep field widths fixed so the code can be decoded correctly.

OR

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

Solution:

Concept:

- Number formatting specifies how a numerical value is displayed in a spreadsheet cell, such as a number, currency, percentage, date or time.
- A number format normally changes only the appearance of the stored value; calculations continue to use the underlying value, including any undisplayed decimal places.

Step 1: Explain the purpose of number formatting Number formatting makes numerical information meaningful, consistent and easy to read. It controls such features as the number of displayed decimal places, use of digit-grouping separators, currency symbols, percentage signs and the presentation of negative numbers. For example, an amount entered as 2500 can be displayed as Rs 2,500.00 by applying a suitable currency format. The value remains 2500; its display now clearly identifies it as a monetary amount.

Step 2: Distinguish the principal formats **General** is the default format and displays an entry without a specific number-format style. **Number** allows a chosen number of decimal places and grouping separators. **Currency** adds a currency symbol, while **Accounting** aligns currency symbols and decimal points in a column of amounts. **Percentage** displays the stored value multiplied by 100 with a percent sign: 0.25 is displayed as 25%. **Date and Time** formats display numerical date and time values in a selected readable pattern. Fraction and Scientific formats are useful for displaying fractions and very large or very small numbers, respectively.

Step 3: Describe how to apply a format Select the cell or range to be formatted. Open the **Format Cells** dialog box, for example by pressing Ctrl+1, and choose the **Number** tab. Select the required category, specify details such as decimal places, symbol or date pattern, check the sample display and click OK. Frequently used formats can also be selected from the Number group on the Home tab. If a value such as 12.345 is displayed as 12.35, merely reducing the displayed decimal places does not round the stored value used in subsequent calculations.

Step 4: Conclusion Number formatting is the control of the displayed form of numerical data. It gives amounts, percentages, dates and times a suitable presentation while normally preserving their underlying values for calculation.

Quick Tip to Solve: Check the formula bar to distinguish a stored value from its display; formatting 0.25 as Percentage should show 25%, not 0.25%.

34. Name the error which occurs when the column is not wide enough or a negative date or time is used. How can it be corrected if (i) Error is due to the width of column, and (ii) Date or time is negative ? [6 marks]

Solution:

Concept:

- Excel displays a sequence of hash signs, such as #####, when a cell cannot display its formatted numerical value. The number of hash signs depends on the cell width.
- Two causes are an insufficient column width and a negative value formatted as a date or time. The correction must address the actual cause.

Step 1: Identify the displayed error The error is the **hash error**, shown as ##### (also called the number-sign error). For example, a long currency amount may require more space than a narrow column provides. A formula can also produce a negative numerical result that cannot be shown in the selected date or time format. The hash display does not, by itself, mean that the cell's formula is missing or contains an invalid cell reference.

Step 2: Correct insufficient column width **(i) When the column is too narrow:** Increase its width until the complete value fits. Position the pointer on the right boundary of the column heading and drag it to the right, or double-click that boundary to **AutoFit** the width to the contents. Alternatively, select the column and use Home, Format, AutoFit Column Width or enter a larger column width. If the layout requires a narrow column, a suitable shorter number format, fewer displayed decimal places, a smaller font, or Shrink to Fit may also allow the value to be displayed. Such presentation changes should retain the precision needed for the report. After changing the width or format, check that the full value is readable.

Step 3: Correct a negative date or time **(ii) When the date or time is negative:** Inspect the entered dates or times and the formula producing the result. Correct a wrongly entered date or time, or an incorrect subtraction order, so that a date or time meant to be non-negative has a valid result. For example, an ordinary elapsed-time calculation should subtract the starting time from the finishing time, provided both refer to the same day and the finish occurs later. If the calculation crosses midnight, include the correct dates so that the chronological order is represented properly.

If the negative result is intentional and a signed numerical difference is required, change the cell's format from Date or Time to **General** or **Number** using Format Cells. The negative number can then be displayed; it is a numerical difference rather than a calendar date. Spreadsheet time values are fractions of a day, so multiply a time difference by 24 when a signed answer in hours is needed. Merely widening the column does not correct an unsupported negative date or time display.

Step 4: Conclusion The displayed error is #####. For inadequate width, widen or AutoFit the column, or use a suitable compact display format. For a negative date or time, correct the input or calculation if erroneous; if the signed result is intended, display it using General or Number format in appropriate units.

Quick Tip to Solve: Try AutoFit first. If hash signs remain, inspect the date or time formula and its sign; extra width cannot make an unsupported negative date display valid.