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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) This question paper is divided into **two** Parts : **Part – A** and **Part – B**.

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Aman, Boman and Chetan were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Dinesh was admitted as a new partner who acquired his share entirely from Aman. Aman surrendered 1/5th of his share in the profits to Dinesh. Dinesh was admitted for which of the following share in the profits of the firm ? [1 mark]

(A) 1/10

(B) 2/10

(C) 3/10

(D) 4/10

Correct Answer: (A) 1/10

Solution:

Concept:

- A partner's old share is his ratio term divided by the sum of the ratio terms.
- When the incoming partner acquires a fraction of one partner's share, multiply that fraction by the old share.

Step 1: Find Aman's original share The total of the old ratio terms is $5 + 3 + 2 = 10$. Thus Aman's share of the firm's profit was $5/10$. The fraction surrendered is one-fifth of this share, not one-fifth of the firm's entire profit.

Step 2: Calculate the share transferred Dinesh receives only what Aman surrenders:

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

Boman and Chetan do not sacrifice anything. The options $2/10$, $3/10$ and $4/10$ all exceed the stated sacrifice. In particular, $4/10$ is Aman's remaining share, not Dinesh's share.

Step 3: Conclusion Dinesh is admitted for $1/10$ share of the firm's profits. Hence, the correct option is (A).

Quick Tip to Solve: Multiply 'one-fifth of his share' by Aman's old share; do not treat it as one-fifth of total profit.

2. Emily, Farida and Gauri were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. Farida was guaranteed Rs. 35,000 as her share in the profits in the firm. Any deficiency arising on that account was to be met by Emily. The firm earned a profit of Rs. 80,000 for the year ended 31st March 2024. The profit credited to Farida's capital account was : [1 mark]

(A) Rs. 30,000

(B) Rs. 35,000

(C) Rs. 25,000

(D) Rs. 5,000

Correct Answer: (B) Rs. 35,000

Solution:

Concept:

- First distribute the firm's profit in the agreed profit-sharing ratio.
- A guaranteed partner receives at least the guaranteed amount; the designated guarantor bears any deficiency.

Step 1: Calculate Farida's normal share The ratio totals $4 + 3 + 1 = 8$. Farida's normal entitlement is

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

This is below her guaranteed amount of Rs 35,000.

Step 2: Apply the guarantee The deficiency is Rs $35,000 -$ Rs $30,000 =$ Rs $5,000$, which Emily bears. Farida therefore receives Rs $30,000 +$ Rs $5,000 =$ Rs $35,000$. Option (A) ignores the guarantee; option (D) gives only the deficiency, and option (C) incorrectly reduces Farida's normal share.

Step 3: Conclusion Profit credited to Farida's Capital Account is Rs 35,000. Hence, the correct option is (B).

Quick Tip to Solve: Compare the normal share with the guarantee; add only the shortfall to the guaranteed partner's share.

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

(A) Rs. 6

(B) Rs. 4

(C) Rs. 10

(D) Rs. 16

Correct Answer: (B) Rs. 4

Solution:

Concept:

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

Step 1: Find the amount forfeited per share The unpaid calls total Rs 1 + Rs 3 = Rs 4 per share. The amount already paid out of the Rs 10 face value is therefore Rs 10 − Rs 4 = Rs 6 per share. This is the amount available to cover reissue discount.

Step 2: Calculate the minimum reissue price The maximum permissible discount is Rs 6 per share. Hence

$$\text{Minimum reissue price} = \text{Rs } 10 - \text{Rs } 6 = \text{Rs } 4.$$

Rs 6 is the forfeited amount rather than the minimum price. Rs 10 and Rs 16 are possible higher prices but neither is the minimum. For 100 shares, Rs 400 received plus Rs 600 forfeited covers Rs 1,000 share capital.

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

Quick Tip to Solve: For fully called shares, the minimum reissue price equals the unpaid amount when all prior receipts were capital.

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

(A) Sweat equity

(B) Incorporation cost

(C) Private placement of shares

(D) Employee stock option plan

Correct Answer: (C) Private placement of shares

Solution:

Concept:

- Private placement is an offer or invitation to subscribe for securities made to a select group of persons.

- Identify the method from the intended recipients and whether the invitation is a public offer.

Step 1: Identify the defining features The question specifies a select group of persons and expressly excludes a public offer. These two features identify private placement. The company approaches identified investors instead of inviting the public at large to subscribe.

Step 2: Distinguish the other terms Sweat equity relates to shares issued to directors or employees for know-how, intellectual property rights or value additions. An employee stock option plan gives eligible employees an option to buy shares on specified terms. Incorporation cost is an expense of forming a company; it is not an issue method. None of these describes a general offer to selected persons.

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

Quick Tip to Solve: The combination 'select group' and 'other than public offer' points directly to private placement.

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

(A) Rs. 1,00,000

(B) Rs. 10,00,000

(C) Rs. 9,00,000

(D) Rs. 20,000

Correct Answer: (D) Rs. 20,000

Solution:

Concept:

- Capital implied for the whole firm equals the incoming partner's capital divided by his profit share.
- Hidden goodwill is the excess of implied total capital over actual combined capital; the new partner brings his proportionate share of that goodwill.

Step 1: Find the implied capital and hidden goodwill Prabhas brings Rs 2,00,000 for a $1/5$ share, so implied total capital is

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

Actual combined capital is Rs $4,00,000 +$ Rs $3,00,000 +$ Rs $2,00,000 =$ Rs $9,00,000$. Hidden goodwill is therefore Rs 1,00,000.

Step 2: Find Prabhas' share of goodwill Prabhas' share is

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

Rs 1,00,000 is the firm's total goodwill; Rs 10,00,000 and Rs 9,00,000 are respectively implied and actual combined capitals. They are not Prabhas' goodwill contribution.

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

Quick Tip to Solve: After finding hidden goodwill, multiply it by the incoming partner's share; do not stop at total goodwill.

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

(A) Rs. 5,40,000

(B) Rs. 4,80,000

(C) Rs. 60,000

(D) Rs. 4,20,000

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

Solution:

Concept:

- Partners' profit shares are proportional to their terms in the profit-sharing ratio.
- Value of one ratio unit equals a known partner's profit divided by that partner's ratio term.

Step 1: Calculate profit per ratio unit Radhika's nine ratio units correspond to Rs 5,40,000. Therefore,

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

This establishes the common amount for each unit of the agreed ratio.

Step 2: Calculate Shubha's entitlement Shubha has seven ratio units, so her share is

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

Rs 5,40,000 is Radhika's share, Rs 4,80,000 is Mehar's eight-unit share, and Rs 60,000 is only one ratio unit. These alternatives do not represent Shubha's seven-unit share.

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

Quick Tip to Solve: Use the direct ratio: Shubha's profit equals Radhika's profit multiplied by 7/9.

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

(A) Rs. 1,00,000

(B) Rs. 90,000

(C) Rs. 1,90,000

(D) Rs. 10,000

Correct Answer: (D) Rs. 10,000

Solution:

Concept:

- A partner's loan is settled separately from the partner's capital account on dissolution.
- When an asset is accepted in part settlement, its settlement value reduces the loan outstanding; only the balance requires a bank payment.

Step 1: Determine the remaining loan liability Shaan's original loan to the firm is Rs 1,00,000. Furniture of Rs 90,000 is taken over in part settlement; no different takeover value is specified. Thus the amount still payable is

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

The furniture settlement reduces the liability without a payment from Bank Account.

Step 2: Identify the bank credit Payment of the outstanding Rs 10,000 decreases the firm's bank balance, so Bank Account is credited by Rs 10,000. Rs 1,00,000 ignores the furniture already taken, Rs 90,000 is the asset settlement, and Rs 1,90,000 wrongly adds the asset value to the loan rather than reducing the debt.

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

Quick Tip to Solve: Deduct the asset accepted in settlement from the partner's loan before calculating the bank payment.

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

(A) Rs. 9,000

(B) Rs. 30,000

(C) Rs. 18,000

(D) Rs. 15,000

Correct Answer: (D) Rs. 15,000

Solution:

Concept:

- Interest on drawings equals drawings multiplied by the annual rate and the fraction of a year outstanding.
- When total drawings during a year are given without dates, the standard treatment uses an average period of six months.

Step 1: Choose the average period Nandita withdrew a total of Rs 3,00,000 during the year, but the dates of withdrawals are not stated. The average period is therefore taken as six months, representing drawings spread over the year. Charging a full year's interest would incorrectly treat the entire amount as withdrawn on the first day.

Step 2: Calculate interest on drawings Using the deed's rate of 10% per annum,

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

Rs 30,000 charges twelve months. Rs 9,000 and Rs 18,000 imply periods inconsistent with the six-month average applicable here.

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

Quick Tip to Solve: For an annual drawings total with no dates stated, use six months' interest at the annual rate.

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

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

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

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

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

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

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

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

Solution:

Concept:

- For the ordinary partnership firm considered in the CBSE syllabus, the prescribed maximum number of partners is 50.
- In an Assertion–Reason question, verify both statements and then test whether the reason explains the assertion.

Step 1: Evaluate the assertion The assertion states the prescribed maximum number of partners as 50. This agrees with the standard rule applicable to an ordinary partnership firm in this question, so Assertion (A) is true.

Step 2: Evaluate the reason The Companies Act, 2013 empowers the Central Government to prescribe the relevant limit. The prescribed number under that authority is 50. Therefore both parts of Reason (R), the authority and the prescribed number, are true.

Step 3: Test the explanatory relationship The reason identifies the legal basis and the prescription which establish the very limit stated in the assertion. Thus it directly explains why the maximum is 50. Option (B) wrongly denies this connection, while (C) and (D) wrongly classify a true statement as false.

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

Quick Tip to Solve: After confirming both statements, check that the reason supplies the rule establishing the stated maximum.

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

(A) Rs. 1,00,000

(B) Rs. 8,00,000

(C) Rs. 16,00,000

(D) Rs. 12,00,000

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

Solution:

Concept:

- When capitals are proportionate to the new profit-sharing ratio, total capital equals the incoming partner's capital divided by that partner's share.
- Cash to be brought in equals required capital less the existing adjusted capital; a surplus is withdrawn.

Step 1: Find the required capital Maddy's capital of Rs 8,00,000 represents one share in the ratio $2:1:1$, or $1/4$ of total capital. Thus,

$$\text{Total capital} = 8,00,000 \div \frac{1}{4} = \text{Rs } 32,00,000.$$

Kajal requires two shares: $32,00,000 \times 2/4 = \text{Rs } 16,00,000$.

Step 2: Compare with the adjusted balance Kajal already has Rs 15,00,000 after goodwill and revaluation adjustments. Therefore the additional cash is

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

Option (B) is Maddy's capital, while (C) is Kajal's required total capital rather than the additional cash. Option (D) does not follow the agreed capital ratio. The goodwill premium is not added again because the given balances already include adjustments.

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

Quick Tip to Solve: Use Maddy's Rs 8,00,000 as one ratio unit, then subtract Kajal's adjusted capital from two units.

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

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

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

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

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

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

Solution:

Concept:

- Goodwill premium compensates the old partners in their sacrificing ratio, not automatically their old ratio.
- Sacrifice equals old share minus new share; a partner whose share is unchanged receives no compensation.

Step 1: Compute each old partner's sacrifice Pulkit's old share is $3/5$ and new share is $2/5$, so his sacrifice is $1/5$. Ravinder's old and new shares are both $2/5$, so his sacrifice is zero. Thus Pulkit alone supplies Sikander's $1/5$ share.

Step 2: Allocate the premium The entire Rs 10,00,000 brought as premium belongs to Pulkit. Sikander's separate Rs 5,00,000 capital does not form part of goodwill compensation. Option (B) incorrectly distributes premium in the old ratio; (C) wrongly shares it equally. Option (D) multiplies the premium by $1/5$ again, although Rs 10,00,000 is already the incoming partner's share of goodwill.

Step 3: Conclusion Credit Pulkit's Capital Account with Rs 10,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Compare each old partner's share before and after admission: unchanged Ravinder gets no goodwill premium.

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

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

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

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

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

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

Solution:

Concept:

- A positive old share minus new share is sacrifice; a negative difference represents gain.
- The total sacrifice must equal the total gain because the partners together share the same total profit.

Step 1: Compare the old and new shares Anisha's share falls from $5/10$ to $2/10$, giving a sacrifice of $3/10$. Deepa's share remains $3/10$, so she neither gains nor sacrifices. Charu's share rises from $2/10$ to $5/10$, giving a gain of $3/10$.

Step 2: Check the options Anisha's sacrifice exactly equals Charu's gain. Option (B) reverses these two effects. Options (C) and (D) incorrectly assign a gain to Deepa, whose share is unchanged; (D) also wrongly identifies Charu as sacrificing.

Step 3: Conclusion Anisha sacrifices $3/10$, Charu gains $3/10$, and Deepa has no change. Hence, the correct option is (A).

Quick Tip to Solve: Both ratios total ten, so compare their numerators directly: Anisha loses three, Charu gains three.

OR

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

(A)

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

(B)

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

(C)

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

(D)

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

Correct Answer: (D)

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

Solution:

Concept:

- A gaining partner compensates a sacrificing partner for the goodwill attached to the share transferred.
- Compensation equals goodwill of the firm multiplied by the share gained; debit the gaining partner and credit the sacrificing partner.

Step 1: Calculate the share transferred **Working Notes**

Preet sacrifices $3/5 - 1/2 = 1/10$; Saral gains $1/2 - 2/5 = 1/10$. Therefore Saral must compensate Preet by $1,00,000 \times 1/10 = \text{Rs } 10,000$. Only the transferred share of goodwill is adjusted, so Rs 1,00,000 in (A) and (B) is excessive.

Step 2: Record the adjustment Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31-3-2024	Saral's Capital A/c Dr.		10,000	
	To Preet's Capital A/c			10,000
	(Being goodwill adjusted for Saral's gain and Preet's sacrifice)			

Both sides are equal. Option (C) reverses the debit and credit and would charge the sacrificing partner instead of compensating him.

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

Quick Tip to Solve: Identify the gainer first: Saral gains one-tenth, so debit him for one-tenth of the firm's goodwill.

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

(A) 5 : 1

(B) 1 : 1

(C) 5 : 4

(D) 7 : 3

Correct Answer: (D) 7 : 3

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share acquired from the retiring partner.
- The gaining ratio describes only the acquired share; it need not equal the new total profit-sharing ratio.

Step 1: Distribute Jatin's share Jatin's share is $4/10$. Ishan and Kapil acquire it equally, so each gains $(4/10) \times (1/2) = 2/10$. Their original shares of $5/10$ and $1/10$ remain the starting points.

Step 2: Add gains to the original shares Ishan's new share is $5/10 + 2/10 = 7/10$, and Kapil's is $1/10 + 2/10 = 3/10$. These add to one. Option (A) keeps their old relative shares; (B) confuses their equal gain with their final shares; (C) repeats Ishan and Jatin's original ratio and does not represent the continuing partners.

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

Quick Tip to Solve: Equal acquisition adds the same fraction to each old share; it does not make the new shares equal.

OR

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

(A) Rs. 3,00,000

(B) Rs. 2,75,000

(C) Rs. 5,50,000

(D) Rs. 2,50,000

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

Solution:

Concept:

- An instalment stated as principal plus interest includes both the principal repayment and interest for the period.
- Interest is calculated on the unpaid opening balance, using $I = P \times r \times t$, where P is principal, r the annual rate and t time in years.

Step 1: Calculate first-year interest From 1 April 2023 to 31 March 2024, the full Rs 5,00,000 remains unpaid until the first annual instalment. Interest for that year is

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

Step 2: Add the scheduled principal repayment The first payment is Rs 2,50,000 principal plus Rs 50,000 interest, totalling Rs 3,00,000. Option (B) charges interest on only half the opening debt; that would be the second year's payment after the first principal reduction. Option (C) repays the entire debt at once, and (D) omits interest.

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

Quick Tip to Solve: For the first instalment, calculate interest on the full opening Rs 5,00,000 before deducting principal repaid.

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

(A) Nominal capital

(B) Issued capital

(C) Reserve capital

(D) Subscribed capital

Correct Answer: (A) Nominal capital

Solution:

Concept:

- Authorised, nominal or registered capital is the maximum share capital stated in the Memorandum of Association.
- Issued capital is the portion offered for subscription, while subscribed capital is the portion taken up by subscribers.

Step 1: Identify the defining feature The question refers to the amount the company is authorised to issue under its Memorandum of Association. This describes the stated capital ceiling, called authorised or nominal capital. It does not describe an actual offer or the applications received.

Step 2: Distinguish the other categories Issued capital in (B) is the part actually offered for subscription and can be below the authorised ceiling. Reserve capital in (C) is the portion of uncalled capital reserved to be called up only on winding up. Subscribed capital in (D) is the amount subscribed by investors; neither category defines the Memorandum's authorised limit.

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

Quick Tip to Solve: Link the Memorandum's capital ceiling with authorised or nominal capital; link an actual offer with issued capital.

OR

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

(A) Authorised capital

(B) Issued capital

(C) Reserve capital

(D) Subscribed capital

Correct Answer: (B) Issued capital

Solution:

Concept:

- For the minimum-subscription rule stated in the question, the base is the capital issued for subscription.

- The prescribed minimum is 90% of issued capital: minimum subscription $= 0.90\times$ issued capital.

Step 1: Identify the capital offered Issued capital is the portion of authorised capital offered to investors. Subscription requirements concern that issue, so the percentage is applied to the issued capital. For instance, an issue of Rs 10,00,000 requires minimum subscription of Rs 9,00,000 under the rule given.

Step 2: Eliminate the other bases Authorised capital in (A) is a ceiling and may include capital never offered. Reserve capital in (C) is uncalled capital reserved for winding up, not the public issue. Subscribed capital in (D) is the amount actually taken up and is compared with the minimum; using it as the base would not set a fixed threshold for the issue.

Step 3: Conclusion Minimum subscription cannot be less than 90% of issued capital. Hence, the correct option is (B).

Quick Tip to Solve: Use the amount offered in the issue as the denominator; the authorised ceiling is irrelevant to this percentage.

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

(A) Bearer Debentures

(B) Secured Debentures

(C) Perpetual Debentures

(D) Registered Debentures

Correct Answer: (C) Perpetual Debentures

Solution:

Concept:

- Perpetual or irredeemable debentures carry no undertaking to repay the borrowing on a specified maturity date.
- Debentures may also be classified by security or transferability; those features are separate from their repayment terms.

Step 1: Identify the repayment characteristic The decisive phrase is that the company gives no undertaking for repayment of the borrowed money. This is the defining feature of perpetual debentures, also called irredeemable debentures. They are distinguished from redeemable debentures, which specify repayment terms.

Step 2: Compare the other descriptions Bearer debentures in (A) are classified by ownership and transfer through delivery. Secured debentures in (B) have security against company assets. Registered debentures in (D) record holders in the company's register. None of those three names by itself states that there is no repayment undertaking.

Step 3: Conclusion These are perpetual debentures. Hence, the correct option is (C).

Quick Tip to Solve: Classify by the feature asked: repayment terms point to redeemable or perpetual, not bearer or secured.

OR

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

(A) Capital Reserve

(B) Goodwill

(C) Purchase Consideration

(D) General Reserve

Correct Answer: (B) Goodwill

Solution:

Concept:

- Net assets mean the agreed value of assets taken over less the agreed value of liabilities assumed.
- When the purchase consideration exceeds the net assets acquired, the excess is recorded as goodwill.

Step 1: Compare consideration with net assets The debentures are issued to discharge the purchase consideration. Here their amount exceeds the net assets taken over, so the company pays for benefits beyond the separately identified net assets. The difference is recognised as goodwill.

Step 2: Eliminate the other treatments Capital Reserve arises in the reverse situation, when net assets exceed purchase consideration. Purchase Consideration is the total agreed purchase price, not the excess alone. General Reserve is an appropriation of profits and does not arise from this excess on acquiring a business.

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

Quick Tip to Solve: Compare purchase consideration with net assets: an excess of consideration gives goodwill; an excess of net assets gives capital reserve.

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

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

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

(A) 15%

(B) 5%

(C) 10%

(D) 95%

Correct Answer: (B) 5%

Solution:

Concept:

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

Step 1: Separate the two components of loss The journal debits Loss on Issue with Rs 75,000 but credits Premium on Redemption with Rs 50,000. Therefore, the issue discount alone is

$$75,000 - 50,000 = \text{Rs } 25,000.$$

This also equals the face value less cash received: Rs 5,00,000 minus Rs 4,75,000.

Step 2: Calculate the discount rate

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

The 15% option incorrectly treats total loss as discount; 10% is the redemption premium rate. The 95% option is the issue price as a percentage of face value, not the discount.

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

Quick Tip to Solve: In a combined issue entry, subtract redemption premium from total loss before computing the issue-discount percentage.

OR

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

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

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

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

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

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

Solution:

Concept:

- Discount on issue is the face value issued multiplied by the discount rate; it is a capital loss.
- The available Securities Premium balance is used to write off the discount; the remaining loss is charged to the Statement of Profit and Loss.

Step 1: Compute the discount and available premium The face value issued is $15,000 \times 100 =$ Rs $15,00,000$. The discount is therefore

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

Only Rs 1,00,000 is available in Securities Premium, so that account cannot absorb the full discount.

Step 2: Allocate the write-off Use Rs 1,00,000 from Securities Premium and charge the balance, $1,50,000 - 1,00,000 =$ Rs $50,000$, to the Statement of Profit and Loss. Option (B) leaves available premium unused, (C) exceeds its balance, and (D) ignores the premium available for this purpose.

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

Quick Tip to Solve: First use the available Securities Premium balance, then transfer only the uncovered discount to the Statement of Profit and Loss.

17. Bhawana and Vedika were partners in a firm sharing profits and losses in the ratio of 5 : 4. From 1st April, 2024 they decided to share future profits and losses in the ratio of 4 : 5. On this date, their balance sheet showed a debit balance of Rs. 1,80,000 in Profit and Loss Account and a balance of Rs. 6,30,000 in General Reserve. Partners decided to write off debit balance in Profit and Loss Account but decided not to distribute the General Reserve.

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

Solution:

Concept:

- An accumulated debit balance in Profit and Loss Account belongs to the old partners and is written off in their old profit-sharing ratio.
- When an existing reserve is retained after a ratio change, the gaining partner compensates the sacrificing partner through capital accounts; the reserve itself remains unchanged.

Step 1: Calculate the adjustments in Working Notes The old ratio is $5:4$, so the loss of Rs 1,80,000 is charged as follows:

$$\text{Bhawana} = 1,80,000 \times 5/9 = \text{Rs } 1,00,000,$$

$$\text{Vedika} = 1,80,000 \times 4/9 = \text{Rs } 80,000.$$

Bhawana's share decreases from $5/9$ to $4/9$, a sacrifice of $1/9$. Vedika gains $1/9$. Retaining General Reserve would give Vedika an extra share of past profits, so she compensates Bhawana by $6,30,000 \times 1/9 = \text{Rs } 70,000$.

Step 2: Record the necessary journal entries **Journal of Bhawana and Vedika**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Bhawana's Capital A/c Dr. Vedika's Capital A/c Dr. To Profit and Loss A/c (Being accumulated loss written off in the old ratio of 5:4)		1,00,000 80,000	 1,80,000
1-4-2024	Vedika's Capital A/c Dr. To Bhawana's Capital A/c (Being adjustment for General Reserve retained after the change in ratio)		70,000	 70,000

The second entry transfers the reserve entitlement between partners without debiting General Reserve. Thus, its balance remains Rs 6,30,000, as agreed.

Step 3: Conclusion Write off the loss by debiting Bhawana Rs 1,00,000 and Vedika Rs 80,000. Separately, debit Vedika and credit Bhawana Rs 70,000 for the retained reserve; General Reserve remains Rs 6,30,000.

Quick Tip to Solve: Treat the loss and reserve separately: write off the loss in the old ratio, but adjust a retained reserve using the gain or sacrifice.

18. Rocky and Vicky were partners in a firm sharing profits and losses in the ratio of 4 : 3. On 1st April, 2024 Shivay was admitted as a new partner for 2/7th share in profits which he acquired equally from Rocky and Vicky. On the date of Shivay's admission, the Balance Sheet of Rocky and Vicky showed Workmen Compensation Reserve of Rs. 7,00,000.

Pass necessary journal entries for treatment of workmen compensation reserve on the date of Shivay's admission in each of the following cases :

(i) Claim on account of workmen compensation amounted to Rs. 5,60,000.

(ii) Claim on account of workmen compensation amounted to Rs. 7,00,000.

(iii) Claim on account of workmen compensation amounted to Rs. 7,20,000. [3 marks]

Solution:

Concept:

- Workmen Compensation Reserve first meets the existing compensation claim. Any surplus belongs to the old partners in their old ratio.
- Any claim exceeding the reserve is a revaluation loss, borne only by the old partners in their old profit-sharing ratio.

Step 1: Establish the ratios in Working Notes Rocky and Vicky share pre-admission reserves and revaluation losses in $4:3$. Shivay acquires $1/7$ from each, so the new ratio is $(4/7-1/7):(3/7-1/7):2/7=3:2:2$. This new ratio is not used to allocate the existing reserve. The three cases below are independent alternatives, not successive transactions.

Step 2: Record case (i), claim below the reserve Surplus reserve is $7,00,000-5,60,000=$ Rs $1,40,000$. Rocky receives $1,40,000\times 4/7=$ Rs $80,000$ and Vicky receives Rs 60,000.

Journal: Case (i), 1 April 2024

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.		7,00,000	
	To Workmen Compensation Claim A/c			5,60,000
	To Rocky's Capital A/c			80,000
	To Vicky's Capital A/c			60,000
	(Being claim provided and surplus reserve distributed in the old ratio of 4:3)			

Step 3: Record case (ii), claim equal to the reserve The entire reserve meets the claim; no surplus or deficiency arises and no capital adjustment is required.

Journal: Case (ii), 1 April 2024

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr.		7,00,000	
	To Workmen Compensation Claim A/c			7,00,000
	(Being the entire reserve utilised to provide for the claim)			

Step 4: Record case (iii), claim above the reserve The deficiency is $7,20,000-7,00,000=$ Rs $20,000$, charged to Revaluation Account. Rocky bears $20,000\times 4/7=$ Rs $11,428.57$; Vicky bears $20,000\times 3/7=$ Rs $8,571.43$, rounded to paise.

Journal: Case (iii), 1 April 2024

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Workmen Compensation Reserve A/c Dr. Revaluation A/c Dr. To Workmen Compensation Claim A/c (Being claim provided using the reserve and charging the deficiency to revaluation)		7,00,000 20,000	 7,20,000
	Rocky's Capital A/c Dr. Vicky's Capital A/c Dr. To Revaluation A/c (Being revaluation loss transferred to old partners in the ratio of 4:3)		11,428.57 8,571.43	 20,000

Step 5: Conclusion Case (i) credits Rocky and Vicky with Rs 80,000 and Rs 60,000; case (ii) has no capital adjustment; case (iii) debits them with Rs 11,428.57 and Rs 8,571.43. Shivay receives or bears no part of the existing reserve adjustment.

Quick Tip to Solve: Subtract the claim from the reserve first: a surplus credits old capitals, while a shortfall becomes a revaluation loss in the old ratio.

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

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

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

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

Solution:

Concept:

- Interest on capital is an appropriation of profit and is calculated for the period for which the capital was employed.
- A guaranteed annual share of profit is proportionately reduced for a shorter accounting period. Any deficiency is transferred from the guaranteeing partner's share to the guaranteed partner.

Step 1: Calculate interest in Working Notes The firm commenced on 1 October 2023, so the period to 31 March 2024 is six months. Both capitals were employed throughout these six months.

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

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

Profit remaining after interest is $13,00,000 - 7,00,000 = \text{Rs } 6,00,000$.

Step 2: Adjust the guaranteed share The equal provisional shares of residual profit are Rs 3,00,000

each. Baadal's annual guarantee applies to his share after interest, so interest is not included when testing it. The six-month guarantee is

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

The deficiency of $3,50,000 - 3,00,000 = \text{Rs } 50,000$ is borne by Aakash. Hence Aakash receives Rs 2,50,000 and Baadal Rs 3,50,000 as their shares of residual profit.

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

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

All profit is appropriated, so no balance is carried forward. Total capital credits, including interest, are Rs 6,50,000 to each partner.

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

Quick Tip to Solve: For this six-month firm, halve both annual interest and the annual guarantee; test the guarantee against profit remaining after interest.

OR

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

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

Solution:

Concept:

- Interest on partners' capital is an appropriation of profit. Unless the deed makes it a charge, it is allowed only out of available profit.
- When profit is insufficient, distribute the available amount in the ratio of the interest due. Under fixed capitals, the actual appropriations are credited to the partners' Current Accounts.

Step 1: Calculate the full year's interest due The capitals remain fixed throughout the year from 1st

April, 2023 to 31st March, 2024. Thus:

$$\text{Parul's interest} = 6,00,000 \times \frac{12}{100} = \text{Rs } 72,000,$$
$$\text{Rajul's interest} = 8,00,000 \times \frac{12}{100} = \text{Rs } 96,000.$$

The total interest due is Rs 1,68,000, whereas the available net profit is only Rs 1,26,000. Since the deed does not provide for interest as a charge against profits, the firm cannot allow the entire Rs 1,68,000 and create an appropriation loss.

Step 2: Allocate the available profit in the interest ratio The ratio of interest due is $72,000 : 96,000 = 3 : 4$. Accordingly:

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

All the available profit is absorbed by interest. There is no residual profit to distribute in the profit-sharing ratio of $5 : 3$.

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

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

The appropriation account closes with equal totals; no balance remains to carry forward. The fixed Capital Accounts remain unchanged.

Step 4: Conclusion Interest on capital allowed is **Rs 54,000 to Parul** and **Rs 72,000 to Rajul**, credited to their Current Accounts. The Profit and Loss Appropriation Account totals Rs 1,26,000 on each side.

Quick Tip to Solve: Compare total interest with available profit first. Here use the interest ratio 3:4, not the profit-sharing ratio 5:3, because no residual profit remains.

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

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

Solution:

Concept:

- Assets taken over are debited at their agreed values and liabilities assumed are credited. When the net assets acquired exceed purchase consideration, the difference is credited to Capital Reserve.
- Debentures issued to a vendor are credited at their nominal value. The excess of issue price over nominal value is credited separately to Securities Premium Account.

Step 1: Calculate the net assets and capital reserve The agreed values of building, machinery and furniture total

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

Deducting the liabilities assumed gives net assets of $28,00,000 - 2,00,000 = \text{Rs } 26,00,000$. Purchase consideration is Rs 25,00,000. Therefore, the excess of net assets over purchase consideration is

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

This excess is a capital gain on acquisition; it is neither goodwill nor revenue profit.

Step 2: Determine the number and nominal value of debentures Each Rs 100 debenture is issued at a premium of 25%, giving an issue price of $100 + 25 = \text{Rs } 125$.

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

The 12% is the debenture interest rate; it does not determine the issue price or the number of debentures.

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Building A/c Dr.		15,50,000	
	Machinery A/c Dr.		11,40,000	
	Furniture A/c Dr.		1,10,000	
	To Liabilities A/c			2,00,000
	To Dhruv Ltd. A/c			25,00,000
	To Capital Reserve A/c			1,00,000
	(Being assets and liabilities taken over for the agreed purchase consideration)			
	Dhruv Ltd. A/c Dr.		25,00,000	
	To 12% Debentures A/c			20,00,000
	To Securities Premium A/c			5,00,000
	(Being 20,000 debentures of Rs 100 each issued at 25% premium to discharge the purchase consideration)			

The acquisition entry balances at Rs 28,00,000 and the settlement entry at Rs 25,00,000. Dhruv Ltd.'s account is fully discharged.

Step 4: Conclusion Apoorv Ltd. records **Capital Reserve of Rs 1,00,000** and issues **20,000 debentures**, crediting 12% Debentures with Rs 20,00,000 and Securities Premium with Rs 5,00,000.

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

OR

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

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

Solution:

Concept:

- Machinery acquired is debited at its purchase price and the vendor is credited with the amount payable. A bank draft is recorded as a payment through Bank Account.
- On issuing debentures at a discount, credit Debentures Account with the nominal value, debit the vendor with the issue proceeds and debit Discount on Issue of Debentures with the difference.

Step 1: Split the purchase price between bank payment and debentures The cost of the machinery is Rs 36,00,000. Half is paid through a bank draft:

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

The remaining amount payable to Sujata Ltd. is also Rs 18,00,000. This is the value to be discharged by the issue proceeds of debentures, rather than their nominal value.

Step 2: Calculate the number of debentures and discount The issue price of each Rs 100 debenture at a discount of 10% is $100 - 10 = \text{Rs } 90$.

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

The discount is recorded separately; it does not reduce the Rs 36,00,000 purchase price of the machinery. The 8% interest rate does not affect this issue-price calculation.

Step 3: Record the purchase and both modes of payment **Journal of Ajanta Ltd.**

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

The final entry has total debits of Rs 20,00,000 equal to its credit. Sujata Ltd.'s initial credit of Rs 36,00,000 is cleared by the two debits of Rs 18,00,000 each.

Step 4: Conclusion Ajanta Ltd. pays **Rs 18,00,000 through bank** and issues **20,000 8% debentures** with nominal value Rs 20,00,000, recording **discount on issue of Rs 2,00,000**.

Quick Tip to Solve: Use Rs 90, the discounted issue price, to find the number issued. Credit debentures at Rs 100 each and debit the Rs 10 difference as discount.

21. Sargam Limited issued 2,000, 9% debentures of Rs. 500 each at a premium of 10%. The amount was payable as follows :

On Application - Rs. 200 per debenture

On Allotment - Balance (including premium)

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

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

Solution:

Concept:

- Debentures are credited at their face value; the excess of issue price over face value is credited to Securities Premium Account.
- Application money is first received and then transferred to the debentures account. Allotment is

recorded when due and cleared when received.

Step 1: Working Notes: calculate the amounts due Each debenture has face value Rs 500 and premium $500 \times 10\% = \text{Rs } 50$. Thus the issue price is Rs 550. Application is Rs 200 per debenture, leaving allotment of Rs 350, comprising Rs 300 towards face value and Rs 50 towards premium.

$$\begin{aligned}\text{Application money} &= 2,000 \times 200 = \text{Rs } 4,00,000,\\ \text{Allotment money} &= 2,000 \times 350 = \text{Rs } 7,00,000,\\ \text{Face value issued} &= 2,000 \times 500 = \text{Rs } 10,00,000,\\ \text{Securities premium} &= 2,000 \times 50 = \text{Rs } 1,00,000.\end{aligned}$$

The rate of 9% describes the annual interest on the face value; no interest entry is required for the issue itself. Since the issue is fully subscribed and all money is received, there is no refund or unpaid allotment.

Step 2: Record the issue in the journal **Journal of Sargam Limited**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Debenture Application A/c (Being application money received on 2,000 debentures at Rs 200 each)		4,00,000	 4,00,000
	Debenture Application A/c Dr. To 9% Debentures A/c (Being application money transferred on allotment)		4,00,000	 4,00,000
	Debenture Allotment A/c Dr. To 9% Debentures A/c To Securities Premium A/c (Being allotment of Rs 350 per debenture due, including premium of Rs 50)		7,00,000	 6,00,000 1,00,000
	Bank A/c Dr. To Debenture Allotment A/c (Being the full allotment money received)		7,00,000	 7,00,000

The debentures account is credited in two stages, Rs 4,00,000 on application transfer and Rs 6,00,000 on allotment, totalling the face value of Rs 10,00,000. Each journal entry has equal debit and credit amounts.

Step 3: Conclusion Bank receives Rs 11,00,000 in total; 9% Debentures Account is credited with Rs 10,00,000 and Securities Premium Account with Rs 1,00,000. The four entries above complete the issue.

Quick Tip to Solve: For allotment including premium, subtract application from the issue price of Rs 550, then split Rs 350 into face value Rs 300 and premium Rs 50.

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

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

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

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

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

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

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

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

(a) Calculate Goodwill of the firm.

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

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

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

Solution:

Concept:

- Goodwill equals average profits multiplied by the years' purchase. A debit balance of Profit and Loss Account, shown on the asset side, represents an accumulated loss.
- The deceased partner's share of goodwill is credited to her capital account and debited to the continuing partners' capital accounts in their gaining ratio.
- The deceased partner's share of estimated loss up to death equals the annual loss multiplied by the time fraction and her profit-sharing fraction; it is debited to her capital account.

Step 1: Working Notes (a): calculate the firm's goodwill The Profit and Loss Account balance of Rs 2,00,000 appears on the assets side of the Balance Sheet and is identified as belonging to 2023–24. It is therefore a loss for that year. Include this fifth year along with the four years stated in the question, taking both losses as negative amounts.

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

Step 2: Working Notes (b): calculate goodwill compensation Umara's old share is $9/20$. Hence her

share of goodwill is

$$2,64,000 \times \frac{9}{20} = \text{Rs } 1,18,800.$$

No new profit-sharing ratio is specified, so Simar and Tanvi continue in their old relative ratio $5:6$. Their gains are

$$\text{Simar's gain} = \frac{5}{11} - \frac{5}{20} = \frac{45}{220},$$
$$\text{Tanvi's gain} = \frac{6}{11} - \frac{6}{20} = \frac{54}{220}.$$

The gaining ratio is $45:54 = 5:6$. Thus Simar bears $1,18,800 \times 5/11 = \text{Rs } 54,000$ and Tanvi bears $1,18,800 \times 6/11 = \text{Rs } 64,800$.

Journal of Simar, Tanvi and Umara

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

Step 3: Working Notes (c): calculate Umara's loss up to death The period from 1 April to 30 June 2024 is three months. The deed requires estimation from the loss for the year ended 31 March 2024, namely Rs 2,00,000. Thus the firm's estimated loss for the three months is $2,00,000 \times 3/12 = \text{Rs } 50,000$, and

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

This is a loss, so it reduces the amount due to Umara. It is separate from distributing the earlier year's loss already present in the Balance Sheet; the question here asks for the loss from the start of the current year up to her death.

Step 4: Record (d) the estimated loss up to death **Journal of Simar, Tanvi and Umara**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
30 June 2024	Umara's Capital A/c Dr.		22,500	
	To Profit and Loss Suspense A/c			22,500
	(Being Umara's share of estimated loss from 1 April to 30 June 2024 recorded)			

Profit and Loss Suspense Account is used because the actual result for the current accounting year has not yet been determined.

Step 5: Conclusion (a) Firm's goodwill is Rs 2,64,000. (b) Debit Simar's Capital Rs 54,000 and Tanvi's Capital Rs 64,800; credit Umara's Capital Rs 1,18,800. (c) Umara's loss up to death is Rs 22,500. (d) Debit Umara's Capital and credit Profit and Loss Suspense with Rs 22,500.

Quick Tip to Solve: Read the side of the Balance Sheet first: the Rs 2,00,000 debit balance is a loss. Use it as negative in goodwill and as a loss when estimating the three-month share.

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

(i) Sachin took over stock of book value of Rs. 80,000 at a discount of 10%.

(ii) Virat agreed to take over the firm's creditors of the book value of Rs. 70,000 at a valuation of Rs. 65,000.

(iii) Rohit took over his wife's loan of Rs. 3,00,000.

(iv) There was an old typewriter which had been written off completely from the books. It realised Rs. 10,000.

(v) Land and Building of the book value of Rs. 50,00,000 was sold for Rs. 70,00,000 through a broker who charged 5% commission on the deal.

(vi) Loss on realisation Rs. 30,000 was to be distributed between Sachin, Virat and Rohit equally.

[6 marks]

Solution:

Concept:

- After assets and outside liabilities have been transferred, their settlement is recorded through Realisation Account. Do not repeat the transfer entries.
- An asset taken by a partner debits that partner's Capital Account and credits Realisation; a liability assumed by a partner debits Realisation and credits the partner's Capital Account at the agreed amount.
- Cash proceeds, including proceeds of an unrecorded asset, credit Realisation. Realisation expenses debit Realisation, and a realisation loss debits partners' Capital Accounts in their profit-sharing ratio.

Step 1: Record assets and liabilities taken over by partners **Working Notes.** Sachin takes stock at $80,000 \times 90\% =$ Rs $72,000$. Virat receives a capital credit of Rs 65,000, the agreed valuation of creditors taken over, rather than their book value of Rs 70,000. Rohit's wife's loan is a third-party liability, already transferred to Realisation; Rohit assuming it creates a credit to his Capital Account of Rs 3,00,000.

Journal of Sachin, Virat and Rohit's firm (i)–(iii)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sachin's Capital A/c Dr. To Realisation A/c (Being stock taken over by Sachin at 10% discount)		72,000	72,000
	Realisation A/c Dr. To Virat's Capital A/c (Being creditors taken over by Virat at the agreed value)		65,000	65,000
	Realisation A/c Dr. To Rohit's Capital A/c (Being his wife's loan taken over by Rohit)		3,00,000	3,00,000

Step 2: Record the asset sales and broker's commission The old typewriter is unrecorded because it was written off completely. Its sale still produces cash and a realisation gain, so Bank is debited and Realisation credited. No entry restoring its original cost is required. Land and Building is sold for

Rs 70,00,000; its book value has already been transferred and is not entered again. Commission is calculated on the sale consideration:

$$\text{Commission} = 70,00,000 \times \frac{5}{100} = \text{Rs } 3,50,000.$$

Record the gross sale and commission separately, showing both the proceeds and the expense clearly.

Journal (iv)–(v)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Realisation A/c (Being sale proceeds of the unrecorded typewriter received)		10,000	 10,000
	Bank A/c Dr. To Realisation A/c (Being Land and Building sold through a broker)		70,00,000	 70,00,000
	Realisation A/c Dr. To Bank A/c (Being brokerage of 5% on the sale consideration paid)		3,50,000	 3,50,000

Step 3: Transfer the given realisation loss equally The question gives the final realisation loss as Rs 30,000. It is not recalculated from only the listed transactions, since other assets and liabilities have also been transferred. Each partner bears $30,000/3 = \text{Rs } 10,000$. A loss reduces partners' capital balances, so all three Capital Accounts are debited and Realisation Account is credited to close its debit balance.

Journal (vi)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sachin's Capital A/c Dr. Virat's Capital A/c Dr. Rohit's Capital A/c Dr. To Realisation A/c (Being realisation loss transferred equally to partners)		10,000 10,000 10,000	 30,000

Step 4: Conclusion Sachin is debited Rs 72,000 for stock; Virat and Rohit are credited Rs 65,000 and Rs 3,00,000 for liabilities assumed. Typewriter proceeds are Rs 10,000, net property proceeds are Rs 66,50,000, and the realisation loss debited to each partner is Rs 10,000.

Quick Tip to Solve: Once transfers to Realisation are complete, use the agreed settlement values: Rs 72,000 for stock and Rs 65,000 for creditors. Calculate brokerage on Rs 70,00,000, not the property's book value.

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

The amount was payable as follows :

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

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

On first and final call Rs. 3 per share.

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

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

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

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

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

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

Solution:

Concept:

- Application receipts are apportioned between share capital, securities premium and excess application money. Adjust each category's excess separately because the pro-rata allotment ratios differ.
- Excess beyond allotment is credited to Calls in Advance Account until the call becomes due. Unpaid call money after adjusting an individual shareholder's advance is debited to Calls in Arrears Account.
- Of the issue price of Rs 20, share capital comprises Rs 3 on application, Rs 4 on allotment and Rs 3 on call. Securities premium comprises Rs 6 on application and Rs 4 on allotment.

Step 1: Calculate the application adjustments by category **Working Notes.** Category A receives $7/9$ of the shares applied for, and category B receives $1/2$. Application receipts total $1,50,000 \times 9 =$ Rs $13,50,000$, whereas application due on allotted shares is $1,00,000 \times 9 =$ Rs $9,00,000$.

Particulars	Category A (Rs)	Category B (Rs)
Application money received	8,10,000	5,40,000
Application due on shares allotted	6,30,000	2,70,000
Excess application money	1,80,000	2,70,000
Allotment due at Rs 8 per share	5,60,000	2,40,000
Excess adjusted towards allotment	1,80,000	2,40,000
Balance allotment received in cash	3,80,000	Nil
Excess carried as calls in advance	Nil	30,000

Thus, Rs 4,20,000 of excess application is adjusted towards allotment and Rs 30,000 is carried forward for the call. Category B's unused excess cannot be applied against category A's allotment liability.

Step 2: Record application receipts and their transfer Application money due on the allotted shares includes share capital of $1,00,000 \times 3 =$ Rs $3,00,000$ and premium of $1,00,000 \times 6 =$ Rs $6,00,000$. Transfer the remaining Rs 4,50,000 to allotment and calls in advance in the amounts calculated above.

Journal of Alexia Limited: Application

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr. To Equity Share Application A/c (Being application money received on 1,50,000 shares at Rs 9 each)		13,50,000	 13,50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Equity Share Allotment A/c To Calls in Advance A/c (Being application money transferred and excess adjusted on pro-rata allotment)		13,50,000	 3,00,000 6,00,000 4,20,000 30,000

Step 3: Record allotment due and the balance received Allotment due is $1,00,000 \times 8 =$ Rs $8,00,000$, comprising Rs 4,00,000 each of capital and premium. After adjusting excess application of Rs 4,20,000, the balance received through Bank is Rs 3,80,000. There are no allotment arrears.

Journal: Allotment

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment due on 1,00,000 shares, including premium of Rs 4 per share)		8,00,000	 4,00,000 4,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment balance received after application adjustment)		3,80,000	 3,80,000

Step 4: Determine Shekhar's unpaid call and record the call **Working Notes.** Shekhar is allotted $1,200 \times 30,000/60,000 = 600$ shares. His application payment is Rs 10,800; application required on 600 shares is Rs 5,400. Excess of Rs 5,400 first meets allotment of $600 \times 8 =$ Rs $4,800$, leaving Rs 600 as calls in advance. His call is Rs 1,800, so his unpaid balance is $1,800 - 600 =$ Rs $1,200$.

$$\text{Call money received} = 3,00,000 - 30,000 - 1,200 = \text{Rs } 2,68,800.$$

Journal: First and final call

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (Being first and final call due on 1,00,000 shares at Rs 3 each)		3,00,000	3,00,000
	Calls in Advance A/c Dr. To Equity Share First and Final Call A/c (Being application surplus adjusted against the call now due)		30,000	30,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share First and Final Call A/c (Being call balance received except Shekhar's arrears of Rs 1,200)		2,68,800 1,200	2,70,000

Step 5: Open Calls in Advance and Calls in Arrears Accounts Calls in Advance is fully exhausted when the call becomes due. Calls in Arrears retains a debit balance of Rs 1,200, representing the amount still receivable from Shekhar.

Calls in Advance Account

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

Calls in Arrears Account

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

Step 6: Conclusion Calls in advance of Rs 30,000 are fully adjusted; Shekhar's calls in arrears are Rs 1,200. Share capital is Rs 10,00,000 and securities premium is Rs 10,00,000. Total bank receipts are Rs 19,98,800, which together with arrears of Rs 1,200 equal the total issue consideration of Rs 20,00,000.

Quick Tip to Solve: Work category B separately: its excess application is Rs 9 per allotted share, of which Rs 8 meets allotment and Rs 1 meets the call. Therefore Shekhar owes only Rs 2 on each of his 600 allotted shares.

OR

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

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

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

Solution:

Concept:

- On forfeiture, debit Share Capital with the called-up nominal amount. Reverse Securities Premium only when that premium was due but unpaid; credit Share Forfeiture with capital money already received.
- Reissue credits Share Capital with the paid-up amount. Any reissue discount is debited to Share Forfeiture and cannot exceed the forfeiture balance relating to those shares.
- Transfer the surplus on reissued shares to Capital Reserve. For shares still unreissued, retain their forfeited amount in Share Forfeiture.

Step 1: Calculate the amounts for Premier Ltd. **Working Notes:** The first and final call of Rs 3 was not made, so only Rs 7 per share of nominal capital had been called. Allotment of Rs 7 includes premium of Rs 3, leaving Rs 4 as allotment capital. Thus application capital received was $7 - 4 = \text{Rs } 3$ per share.

$$\text{Capital called up} = 600 \times 7 = \text{Rs } 4,200,$$

$$\text{Unpaid premium} = 600 \times 3 = \text{Rs } 1,800,$$

$$\text{Unpaid allotment} = 600 \times 7 = \text{Rs } 4,200,$$

$$\text{Capital forfeited} = 600 \times 3 = \text{Rs } 1,800.$$

Reissue at Rs 13 fully paid means Rs 10 capital and Rs 3 fresh securities premium per share. There is no reissue discount, so all Rs 1,800 forfeited becomes capital reserve. The uncalled original call is not treated as arrears.

Step 2: Record Premier Ltd.'s journal entries **Journal of Premier Ltd.**

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

Step 3: Calculate the amounts for Risha Ltd. **Working Notes:** Called-up capital is Rs 8 per share. Of the unpaid Rs 6 allotment, Rs 2 is premium and Rs 4 is capital. Capital received before forfeiture was therefore $8 - 4 = \text{Rs } 4$ per share. Debit capital by Rs 8,000 and unpaid premium by Rs 2,000; credit allotment by Rs 6,000 and forfeiture by Rs 4,000.

$$\begin{aligned}
\text{Reissue bank receipt} &= 800 \times 7 = \text{Rs } 5,600,\\
\text{Capital credited} &= 800 \times 8 = \text{Rs } 6,400,\\
\text{Reissue discount} &= 800 \times (8-7) = \text{Rs } 800,\\
\text{Forfeiture on reissued shares} &= 800 \times 4 = \text{Rs } 3,200,\\
\text{Capital reserve} &= 3,200 - 800 = \text{Rs } 2,400.
\end{aligned}$$

The remaining 200 shares are unreissued, so $200 \times 4 = \text{Rs } 800$ must remain in Share Forfeiture. Reissue is Rs 8 paid up; the Rs 10 face value is not the amount credited on reissue.

Step 4: Record Risha Ltd.'s journal entries **Journal of Risha Ltd.**

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

Step 5: Conclusion Premier Ltd. transfers **Rs 1,800** to Capital Reserve; Risha Ltd. transfers **Rs 2,400**

and retains **Rs 800** in Share Forfeiture for the 200 unreissued shares. Each journal entry has equal debit and credit totals.

Quick Tip to Solve: Separate unpaid premium from allotment capital first. For partial reissue, calculate the forfeiture surplus only on the shares actually reissued.

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

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

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capitals:		Fixed Assets	15,40,000
Bittu: Rs 8,00,000		Stock	3,50,000
Chintu: Rs 6,00,000	14,00,000	Debtors	1,40,000
General Reserve	2,10,000	Bank	70,000
Creditors	4,90,000		
	21,00,000		21,00,000

On 1st April, 2024, Diya was admitted in the firm for $\frac{1}{7}$th share in the profits on the following terms:

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

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

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

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

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

Solution:

Concept:

- Revaluation records changes in existing assets and liabilities. Its profit or loss belongs to the old partners in their old profit-sharing ratio, here $4:3$.
- Distribute accumulated General Reserve in the old ratio. Goodwill premium compensates the sacrificing partners in the sacrificing ratio, calculated as old share minus new share.
- The incoming partner's proportionate capital is based on the adjusted combined capital of the old partners and their combined share of future profits.

Step 1: Determine sacrifice and distribute the reserve **Working Notes:** Bittu's share falls from $4/7$ to $3/7$, while Chintu's share remains $3/7$. Hence Bittu alone sacrifices $1/7$ and receives the entire goodwill premium of Rs 5,60,000. The premium is brought by cheque and credited to Bittu's Capital Account; no withdrawal of goodwill is specified.

$$\text{Bittu's reserve} = 2,10,000 \times \frac{4}{7} = \text{Rs } 1,20,000,$$

$$\text{Chintu's reserve} = 2,10,000 \times \frac{3}{7} = \text{Rs } 90,000.$$

Diya receives no share of the old reserve or of the revaluation result because both relate to the period before admission.

Step 2: Prepare the Revaluation Account Fixed assets are reduced by Rs 1,40,000. Settling creditors of Rs 4,90,000 for Rs 4,20,000 produces a gain of Rs 70,000. Thus the net revaluation loss is $1,40,000 - 70,000 =$ Rs $70,000$, debited to Bittu and Chintu in the old ratio: Rs 40,000 and Rs 30,000 respectively. The bank payment to creditors is not itself a revaluation expense; only the settlement gain enters this account.

Revaluation Account

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

The loss is transferred fully to the old partners, so Revaluation Account closes with no balance carried forward.

Step 3: Calculate Diya's proportionate capital Adjust the old partners' capitals for reserve, revaluation and goodwill before calculating the capital to be brought by Diya:

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

The old partners together retain $6/7$ of profits, while Diya obtains $1/7$. Therefore:

$$\text{Diya's capital} = 21,00,000 \times \frac{1/7}{6/7} = \text{Rs } 3,50,000.$$

Diya brings a total cheque amount of $3,50,000 + 5,60,000 =$ Rs $9,10,000$. Only Rs 3,50,000 is credited to her capital; the premium ultimately increases Bittu's capital. The question does not require the old partners' individual capitals to be readjusted into the new ratio.

Step 4: Prepare Bittu's Capital Account **Bittu's Capital Account**

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

Step 5: Prepare Chintu's and Diya's Capital Accounts **Chintu's Capital Account**

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

Diya's Capital Account

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

Step 6: Conclusion Revaluation loss is **Rs 70,000**. Closing capitals are **Bittu: Rs 14,40,000; Chintu: Rs 6,60,000; Diya: Rs 3,50,000**, totalling Rs 24,50,000. Bittu receives the entire Rs 5,60,000 goodwill premium because only he sacrifices a profit share.

Quick Tip to Solve: Calculate sacrifice before allocating goodwill: Chintu's unchanged share earns no premium. For Diya's capital, use adjusted old capital multiplied by one-sixth, not one-seventh.

OR

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

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

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals : Rupal 8,00,000 Shanu 6,00,000 Trisha 2,00,000	16,00,000	Fixed Assets Stock Debtors Cash	8,20,000 2,80,000 5,00,000 7,20,000
General Reserve	3,20,000		
Creditors	4,00,000		
	23,20,000		23,20,000

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

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

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

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

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

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

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

Solution:

Concept:

- Revaluation profit and accumulated reserves belong to all old partners in their old profit-sharing ratio.
- The gaining partner compensates the retiring partner for her goodwill share through capital accounts; goodwill need not be raised in the books.

- Continuing capitals are adjusted to the agreed total in the new profit-sharing ratio; the retiring partner's unpaid balance is transferred to her Loan Account.

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

The old ratio of Rupal, Shanu and Trisha is $4:3:1$. Trisha's entire $1/8$ share goes to Shanu. Thus Rupal retains $4/8$, and Shanu obtains $3/8 + 1/8 = 4/8$; their new ratio is $1:1$. Shanu alone gains and bears the whole goodwill adjustment. Trisha's goodwill share is Rs $8,00,000 \times 1/8 =$ Rs $1,00,000$. Debit Shanu's Capital and credit Trisha's Capital by this amount. No goodwill asset is created. General reserve of Rs 3,20,000 is credited in $4:3:1$: Rupal Rs 1,60,000, Shanu Rs 1,20,000 and Trisha Rs 40,000.

Step 2: Prepare Revaluation Account Fixed assets increase by Rs 2,40,000. Stock falls from Rs 2,80,000 to Rs 2,00,000, a loss of Rs 80,000. Hence, revaluation profit is Rs 1,60,000, distributed in $4:3:1$: Rs 80,000, Rs 60,000 and Rs 20,000 respectively.

Revaluation Account

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

Step 3: Calculate adjusted capitals and cash adjustments After reserve, revaluation and goodwill adjustments, the capital balances are:

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

The continuing partners require Rs 8,00,000 each out of the agreed Rs 16,00,000. Rupal withdraws Rs 2,40,000, and Shanu brings in Rs 1,20,000. Since the question gives no immediate-payment arrangement for Trisha, her balance of Rs 3,60,000 is transferred to her Loan Account.

Step 4: Prepare Rupal's Capital Account **Rupal's Capital Account**

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

Step 5: Prepare Shanu's Capital Account **Shanu's Capital Account**

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

Step 6: Close Trisha's Capital Account **Trisha's Capital Account**

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

The goodwill credit to Trisha equals the debit to Shanu. All three capital accounts balance, and the two continuing balances total Rs 16,00,000 as required.

Step 7: Conclusion Revaluation profit is Rs 1,60,000. Rupal and Shanu close with capitals of Rs 8,00,000 each after Rupal withdraws Rs 2,40,000 and Shanu contributes Rs 1,20,000. Trisha's amount due is Rs 3,60,000, transferred to her Loan Account.

Quick Tip to Solve: Charge Trisha's goodwill only to Shanu, who gains her entire share; distribute reserve and revaluation profit among all three in the old ratio.

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

Vikalp Ltd.

Balance Sheet as at 31st March, 2024

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

'Notes to accounts' as at 31st March, 2023 :

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

'Notes to accounts' as at 31st March, 2024 :

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

Answer the following questions : [6 marks]

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

(A) Rs. 10,00,000

(B) Rs. 9,80,000

(C) Rs. 4,20,000

(D) Rs. 11,00,000

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

Solution:

Concept:

- Issued capital is the face value of shares issued by the company; calls in arrears affect paid-up capital, not the face value issued.
- For unchanged face value, the value issued during the year equals closing issued capital less opening issued capital.

Step 1: Compare the two issued-capital figures The notes show 5,00,000 shares of Rs 10 each at 31 March 2023 and 6,00,000 shares of Rs 10 each at 31 March 2024. Thus, the number issued during the year is $6,00,000 - 5,00,000 = 1,00,000$.

Step 2: Multiply by face value

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

Calls in arrears of Rs 40,000 do not reduce this figure. Options (B), (C) and (D) do not equal the increase in issued capital; the change in paid-up capital must not be substituted here.

Step 3: Conclusion The total face value issued during 2023–2024 was Rs 10,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Use the issued-capital lines in both years, not the paid-up share-capital figure of Rs 59,60,000.

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

(A) 1,00,000

(B) 80,000

(C) 3,00,000

(D) 20,000

Correct Answer: (D) 20,000

Solution:

Concept:

- Calls in arrears are called amounts that shareholders have not paid.
- The number of defaulting shares equals total calls in arrears divided by arrears per share.

Step 1: Identify the defaulting category The 2024 note states that 20,000 equity shares of Rs 10 each are subscribed but not fully paid up. The full Rs 10 has been called, but Rs 2 per share remains unpaid. The 5,80,000 fully paid shares have no unpaid calls.

Step 2: Check the number using arrears

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

Option (A), 1,00,000, is the number issued during the year, not the defaulting shares. Neither 80,000 nor 3,00,000 in options (B) and (C) agrees with the arrears note.

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

Quick Tip to Solve: Divide Rs 40,000 by the unpaid Rs 2 per share, not by the Rs 10 face value.

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

(A) Rs. 1,60,000

(B) Rs. 40,000

(C) Rs. 2,00,000

(D) Rs. 2,40,000

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

Solution:

Concept:

- On forfeiture, Share Capital Account is debited with the called-up capital of the forfeited shares.
- Called-up capital includes both the amount received and the calls remaining unpaid.

Step 1: Identify the capital to cancel Vikalp Ltd. forfeits all 20,000 defaulting shares. Each has a face value of Rs 10 and is fully called up. Therefore, the called-up amount to cancel is Rs 10 per share, even though only Rs 8 per share has been received.

Step 2: Calculate the debit

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

Rs 1,60,000 in option (A) is the amount received, while Rs 40,000 in option (B) is unpaid calls. Their sum is the required debit. Rs 2,40,000 in option (D) exceeds the called-up capital and is incorrect.

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

Quick Tip to Solve: For forfeiture, debit capital at the called-up Rs 10, not the received Rs 8 per share.

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

(A) Rs. 1,60,000

(B) Rs. 40,000

(C) Rs. 2,00,000

(D) Rs. 2,40,000

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

Solution:

Concept:

- Share Forfeiture Account is credited with the amount already received towards capital on the shares forfeited.
- Amount received equals called-up capital less calls in arrears.

Step 1: Work out the amount received per share All 20,000 defaulting shares are fully called at Rs 10 each. Since Rs 2 per share is unpaid, the amount received towards capital is Rs $10 -$ Rs $2 =$ Rs 8 per share.

Step 2: Find the forfeiture credit

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

As a check, Rs 2,00,000 called-up capital less Rs 40,000 arrears gives the same amount. Option (B) is the unpaid amount, option (C) is the whole called-up capital, and option (D) exceeds it; none is the amount received.

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

Quick Tip to Solve: Forfeiture preserves the Rs 8 already received per share; unpaid Rs 2 goes to calls in arrears.

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

(A) Rs. 40,000

(B) Rs. 1,60,000

(C) Rs. 2,00,000

(D) Rs. 1,20,000

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

Solution:

Concept:

- Discount allowed on reissue of forfeited shares is debited to Share Forfeiture Account.
- Capital reserve is the forfeiture balance relating to shares reissued, less their reissue discount.

Step 1: Determine forfeiture and reissue discount The amount forfeited on all 20,000 shares is $20,000 \times \text{Rs } 8 = \text{Rs } 1,60,000$. Reissue at Rs 8 as fully paid Rs 10 shares allows a discount of Rs 2 each, giving $20,000 \times \text{Rs } 2 = \text{Rs } 40,000$.

Step 2: Transfer the surplus on all shares reissued

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

All forfeited shares are reissued, so the whole remaining forfeiture balance is transferred. Option (A) gives the discount alone; option (B) ignores that discount; option (C) is the face value of the shares. None represents the net surplus.

Step 3: Conclusion Capital Reserve Account is credited with Rs 1,20,000. Hence, the correct option is (D).

Quick Tip to Solve: Compute the Rs 2 reissue discount per share first, then deduct it from the Rs 8 forfeited per share.

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

(A) Rs. 2,00,000

(B) Rs. 1,60,000

(C) Rs. 40,000

(D) NIL

Correct Answer: (D) NIL

Solution:

Concept:

- The maximum discount on reissue cannot exceed the amount forfeited on those shares.
- Minimum reissue price equals the fully paid value less the amount already forfeited per share.

Step 1: Find the minimum permissible price Rs 8 per share was received before forfeiture, so the maximum discount allowed is Rs 8 per share. For a fully paid value of Rs 10, the minimum reissue price is therefore Rs $10 -$ Rs $8 =$ Rs 2 per share.

Step 2: Calculate the balance available for capital reserve At this price, total reissue discount is $20,000 \times$ Rs $8 =$ Rs $1,60,000$. This uses the entire Share Forfeiture balance of Rs 1,60,000, leaving Rs $1,60,000 -$ Rs $1,60,000 = 0$. Thus none of the positive amounts in options (A), (B) or (C) remains as a capital profit.

Step 3: Conclusion No amount is credited to Capital Reserve Account; the amount is NIL. Hence, the correct option is (D).

Quick Tip to Solve: At the minimum reissue price, the maximum permitted discount uses up the entire forfeiture balance.

Part B (20 marks)

OPTION – I (Analysis of Financial Statements)

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

(A) 6 months or less

(B) 9 months or less

(C) 12 months or less

(D) 3 months or less

Correct Answer: (D) 3 months or less

Solution:

Concept:

- Cash equivalents are short-term, highly liquid investments readily convertible into known amounts of cash.
- They carry an insignificant risk of changes in value and normally have a maturity of three months or less from acquisition.

Step 1: Apply the maturity test The relevant period is measured from the date of acquisition of the investment. A maturity of three months or less allows the investment to meet short-term cash commitments while remaining close to cash in liquidity.

Step 2: Compare all four periods The limits of six months in (A), nine months in (B), and twelve months in (C) are longer than the cash-equivalent maturity limit. Merely being realisable within one year does not make an investment a cash equivalent. The three-month limit in (D) meets the required test.

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

Quick Tip to Solve: For cash equivalents, count the three-month maturity period from acquisition, not from the balance sheet date.

OR

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

(A) Trade Receivables

(B) Demand deposits with bank

(C) Short-term marketable securities

(D) Cheques in hand

Correct Answer: (A) Trade Receivables

Solution:

Concept:

- Cash includes cash on hand and demand deposits with banks; cheques in hand are also included in cash for this classification.
- Cash equivalents are highly liquid short-term investments readily convertible into known cash amounts with insignificant value risk.

Step 1: Distinguish a receivable from cash Trade receivables represent amounts owed by customers from credit sales. They require collection and are operating current assets, rather than cash or cash-equivalent investments. Their classification as current assets alone does not establish immediate cash availability.

Step 2: Check the remaining alternatives Demand deposits in (B) are withdrawable on demand and cheques in hand in (D) are included in cash. Short-term marketable securities in (C), when meeting the cash-equivalent maturity, liquidity and insignificant-risk criteria, are cash equivalents. Therefore these alternatives do not identify the item excluded by the question.

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

Quick Tip to Solve: Do not equate current assets with cash equivalents: a debtor is a claim awaiting collection, not cash itself.

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

(A) Income Statement

(B) Ratio Analysis

(C) Comparative Statements

(D) Cash Flow Statement

Correct Answer: (A) Income Statement

Solution:

Concept:

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

statement analysis.

Step 1: Identify the basic financial statement An income statement reports revenue, expenses and profit or loss for an accounting period. It is a basic financial statement providing data for analysis, rather than an analytical tool in the classification asked here.

Step 2: Test the other alternatives Ratio analysis in (B) establishes meaningful relationships between accounting figures. Comparative statements in (C) show changes across periods, while the cash flow statement in (D) analyses cash inflows and outflows by activity. All three serve as tools of analysis, so none answers the negative wording of the question.

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

Quick Tip to Solve: Separate the source statement showing income from techniques that compare figures, calculate ratios or analyse cash flows.

OR

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

[1 mark]

(A) Total Income

(B) Total Expenses

(C) Profit After Tax

(D) Revenue from Operations

Correct Answer: (D) Revenue from Operations

Solution:

Concept:

- A common-size income statement expresses each item as a percentage of a common base, making relative proportions comparable across periods or firms.
- The base is revenue from operations, taken as 100%: Item percentage $= \dfrac{\text{Item amount}}{\text{Revenue from operations}} \times 100$.

Step 1: Select the prescribed base Revenue from operations represents the company's main operating revenue. Each income, expense and profit figure is divided by revenue from operations and multiplied by 100. This shows, for example, how much expense is incurred per Rs 100 of operating revenue.

Step 2: Eliminate alternative denominators Total income in (A) also includes other income and is not the prescribed base here. Total expenses in (B) and profit after tax in (C) are themselves items expressed relative to operating revenue. Neither is the common denominator for this statement.

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

Quick Tip to Solve: In a common-size income statement, write revenue from operations as 100% before calculating any other percentage.

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

(A) Only Statement-I is true.

(B) Only Statement-II is true.

(C) Both the Statements are false.

(D) Both the Statements are true.

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

Solution:

Concept:

- Under the indirect method, non-cash expenses charged to profit are added back to determine operating profit before working capital changes.
- Depreciation allocates an asset's cost to accounting periods; the depreciation charge itself involves no cash payment.

Step 1: Evaluate Statement-I Snow Limited's reported profit has already been reduced by depreciation. With the stated information, reverse this non-cash deduction:

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

Statement-I is therefore true.

Step 2: Evaluate Statement-II and the choices Charging depreciation does not itself cause an outflow of cash. Adding it back removes its effect from accounting profit; it does not create a new cash inflow. Thus Statement-II is also true. Options (A) and (B) incorrectly reject one true statement, and (C) incorrectly rejects both.

Step 3: Conclusion Both statements are true, and the operating profit before working capital changes is **Rs 2,50,000**. Hence, the correct option is (D).

Quick Tip to Solve: If profit is stated after charging depreciation, add the depreciation back once when using the indirect method.

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

(A) Cash received from debtors

(B) Sold goods on credit

(C) Purchased goods on credit

(D) Purchased goods on cash

Correct Answer: (B) Sold goods on credit

Solution:

Concept:

- The quick ratio is $\frac{\text{Quick assets}}{\text{Current liabilities}}$. Quick assets exclude inventories and prepaid expenses from current assets.
- At an initial ratio of $1:1$, an increase in quick assets without a change in current liabilities raises the ratio above one.

Step 1: Test the receipt and sale transactions In (A), collecting cash from debtors increases cash and reduces trade receivables equally. Both are quick assets, so the ratio is unchanged. In (B), selling goods on credit increases trade receivables, a quick asset. The inventory given up was excluded from quick assets, and current liabilities do not change. Thus the numerator rises and the ratio increases.

Step 2: Test both purchase transactions In (C), purchasing goods on credit increases inventory and trade payables. Quick assets are unchanged but current liabilities rise, so the ratio decreases. In (D), a cash purchase reduces cash and increases inventory; quick assets fall while current liabilities remain unchanged, so the ratio also decreases.

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

Quick Tip to Solve: Ignore inventory in the quick-ratio numerator; then track only cash, receivables and current liabilities in each transaction.

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

(i) Bills payable

(ii) Loose Tools

(iii) Copyrights [3 marks]

Solution:

Concept:

- Schedule III classifies balance sheet items under major heads and appropriate sub-heads according to their nature. Current operating items are distinguished from assets held for long-term use.
- Trade payables include bills accepted for goods or services received in the ordinary course of business. Inventories include loose tools; copyrights are identifiable intangible assets.

Step 1: Classify bills payable Bills payable are the company's obligation under bills accepted in favour

of its suppliers. In the usual trade classification, they appear under the major head **Current Liabilities** and the sub-head **Trade Payables**. They are amounts the company must pay, so they cannot be shown as trade receivables on the asset side.

Step 2: Classify loose tools and copyrights Loose tools are included in inventory under **Current Assets**; they are not presented with the main plant and machinery. Copyrights are legal rights having no physical substance and yielding benefits over time. They appear under **Non-current Assets**, within **Fixed Assets—Intangible Assets**, rather than inventories or tangible fixed assets.

Step 3: Present the required classification **Classification under Schedule III, Part I**

Item	Major head	Sub-head
(i) Bills payable	Current Liabilities	Trade Payables
(ii) Loose tools	Current Assets	Inventories
(iii) Copyrights	Non-current Assets	Fixed Assets—Intangible Assets

Step 4: Conclusion Bills payable belong to **Trade Payables**, loose tools to **Inventories**, and copyrights to **Intangible Assets**, under their respective major heads shown above.

Quick Tip to Solve: Associate bills payable with suppliers, loose tools with inventory, and copyrights with non-physical long-term rights.

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

Particulars	2023-24 (Rs.)	2022-23 (Rs.)
Revenue from operations	8,00,000	4,00,000
Cost of revenue from operations	4,00,000	2,00,000
Employee benefit expenses	1,60,000	80,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A comparative statement places the previous year beside the current year and shows both the absolute and percentage change for each item.
- Absolute change = Current year amount minus Previous year amount; percentage change = Absolute change divided by Previous year amount, multiplied by 100.
- Profit before tax is revenue less the stated expenses. Tax is 50% of profit before tax, and profit after tax is profit before tax less tax.

Step 1: Calculate profits and tax for both years **Working Notes**

The only expenses supplied are cost of revenue from operations and employee benefit expenses.

Deduct both to obtain profit before tax; apply the tax rate to this profit, not to revenue.

$$\begin{aligned}
\text{2022–23 PBT} &= 4,00,000 - 2,00,000 - 80,000 = \text{Rs } 1,20,000,\\
\text{2022–23 tax} &= 1,20,000 \times 50\% = \text{Rs } 60,000,\\
\text{2022–23 PAT} &= 1,20,000 - 60,000 = \text{Rs } 60,000,\\
\text{2023–24 PBT} &= 8,00,000 - 4,00,000 - 1,60,000 = \text{Rs } 2,40,000,\\
\text{2023–24 tax} &= 2,40,000 \times 50\% = \text{Rs } 1,20,000,\\
\text{2023–24 PAT} &= 2,40,000 - 1,20,000 = \text{Rs } 1,20,000.
\end{aligned}$$

Step 2: Prepare the comparative statement **Comparative Statement of Profit and Loss**
For the year ended 31st March, 2024

Particulars	2022–23 (Rs)	2023–24 (Rs)	Increase (Rs)	Change (%)
I. Revenue from operations	4,00,000	8,00,000	4,00,000	100
II. Total revenue	4,00,000	8,00,000	4,00,000	100
III. Expenses:				
Cost of revenue from operations	2,00,000	4,00,000	2,00,000	100
Employee benefit expenses	80,000	1,60,000	80,000	100
Total expenses	2,80,000	5,60,000	2,80,000	100
IV. Profit before tax (II–III)	1,20,000	2,40,000	1,20,000	100
V. Tax expense (50%)	60,000	1,20,000	60,000	100
VI. Profit after tax (IV–V)	60,000	1,20,000	60,000	100

For example, revenue increased by Rs 4,00,000, so its percentage increase is $4,00,000/4,00,000 \times 100 = 100\%$. Each other amount also doubled, giving the same percentage increase.

Step 3: Conclusion Profit after tax rose from Rs 60,000 in 2022–23 to Rs 1,20,000 in 2023–24, an increase of Rs 60,000 or 100%.

Quick Tip to Solve: Use 2022–23 as the percentage base. Since revenue and both expenses double and the tax rate stays fixed, both before-tax and after-tax profits double too.

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

Trade Receivables Turnover Ratio - 4 times

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

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

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

Gross Profit Ratio - 20% [4 marks]

Solution:

Concept:

- Gross profit ratio is gross profit divided by revenue from operations, multiplied by 100. Hence, a gross profit ratio of 20% makes cost of revenue 80% of revenue.

- Trade receivables turnover ratio equals net credit revenue from operations divided by average trade receivables. Cash revenue is excluded because it does not create receivables.
- Average trade receivables = (Opening trade receivables + Closing trade receivables)/2.

Step 1: Recover total revenue from operations Cost of revenue is the portion of revenue remaining after gross profit. With gross profit at 20% of revenue, cost is $100\% - 20\% = 80\%$ of revenue. Therefore,

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

The corresponding gross profit is Rs 1,60,000; subtracting it from Rs 8,00,000 reproduces the given cost of Rs 6,40,000.

Step 2: Separate credit revenue from cash revenue Let credit revenue be Rs C. Cash revenue is one-third of credit revenue, so the ratio of cash to credit revenue is $1 : 3$. Credit revenue is therefore three-fourths of total revenue.

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

Cash revenue is Rs 2,00,000, and the two amounts total Rs 8,00,000. The turnover ratio uses Rs 6,00,000 as its numerator.

Step 3: Determine average trade receivables Rearrange the trade receivables turnover formula using the given turnover of 4 times:

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

Step 4: Solve for the opening and closing balances Let opening trade receivables be Rs x. Since closing receivables exceed opening receivables by Rs 20,000, closing receivables equal Rs $(x + 20,000)$.

$$\frac{x + (x + 20,000)}{2} = 1,50,000,$$
$$2x + 20,000 = 3,00,000,$$
$$x = 1,40,000,$$
$$x + 20,000 = 1,60,000.$$

Check: the average of Rs 1,40,000 and Rs 1,60,000 is Rs 1,50,000; Rs 6,00,000 divided by this average gives the required 4 times.

Step 5: Conclusion Opening trade receivables are **Rs 1,40,000**, and closing trade receivables are **Rs 1,60,000**.

Quick Tip to Solve: When closing receivables exceed opening receivables by Rs 20,000, subtract Rs 10,000 from the average for opening and add Rs 10,000 for closing.

OR

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

Gross Profit Ratio - 25%

Revenue from operations - Rs. 8,00,000

Inventory turnover ratio - 4 times

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

Solution:

Concept:

- Gross profit ratio equals gross profit divided by revenue from operations, multiplied by 100. Cost of revenue from operations is revenue less gross profit.
- Inventory turnover ratio = Cost of revenue from operations divided by average inventory. Inventory is measured at cost, so revenue itself is not the numerator.
- Average inventory = (Opening inventory + Closing inventory)/2. The given relation between opening and closing inventory is used after calculating this average.

Step 1: Calculate gross profit and cost of revenue Gross profit is 25% of revenue from operations. Therefore, cost of revenue is the remaining 75% of revenue. Use the revenue of Rs 8,00,000 to calculate both:

$$\text{Gross profit} = 8,00,000 \times \frac{25}{100} = \text{Rs } 2,00,000,$$

$$\text{Cost of revenue} = 8,00,000 - 2,00,000 = \text{Rs } 6,00,000.$$

This cost figure is used in inventory turnover because the inventory balances are compared with the cost of goods sold during the year.

Step 2: Calculate average inventory The turnover ratio states that cost of revenue is four times average inventory. Rearranging the formula gives:

$$4 = \frac{6,00,000}{\text{Average inventory}},$$

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

Average inventory is half the sum of opening and closing balances. Thus, the two inventory balances together total Rs 3,00,000.

Step 3: Apply the relationship between the inventory balances Let closing inventory be Rs x. Opening inventory is twice closing inventory, so opening inventory is Rs $2x$. Substitute these values in the average-inventory formula:

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

$$3x = 3,00,000,$$

$$x = 1,00,000,$$

$$2x = 2,00,000.$$

Verify both conditions: opening inventory of Rs 2,00,000 is twice closing inventory of Rs 1,00,000.

Their average is Rs 1,50,000, and $6,00,000/1,50,000 = 4$ times, exactly as given.

Step 4: Conclusion Opening inventory is **Rs 2,00,000**, and closing inventory is **Rs 1,00,000**.

Quick Tip to Solve: After finding average inventory, double it to obtain the combined balances, then divide that total in the opening-to-closing ratio of $2 : 1$.

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

Bhavik Ltd.

Balance Sheet as at 31st March 2024

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

Notes to Accounts :

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

Additional Information :

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

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

Calculate :

(a) Cash flows from Investing Activities

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

Solution:

Concept:

- Investing cash flows include cash paid for plant and machinery and cash received from sale of machinery or non-current investments.
- Financing cash flows include share issue proceeds, redemption of debentures and interest paid on debentures for a non-financial enterprise.
- Use gross machinery balances to find purchases. Depreciation and loss on sale are non-cash items and are not deducted again from investing cash flows.

Step 1: Prepare working notes for machinery purchases **Working Notes**

The note gives gross machinery, before accumulated depreciation, of Rs 16,00,000 at the beginning and Rs 21,50,000 at the end. Machinery costing Rs 8,00,000 was sold during the year. Thus:

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

The sale proceeds are explicitly Rs 6,50,000. The carrying amount sold is Rs 7,50,000, being Rs 8,00,000 less Rs 50,000 depreciation; the resulting Rs 1,00,000 loss is not an extra investing cash outflow. The actual cash received on disposal alone enters investing activities.

Step 2: Calculate the investing cash flows Non-current investments decrease from Rs 4,00,000 to Rs 3,00,000. As no purchases, profit or loss on disposal, or non-cash changes in investments are given,

the decrease represents sale proceeds of Rs 1,00,000.

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

A. Cash flows from investing activities	Amount (Rs)
Sale of machinery	6,50,000
Sale of non-current investments	1,00,000
Purchase of plant and machinery	(13,50,000)
Net cash used in investing activities	**(6,00,000)**

Step 3: Calculate share proceeds, redemption and interest Share capital increases by Rs $12,00,000 - 10,00,000 = 2,00,000$, taken as cash proceeds from issue of shares because no non-cash issue is stated. Debentures decrease by Rs $10,00,000 - 6,00,000 = 4,00,000$, representing redemption.

Redemption occurred on 31st March, 2024, so the opening debentures remained outstanding for the full year. Interest paid is therefore:

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

No interest outstanding is given. Use the opening principal for the year's interest, not the closing Rs 6,00,000 after redemption.

Step 4: Present the financing cash flows **Bhavik Ltd.: Cash Flow Statement (Extract continued)**
For the year ended 31st March, 2024

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

Parentheses denote cash outflows. Changes in trade payables, inventories, receivables and provision for tax belong to the operating calculation and do not enter the two sections requested here.

Step 5: Conclusion (a) Net cash used in investing activities is Rs 6,00,000. (b) Net cash used in financing activities is Rs 3,00,000.

Quick Tip to Solve: Add the cost of machinery sold to the increase in gross machinery; charge a full year of interest on opening debentures redeemed at year-end.

OPTION - II (Computerised Accounting)

27(a). Which of the following is a part of Asset group 'Current Assets' in account group of Assets ?

[1 mark]

(A) Duties and Taxes

(B) Miscellaneous Expenditures

(C) Reserves & Surplus

(D) Direct Expenses

Correct Answer: No unqualified correct option: none of the listed groups is a standard Current Assets subgroup.

Solution:

Concept:

- Current assets include cash, inventories, trade receivables and other assets expected to be realised or consumed in the normal operating cycle or within twelve months.
- An asset-side balance does not by itself make an account a member of the Current Assets group.

Step 1: Examine the liability and expense choices Duties and Taxes is conventionally a subgroup of Current Liabilities; a tax advance or refund receivable requires additional information and cannot be presumed from this group name alone. Reserves & Surplus belongs to shareholders' funds. Direct Expenses is an expense group affecting gross profit. None of these names identifies a standard Current Assets subgroup.

Step 2: Check miscellaneous expenditure and the wording Miscellaneous Expenditures, when carried forward in traditional accounts, is a separate asset-side heading for expenditure not yet written off. It is not automatically a current asset. The printed question does not specify prepaid expenditure or another amount realisable within the current period. Thus this option also fails to establish membership of Current Assets. Standard examples such as cash, stock or sundry debtors are absent from the list.

Step 3: Conclusion As printed, none of options (A)–(D) is an unqualified correct member of the Current Assets group; the question has no single defensible correct option.

Quick Tip to Solve: Classify the named account group first; do not treat every item appearing on the asset side as a current asset.

OR

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

(A) Stores value items

(B) Data with many values

(C) Absence of data items

(D) Single value data item

Correct Answer: (C) Absence of data items

Solution:

Concept:

- A null value denotes the absence of a data item in a database field.
- A null is different from a recorded zero, a blank string and an ordinary single value.

Step 1: Interpret a null field When no value has been recorded for a field, the database may store NULL. The field can be unknown, unavailable or inapplicable. NULL therefore describes missing information; it does not specify the quantity or number of values stored.

Step 2: Check the alternatives Options (A), (B) and (D) all describe data or values being present. In particular, a single value is still a recorded value, whereas a null means that no data item is available in that field. Option (C) expresses this absence correctly.

Step 3: Conclusion Null represents absence of data items. Hence, the correct option is (C).

Quick Tip to Solve: Read NULL as "no recorded value"; never treat it as the number zero.

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

(A) Chart tool

(B) Picture

(C) Custom

(D) More

Correct Answer: (D) More

Solution:

Concept:

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

Step 1: Identify the gallery control The initially visible Shape Styles gallery shows only a limited selection of presets. Clicking its More button opens the expanded gallery, allowing the user to see and choose from all available shape styles.

Step 2: Eliminate the other choices Chart tools concern chart formatting and layout, while Picture tools concern images. Custom is not the gallery expansion button named in the question. The required action is to expand the existing style gallery, which is done using More.

Step 3: Conclusion Click the More button. Hence, the correct option is (D).

Quick Tip to Solve: To reveal every preset in a style gallery, look for its More drop-down button.

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

[1 mark]

(A) data point
(B) data label
(C) legend
(D) plot area

Correct Answer: (C) legend

Solution:

Concept:

- A data series is a related set of values represented together in a chart.
- The legend identifies data series through their names and matching colours or symbols.

Step 1: Match the wording to a chart component The question refers to information assigned to a data series. The legend provides the key that associates the series name with its colour, pattern or symbol, so readers can identify which series the plotted values belong to.

Step 2: Distinguish nearby chart terms A data point is one individual plotted value. A data label gives information such as a value beside a point. The plot area is the region containing the plotted data. The legend, by contrast, identifies the data series as a whole.

Step 3: Conclusion The information identifying a data series is the legend. Hence, the correct option is (C).

Quick Tip to Solve: Use "series name and colour key" for legend; use "value beside a point" for data label.

OR

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

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

[1 mark]

(A) Block codes

(B) Mnemonic codes

(C) Encryptic codes

(D) Sequential codes

Correct Answer: (D) Sequential codes

Solution:

Concept:

- Sequential coding assigns consecutive identifiers to successive accounts.
- A fixed prefix can identify a category while the changing numeric suffix provides the sequence.

Step 1: Inspect the changing part of each code The prefix CA remains unchanged in CA005, CA006 and CA007. Their numeric parts increase consecutively: $005, 006, 007$. Each new account is therefore assigned the next identifier in the series.

Step 2: Compare the alternative coding methods The given list demonstrates consecutive assignment, so it uses sequential codes. Block coding allocates separate ranges to groups; no such range allocation is shown here. Mnemonic codes abbreviate account names, but these codes do not abbreviate Super, Regina and Nasir. There is also no indication of encryption.

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

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

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

(A) Scalability

(B) Simple

(C) Speed

(D) Reliability

Correct Answer: (A) Scalability

Solution:

Concept:

- Scalability is the ability of a computerised accounting system to accommodate changes in the volume of transactions and data as the business changes in size.
- Speed concerns processing time, while reliability concerns dependable processing and results.

Step 1: Identify the feature described The decisive phrase is changing the volume of data processing in tune with the size of the business. A system that can handle a growing or reduced workload has the feature of scalability, so option (A) matches the statement.

Step 2: Distinguish the other choices Option (B), simple, concerns ease of using the system. Option (C), speed, describes how quickly it processes data. Option (D), reliability, describes dependable functioning. These features do not specifically describe adjusting processing capacity to a changing business size.

Step 3: Conclusion The feature highlighted is scalability. Hence, the correct option is (A).

Quick Tip to Solve: Link a change in business size or transaction volume with scalability; link processing time alone with speed.

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

Solution:

Concept:

- Excel shows the `#NAME?` error when it cannot recognise a name or text used in a formula, such as a misspelt function name or an undefined name.
- Text constants supplied as formula arguments must be enclosed in double quotation marks; otherwise Excel may interpret the text as a named reference.

Step 1: Identify the error The error is `#NAME?`. It indicates that Excel cannot identify some text in the formula. For example, a misspelt function name is not recognised as a valid function. Similarly, an unquoted word may be treated as the name of a range; if that name has not been defined, the formula produces this error.

Step 2: Correct the spelling and names First solution: check the formula in the formula bar and correct the spelling of the function name. Also ensure that any named range used is defined and spelt exactly as its existing name. For example, replace the misspelt `=SUMM(A1:A5)` with `=SUM(A1:A5)`. Excel can then recognise the intended function and evaluate its arguments.

Step 3: Enclose text arguments in quotation marks Second solution: put double quotation marks around literal text and text-format codes used as arguments. For example, the TEXT function's format code must be supplied as text: `=TEXT(A1,"0.00")`. Here `"0.00"` is a quoted format code, not the name of a range. Correct quotation marks let Excel distinguish text constants from names and cell references.

Step 4: Conclusion The error is `#NAME?`. Two corrections are to check and correct function or range names, and to enclose text arguments in double quotation marks.

Quick Tip to Solve: For `#NAME?`, inspect the words in the formula first: verify function spelling and quote literal text.

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

Solution:

Concept:

- A Pivot Table is an interactive summary report that groups and analyses data from a worksheet or another data source.
- Its row, column, value and filter fields allow the same source data to be examined from different viewpoints without changing the source records.

Step 1: Summarise large volumes of data A Pivot Table quickly condenses many records into meaningful totals and subtotals. It can calculate sums, counts and averages for selected groups without requiring a separate formula for each group. For example, hundreds of sales transactions can be summarised into total sales for each product or department, making the data easier to understand.

Step 2: Rearrange the report for comparison Fields can be moved between rows and columns to change the arrangement of the report. This makes comparisons flexible: the same sales records can be viewed product-wise, month-wise, or by product and month together. Users can thus examine relationships, patterns and trends without re-entering the original data.

Step 3: Focus on relevant information and update the summary Sorting, filtering and grouping help the user select relevant categories and study their details. For example, a report can display one branch or group dates into months. A Pivot Table can also be refreshed after changes in its source data, bringing the summary up to date. These features save time and make repeated analysis easier while preserving the underlying records.

Step 4: Conclusion Pivot Table reports offer quick summarisation, flexible rearrangement and comparison, and convenient sorting, filtering, grouping and refreshing of data for analysis.

Quick Tip to Solve: Describe a Pivot Table through three actions: summarise records, rearrange fields, and filter or group the details needed.

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

Solution:

Concept:

- Data formatting means changing the appearance or display of worksheet data to make it clear, readable and suitable for presentation.
- Ordinary cell formatting changes how an entry is displayed; it does not normally change the stored value used in calculations.

Step 1: Define data formatting with an example Data formatting is the process of setting the visual presentation of numbers, text and other data in cells. It includes number formats, fonts, alignment, borders and shading. For example, the stored value 0.25 can be displayed as 25 percent by applying a percentage format. Similarly, an amount can be shown with two decimal places for consistent presentation in an accounting worksheet.

Step 2: Use number and font formatting tools Number formatting tools provide formats such as Number, Currency, Accounting, Percentage and Date, and controls for decimal places. The chosen format should match the meaning of the data: amounts use a suitable currency or accounting format, while dates use a date format. Font tools change the typeface, size, colour and style of characters. Bold, italic and underline can distinguish headings, important figures and totals from ordinary entries.

Step 3: Apply alignment, borders and fill Alignment tools position entries horizontally or vertically within cells. Wrap Text displays a long heading over more than one line, and orientation changes its direction. Borders outline cells or separate groups of information; fill colour shades headings or selected areas. Row height and column width can also be adjusted so that the formatted content is fully visible rather than cut off.

Step 4: Select the available formatting commands These tools are available through the formatting controls on the Home tab and through the Format Cells dialog box. Cell Styles apply a consistent combination of formats, and Format Painter copies formatting from one cell or range to another. Conditional Formatting can highlight cells according to specified conditions, such as outstanding amounts above a chosen limit, helping readers identify relevant information quickly.

Step 5: Conclusion Data formatting improves the display and readability of worksheet data. Its tools include number formats, font styles, alignment, borders, fill colour, cell styles, Format Painter and Conditional Formatting.

Quick Tip to Solve: Explain formatting through appearance: give one number-format example, then name font, alignment, border and fill tools.

OR

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

Solution:

Concept:

- The Excel `ROUND` function rounds a number to a specified number of digits and returns the rounded numerical value.
- Its syntax is `=ROUND(number, num_digits)`. The first argument is the number or cell reference to be rounded; the second argument specifies the place at which rounding is required.

Step 1: Explain the arguments and rounding rule In `=ROUND(number, num_digits)`, `number` may be a constant, a cell reference or an expression. The argument `num_digits` determines the rounding position. Examine the first digit being discarded: if it is less than 5, retain the rounding digit; if it is 5 or more, increase the magnitude of the retained part by one unit at that position. Thus a value exactly halfway between two possibilities is rounded away from zero, for example `=ROUND(-2.5,0)` returns -3.

Step 2: Use a positive or zero second argument When `num_digits` is positive, Excel rounds to that many places to the right of the decimal point. For example, `=ROUND(123.456,2)` returns 123.46, because the third decimal digit is 6. By comparison, `=ROUND(123.451,2)` returns 123.45, because the third decimal digit is 1. When `num_digits` is zero, Excel rounds to the nearest integer: `=ROUND(123.456,0)` returns 123, whereas `=ROUND(123.656,0)` returns 124.

Step 3: Use a negative second argument and apply it to accounts A negative `num_digits` rounds to the left of the decimal point. Thus `=ROUND(1234,-1)` returns 1230, the nearest ten, and `=ROUND(1234,-2)` returns 1200, the nearest hundred. If cell B2 contains an amount of Rs 1,250.786, entering `=ROUND(B2,2)` in another cell returns $1{,}250.79$, suitable for an amount rounded to paise. The result of the formula is the rounded value available for subsequent calculations; the original value in B2 remains unchanged. Merely reducing displayed decimal places through cell formatting changes the appearance, not the underlying value used in calculations.

Step 4: Conclusion `ROUND` returns a number rounded to the position specified by `num_digits`: positive for decimal places, zero for the nearest integer and negative for tens, hundreds or higher places.

Quick Tip to Solve: For amounts rounded to paise, use `=ROUND(cell,2)`; use zero to round to rupees and a negative argument to round to tens or hundreds.

34. State the steps in creating a pie chart using Excel. [6 marks]

Solution:

Concept:

- A pie chart represents the parts of one whole as slices of a circle. The size of each slice is proportional to its category's value in the selected data series.
- Prepare category labels and a single series of numerical values. Use non-negative values with a positive total so that the shares of the whole are meaningful.

Step 1: Enter and organise the source data Open the Excel workbook and enter the category names in one column and their corresponding amounts in the adjacent column, with suitable headings. For example, list Rent, Salaries and Electricity beside their respective expenses. Check that all values relate to the same period and the same total being analysed. Do not include a grand-total row as an additional category, because it would duplicate the component values in the chart.

Step 2: Select the data range Highlight the cells containing the category labels, the numerical values and their headings. Select only the single data series required for the pie chart. Excel uses the category labels to identify the slices and the values to determine their relative sizes. For instance, select the two-column range containing the expense names and amounts, excluding any total below it.

Step 3: Insert the pie chart Click the **Insert** tab on the Ribbon. In the **Charts** group, choose **Pie** and select a suitable subtype, such as a two-dimensional pie chart. Excel creates the chart for the selected range and displays it on the worksheet. The whole circle represents the sum of the selected amounts, and each slice represents one category's share.

Step 4: Add a title, legend and data labels Select the chart to display the chart tools. Enter a meaningful chart title, such as "Composition of Expenses". Add or position the legend so that each slice can be identified. Use the data-label options to show category names, amounts or percentages, as required. A pie chart does not need horizontal or vertical axes; the legend and labels communicate its categories and shares.

Step 5: Format and position the chart Choose a clear chart style and distinguishable colours for the slices. Adjust the font size, legend position and label placement so that the information is readable. Resize and move the chart to a suitable location on the worksheet, or use the chart's Move Chart command to place it on a separate chart sheet. Avoid effects that obscure the relative sizes of the slices.

Step 6: Check the completed chart and save Compare the slices and labels with the source cells. Confirm that each category appears once, the correct amounts have been included and the chart title describes the data. Percentage labels should represent each amount divided by the total, multiplied by 100; displayed percentages may differ slightly from a total of 100 because of rounding. Save the workbook after checking the chart.

Step 7: Conclusion Create the pie chart by organising and selecting the data, choosing Insert and Pie, selecting a subtype, adding suitable titles and labels, formatting and positioning the chart, and checking and saving the workbook.

Quick Tip to Solve: Select the component amounts and their labels but exclude the grand total; including the total creates a misleading extra slice.