CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-4-3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. Rakesh and Somesh were partners in a firm sharing profits and losses in the ratio of 2 : 3. Moksh was admitted as a new partner for 3/5th share in the profits of the firm. Moksh brought Rs. 3,00,000 as his share of capital and Rs. 6,00,000 as his share of goodwill premium. The value of the firm's goodwill was : [1 mark]

(A) Rs. 30,00,000

(B) Rs. 20,00,000

(C) Rs. 15,00,000

(D) Rs. 10,00,000

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

Solution:

Concept:

- The incoming partner's goodwill premium equals the firm's total goodwill multiplied by the share of profits acquired.
- Capital contribution and goodwill premium are separate amounts; only the premium is used to infer the firm's goodwill.

Step 1: Identify the premium and acquired share Moksh pays Rs 6,00,000 as premium for a $3/5$ share of profits. Thus Rs 6,00,000 represents only $3/5$ of the firm's goodwill. His capital of Rs 3,00,000 does not enter this calculation, and the old partners' ratio determines distribution of premium rather than its total value.

Step 2: Calculate and check the total goodwill Let G be the firm's goodwill in rupees. Then

$$G \times \frac{3}{5} = 6,00,000, \qquad G = 6,00,000 \times \frac{5}{3} = 10,00,000.$$

The goodwill figures in options (A), (B) and (C) would imply premiums of Rs 18,00,000, Rs 12,00,000 and Rs 9,00,000 respectively. None equals the premium paid.

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

Quick Tip to Solve: Divide the incoming partner's goodwill premium by the share acquired; exclude the separately stated capital contribution.

2. Eklavya, Fateh and Girish entered into a partnership firm on 1st January, 2024 with capitals of Rs. 30,00,000 each. The partnership deed provided for interest on capital @ 10% per annum. The firm earned a net profit of Rs. 5,25,000 for the year ended 31st March, 2024. The amount of profit transferred to Eklavya's capital account was : [1 mark]

(A) Rs. 4,75,000

(B) Rs. 3,00,000

(C) Rs. 2,00,000

(D) Rs. 1,00,000

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

Solution:

Concept:

- Interest on capital is an appropriation of profit. Calculate it for the actual period for which the capital remained invested.
- After providing interest on capital, distribute the residual profit equally when no profit-sharing ratio is stated.

Step 1: Provide three months' interest on capital The firm began on 1st January, 2024, so the period ending 31st March, 2024 is three months. Each partner's interest is

$$30,00,000 \times \frac{10}{100} \times \frac{3}{12} = \text{Rs } 75,000.$$

Total interest for the three partners is $75,000 \times 3 = \text{Rs } 2,25,000$. The annual figure of Rs 3,00,000 per partner is inappropriate for this shorter period.

Step 2: Distribute the residual profit Profit remaining for distribution is

$$5,25,000 - 2,25,000 = \text{Rs } 3,00,000.$$

Eklavya's share is $3,00,000 \div 3 = \text{Rs } 1,00,000$. The question asks for the profit transferred, excluding the separately credited interest on capital. Option (B) is the total residual profit; options (A) and (C) do not give one-third of that balance.

Step 3: Conclusion The profit transferred to Eklavya's capital account is Rs 1,00,000. Hence, the correct option is (D).

Quick Tip to Solve: Count January to March as three months, deduct all partners' interest, then divide the remaining profit among the three partners.

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

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

(A) Agreement

(B) Business

(C) Sharing of profit

(D) Mutual agency

Correct Answer: (D) Mutual agency

Solution:

Concept:

- Mutual agency means each partner is both an agent of the firm and a principal in relation to the other partners.
- A partner acting in the ordinary course of the firm's business can bind the firm and the other partners.

Step 1: Identify the decisive words The phrase "any of them acting for all" means that one partner may conduct the business on behalf of every partner. All partners need not personally take part in each transaction. The authority of one partner to represent the others is the essential clue in the statement.

Step 2: Distinguish the other features An agreement establishes the partnership relationship, business refers to its economic activity, and sharing of profit refers to distributing the results. These features do not specifically describe one partner acting for and binding all the others. Thus options (A), (B) and (C) do not identify the feature emphasised by this wording.

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

Quick Tip to Solve: In a partnership MCQ, the words "acting for all" directly identify mutual agency, even if the statement also mentions business.

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

(A) Rs. 80,000

(B) Rs. 70,000

(C) Rs. 50,000

(D) Rs. 42,500

Correct Answer: (C) Rs. 50,000

Solution:

Concept:

- In the absence of an agreement about loan interest, a partner's loan carries interest at 6% per annum. It is a charge against profit.
- Deduct loan interest before distributing profit in the expressly given profit-sharing ratio of $8 : 7 : 5$.

Step 1: Charge interest for six months Reema's loan runs from 1st October, 2023 to 31st March, 2024, a period of six months. Interest payable to her is

$$5,00,000 \times \frac{6}{100} \times \frac{6}{12} = \text{Rs } 15,000.$$

Therefore, distributable profit is $2,15,000 - 15,000 = \text{Rs } 2,00,000$. Loan interest is deducted even though there is no written partnership deed.

Step 2: Apply Shikha's stated profit share The question expressly states the profit-sharing ratio, so the absence of a deed does not replace that given ratio with equal shares. Shikha's share is

$$2,00,000 \times \frac{5}{8+7+5} = \text{Rs } 50,000.$$

Rs 80,000 and Rs 70,000 are Reema's and Meesha's respective profit shares. Rs 42,500 does not result from deducting the correct six-month interest and applying Shikha's share.

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

Quick Tip to Solve: Deduct six months' loan interest at 6% first, then use Shikha's $5/20$ share of the remaining profit.

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

(A) Rs. 90,00,000

(B) Rs. 40,00,000

(C) Rs. 50,00,000

(D) Rs. 10,00,000

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

Solution:

Concept:

- Super profit equals average profit minus normal profit. Normal profit is the return on capital employed at the normal rate.
- If C is capital employed and r is the normal rate expressed as a percentage, normal profit equals $C \times r/100$.

Step 1: Find the normal profit Average profit includes the normal return and the excess return called super profit. Therefore,

$$\text{Normal profit} = 5,00,000 - 4,00,000 = \text{Rs } 1,00,000.$$

The partners' profit-sharing ratio does not affect the firm's total capital employed in this calculation.

Step 2: Capitalise the normal profit The normal rate is 10%. Hence,

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

Capitalising average profit gives Rs 50,00,000, the capitalised value of the business rather than actual capital employed. Capitalising super profit gives Rs 40,00,000, goodwill by the capitalisation method. Adding the two profits before capitalising produces the incorrect Rs 90,00,000.

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

Quick Tip to Solve: Subtract super profit from average profit before applying $100/$normal rate; only normal profit yields capital employed.

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

(A) Rs. 3,75,000

(B) Rs. 3,00,000

(C) Rs. 6,00,000

(D) Rs. 15,00,000

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

Solution:

Concept:

- The incoming partner's capital is calculated using the exact capital basis stipulated by the admission agreement.
- Here that basis is the combined adjusted capital of the existing partners, multiplied by the specified fraction $2/5$.

Step 1: Add the adjusted capitals Kabir's adjusted capital is Rs 8,00,000 and Lara's adjusted capital is Rs 7,00,000. Their combined capital is

$$8,00,000 + 7,00,000 = \text{Rs } 15,00,000.$$

Since these amounts are already after all adjustments, no further goodwill or revaluation adjustment is required.

Step 2: Apply the specified fraction Mark is expressly required to bring $2/5$ of this combined capital, so

$$\text{Mark's capital} = 15,00,000 \times \frac{2}{5} = \text{Rs } 6,00,000.$$

Do not divide by the old partners' remaining profit share: the question directly prescribes the capital basis. Option (D) is the entire combined capital; options (A) and (B) represent fractions other than the required $2/5$.

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

Quick Tip to Solve: Underline "of the combined capital of Kabir and Lara" and multiply Rs 15,00,000 directly by $2/5$.

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

(A) 3 : 2

(B) 1 : 1

(C) 2 : 3

(D) 10 : 9

Correct Answer: (A) 3 : 2

Solution:

Concept:

- A partner's sacrifice equals the old profit share minus the new profit share.
- The sacrificing ratio compares these decreases in the old partners' shares; capital balances are irrelevant to this ratio.

Step 1: Express the shares on a common denominator Prakhar's old share is $3/5 = 15/25$, while Rajan's is $2/5 = 10/25$. The new ratio totals $12 + 8 + 5 = 25$, giving their new shares as $12/25$ and $8/25$ respectively.

Step 2: Calculate each partner's sacrifice

$$\text{Prakhar's sacrifice} = \frac{15}{25} - \frac{12}{25} = \frac{3}{25},$$
$$\text{Rajan's sacrifice} = \frac{10}{25} - \frac{8}{25} = \frac{2}{25}.$$

These add to $5/25 = 1/5$, exactly Siddharth's incoming share. Their ratio is $(3/25) : (2/25)$. Option (B) wrongly assumes equal sacrifices, (C) reverses the partners' order, and (D) compares capital amounts instead of profit shares.

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

Quick Tip to Solve: Convert the old shares to denominator 25, then subtract 12 and 8 from 15 and 10 to obtain the sacrifice ratio immediately.

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

(A) Rs. 22,00,000

(B) Rs. 33,00,000

(C) Rs. 11,00,000

(D) Rs. 20,00,000

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

Solution:

Concept:

- Application money per share includes both face value and premium when the whole issue price is payable on application.
- With no further instalments due, excess application money under pro-rata allotment is refunded rather than adjusted against later calls.

Step 1: Calculate the issue price and money received Premium per share is Rs $10 \times 10\% = \text{Rs } 1$, so the application amount is Rs 11 per share. On 3,00,000 applications, the company receives

$$3,00,000 \times 11 = \text{Rs } 33,00,000.$$

The pro-rata allotment ratio is one share allotted for every three applied for.

Step 2: Deduct the amount needed for the allotted shares Money retained for 1,00,000 allotted shares is $1,00,000 \times 11 = \text{Rs } 11,00,000$. Thus,

$$\text{Refund} = 33,00,000 - 11,00,000 = \text{Rs } 22,00,000.$$

Option (B) is all money received and option (C) is money retained. Option (D), Rs 20,00,000, wrongly excludes the premium on the excess applications.

Step 3: Conclusion The company refunds Rs 22,00,000. Hence, the correct option is (A).

Quick Tip to Solve: Multiply excess applications, $3,00,000 - 1,00,000$, by the full issue price of Rs 11, including premium.

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

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

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

(C) to issue fully paid bonus shares.

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

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

Solution:

Concept:

- Reserve capital is the portion of uncalled share capital reserved to be called only in the event of the company's winding up.
- It is distinct from capital reserve, an accounting reserve arising from capital profits; reserve capital is still uncalled from shareholders.

Step 1: Identify when the capital becomes available Since reserve capital remains uncalled during the company's continuing operations, it is not available for routine use during its life. Its defining restriction is that it can be called only at winding up, when it may provide funds for meeting the company's liabilities. This rules out option (A).

Step 2: Eliminate uses that require an available reserve Issuing fully paid bonus shares requires capitalising eligible reserves, whereas reserve capital is an uncalled part of share capital. Likewise, it is not an available reserve for providing premium on redemption of preference shares. Options (C) and (D) confuse reserve capital with funds or reserves already available to the company.

Step 3: Conclusion Reserve capital can be utilised only at the time of winding up of the company. Hence, the correct option is (B).

Quick Tip to Solve: Remember the word order: reserve capital is uncalled capital held back until winding up, not a capital reserve available in the accounts.

OR

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

(A) Sweat equity

(B) Employee Stock Option Plan

(C) Private placement

(D) Buy-back of shares

Correct Answer: (C) Private placement

Solution:

Concept:

- Private placement is an offer of securities, or an invitation to subscribe to them, made to an identified select group of persons.

- The defining feature is the restricted group of persons to whom the offer is made, rather than an invitation to the public at large.

Step 1: Identify the nature of the offer The question expressly says that the offer or invitation is made to a select group. This wording identifies the method of raising funds as private placement.

Step 2: Distinguish the other methods Sweat equity relates to shares issued to directors or employees for their contribution such as know-how or value addition. An Employee Stock Option Plan grants employees an option to acquire shares on specified terms. Buy-back means a company purchases its own shares; it is not an invitation to subscribe to a new issue.

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

Quick Tip to Solve: Underline "select group of persons": this phrase identifies private placement immediately.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Partners' salary is a distribution of the firm's profits under the partnership agreement.
- The Profit and Loss Account determines net profit, whereas the Profit and Loss Appropriation Account records its distribution among partners.

Step 1: Evaluate Assertion (A) Assertion (A) is correct. A salary allowed to a partner is debited to Profit and Loss Appropriation Account because it forms part of the agreed allocation of the firm's profits.

Step 2: Evaluate Reason (R) Reason (R) is also correct. A partner is an owner of the firm, so the partner's salary is an appropriation of profit rather than an operating expense charged in arriving at net profit.

Step 3: Check the explanatory link The reason directly explains the account used in the assertion: because partners' salary is an appropriation, it is recorded after net profit is determined. Thus the option stating that the two statements are unrelated is incorrect, as are the options treating either statement as false.

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

Quick Tip to Solve: Distinguish a partner's salary (appropriation) from an employee's salary (charge against profit).

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

(A) Shaun's capital account

(B) Bank account

(C) Realisation account

(D) Shaun's loan account

Correct Answer: (B) Bank account

Solution:

Concept:

- A loan from a partner's wife is an external liability of the firm, distinct from the partner's own capital or loan.
- Once an external liability has been transferred to Realisation Account, its payment is recorded by debiting Realisation Account and crediting Bank Account.

Step 1: Identify the liability being settled Shaun's wife, rather than Shaun himself, advanced Rs 1,00,000. Therefore this is neither Shaun's capital nor his personal loan to the firm. The question also states that the wife's loan has already been transferred to Realisation Account.

Step 2: Identify the account credited on payment Settlement reduces the money held in the bank. Bank Account is therefore credited with Rs 1,00,000, and Realisation Account is debited. Crediting Realisation Account again would confuse the earlier transfer of the liability with its later payment. Neither of the accounts belonging to Shaun is credited.

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

Quick Tip to Solve: For an outside liability already transferred to Realisation, payment credits Bank and debits Realisation.

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

(A) Rs. 10,00,000

(B) Rs. 20,00,000

(C) Rs. 19,00,000

(D) Rs. 1,00,000

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

Solution:

Concept:

- Debentures Account is credited with the total nominal or face value of debentures issued, regardless of the issue price.
- Total discount equals the nominal value of the issue multiplied by the rate of discount.

Step 1: Recover the nominal value from the discount The entire issue discount is Rs 1,00,000 and the discount rate is 5%. Hence,

$$\text{Nominal value} = \frac{1,00,000 \times 100}{5} = \text{Rs } 20,00,000.$$

Equivalently, the discount on each Rs 100 debenture is Rs 5, so the company issued 20,000 debentures.

Step 2: Separate the credit from the cash proceeds The cash proceeds are $20,00,000 - 1,00,000 =$ Rs $19,00,000$, but the debenture liability is recorded at face value. Writing off the discount later affects profit; it does not reduce the original credit to Debentures Account. Thus Rs 19,00,000 is the cash received, Rs 1,00,000 is the discount and Rs 10,00,000 has no basis in the given figures.

Step 3: Conclusion Debentures Account was credited with Rs 20,00,000. Hence, the correct option is (B).

Quick Tip to Solve: Reverse the percentage: divide the total discount by 5% to obtain the face value credited.

OR

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

(A) Rs. 16,00,000

(B) Rs. 14,40,000

(C) Rs. 8,00,000

(D) Rs. 7,20,000

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

Solution:

Concept:

- Debenture interest is calculated on the nominal value, not the discounted proceeds received on issue.
- Half-yearly payment divides the annual interest into two instalments; the interest expense written off at year-end covers the full accounting year.

Step 1: Calculate each half-yearly interest instalment The total face value is $2,00,000 \times 100 =$ Rs $2,00,00,000$. Interest for each six-month period is

$$2,00,00,000 \times \frac{8}{100} \times \frac{6}{12} = \text{Rs } 8,00,000.$$

The 10% issue discount does not alter the face value used for interest.

Step 2: Determine the total interest written off The issue remained outstanding for the complete year from 1st April, 2023 to 31st March, 2024. The two half-yearly charges total $8,00,000 + 8,00,000 =$ Rs $16,00,000$, transferred to the Statement of Profit and Loss at year-end. Rs 8,00,000 is only one instalment. Rs 14,40,000 and Rs 7,20,000 incorrectly use discounted proceeds as the interest base.

Step 3: Conclusion The interest written off on 31st March, 2024 was Rs 16,00,000. Hence, the correct option is (A).

Quick Tip to Solve: For interest written off at year-end, add both half-yearly charges and use the face value throughout.

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

(A) 21/72

(B) 11/72

(C) 45/72

(D) 32/72

Correct Answer: (A) 21/72

Solution:

Concept:

- A continuing partner's gaining share equals the new share minus the old share.
- Convert each ratio into a fraction of total profits before subtracting; the old and new ratios have different totals.

Step 1: Write the old and new shares The old ratio is $4 : 3 : 2$, so Umesh's old share is $3/9$. The new ratio of Umesh and Varun is $5 : 3$, so Umesh's new share is $5/8$. The numerators alone cannot be subtracted because the totals differ.

Step 2: Subtract using a common denominator Umesh's increase in share is

$$\frac{5}{8} - \frac{3}{9} = \frac{45 - 24}{72} = \frac{21}{72}.$$

For comparison, $11/72$ is Varun's gain, $45/72$ is Umesh's whole new share, and $32/72$ is Tavish's retiring share. The two continuing partners' gains add to $32/72 = 4/9$, as required.

Step 3: Conclusion Umesh's gaining share is $21/72$, or $7/24$. Hence, the correct option is (A).

Quick Tip to Solve: Always calculate new share minus old share; the retiring share is the total gain of both continuing partners.

OR

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

(A) Rs. 5,00,000

(B) Rs. 20,00,000

(C) Rs. 15,00,000

(D) Rs. 10,00,000

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

Solution:

Concept:

- The excess of the amount payable to a retiring partner over the adjusted capital balance represents that partner's share of goodwill.
- Total goodwill is found by dividing the retiring partner's goodwill share by the partner's old profit-sharing fraction.

Step 1: Find the goodwill included in the settlement Asit's capital after reserves and revaluation adjustments is Rs 40,00,000, but the agreed settlement is Rs 45,00,000. Therefore his share of goodwill is

$$45,00,000 - 40,00,000 = \text{Rs } 5,00,000.$$

Step 2: Gross up to the goodwill of the whole firm Asit's old share is $3/(3+2+1) = 1/2$. The value for the entire firm is consequently

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

Rs 5,00,000 is only Asit's portion. Rs 20,00,000 and Rs 15,00,000 do not follow from dividing by his actual one-half share.

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

Quick Tip to Solve: First find the excess settlement; then divide it by the retiring partner's old share, not the remaining partners' shares.

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

(A) Rs. 11,250

(B) Rs. 70,000

(C) Rs. 45,000

(D) Rs. 22,500

Correct Answer: (C) Rs. 45,000

Solution:

Concept:

- On the sales basis, estimated profit to the date of death equals current-period sales multiplied by the previous year's profit-to-sales ratio.
- The deceased partner receives the agreed fraction of that estimated profit; no further time fraction is applied to sales already covering the required period.

Step 1: Find the profit rate and estimate current-period profit The previous year's profit rate is

$$\frac{2,40,000}{24,00,000} \times 100 = 10\%.$$

Applying this rate to sales of Rs 15,00,000 from 1st April to 30th September gives estimated profit of $15,00,000 \times 10\% = \text{Rs } 1,50,000$.

Step 2: Apply Biswas's profit-sharing fraction Biswas's share in the ratio $5 : 3 : 2$ is $3/10$. Thus his entitlement is

$$1,50,000 \times \frac{3}{10} = \text{Rs } 45,000.$$

The six-month period is already reflected in the given sales. Multiplying by another $6/12$ would incorrectly halve the result to Rs 22,500. Rs 11,250 and Rs 70,000 do not apply the stated profit rate and sharing fraction correctly.

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

Quick Tip to Solve: When actual sales to the death date are provided, apply the profit rate and partner's share without another time adjustment.

OR

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

(A) Rs. 20,000

(B) Rs. 30,000

(C) Rs. 40,000

(D) Rs. 50,000

Correct Answer: (A) Rs. 20,000

Solution:

Concept:

- When the previous year's profit is the basis, estimated profit to the date of death is apportioned for the elapsed period.
- The deceased partner's entitlement equals annual profit multiplied by the elapsed fraction of a year and the old profit-sharing fraction.

Step 1: Determine the period and Kavita's share The relevant period begins on 1st April, 2024 and ends on 12th June, 2024: two months and twelve days. Using the conventional 30-day month for this calculation, the period is $2 + 12/30 = 2.4$ months. Kavita's share in $3 : 2 : 1$ is $1/6$.

Step 2: Calculate the accrued share of profit The estimated firm profit for the elapsed period is $6,00,000 \times 2.4/12 = \text{Rs } 1,20,000$. Therefore,

$$\text{Kavita's share} = 6,00,000 \times \frac{2.4}{12} \times \frac{1}{6} = \text{Rs } 20,000.$$

The other options overstate her entitlement because they do not combine both the correct elapsed period and her one-sixth share. A full quarter must not be used when death occurred on 12th June.

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

Quick Tip to Solve: Convert the twelve extra days into 12/30 of a month, then apply Kavita's one-sixth share to the prorated profit.

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

(A) Issued Capital

(B) Reserve Capital

(C) Paid-up Capital

(D) Nominal/Registered Capital

Correct Answer: (C) Paid-up Capital

Solution:

Concept:

- Called-up capital is the amount a company has demanded from shareholders on the shares allotted to them.
- Paid-up capital is the portion of called-up capital actually received: Paid-up capital = Called-up capital − Calls in arrears.

Step 1: Identify the receipt-based term The question specifies the amount actually received from shareholders. This is paid-up capital, rather than the full amount demanded. If all calls have been paid, called-up and paid-up capital coincide; otherwise paid-up capital is smaller.

Step 2: Check the other choices Issued capital is the part of authorised capital offered for subscription, so it does not measure receipts. Reserve capital is the uncalled amount reserved for being called only on winding up. Nominal or registered capital is the maximum capital authorised by the memorandum. Hence options (A), (B) and (D) do not fit the definition.

Step 3: Conclusion The portion actually received is **Paid-up Capital**. Hence, the correct option is **(C)**.

Quick Tip to Solve: Look for the words actually received: they identify paid-up capital; amount demanded identifies called-up capital.

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

(A) Rs. 2,00,000

(B) Rs. 4,00,000

(C) Rs. 20,00,000

(D) Rs. 40,00,000

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

Solution:

Concept:

- Loss on issue of debentures comprises discount on issue, if any, plus the premium payable on redemption.
- Premium received on issue is credited separately to Securities Premium; it is not a discount and does not cancel the initial recognition of redemption premium.

Step 1: Find nominal value and redemption premium The nominal value issued is $20,000 \times$ Rs $100 =$ Rs $20,00,000$. The redemption premium is $10\% \times$ Rs $20,00,000 =$ Rs $2,00,000$. The annual interest rate of 11% is irrelevant to the issue loss.

Step 2: Determine the loss and eliminate distractors The debentures are issued at a premium, so discount on issue is zero. Thus loss on issue is $0 +$ Rs $2,00,000$. Option (B) wrongly adds the issue premium to the redemption premium, option (C) uses the nominal principal, and option (D) uses twice the nominal principal. Neither principal nor interest forms part of the issue loss.

Step 3: Conclusion Loss on issue of debentures is $\boxed{\text{Rs } 2,00,000}$. Hence, the correct option is **(A)**.

Quick Tip to Solve: Keep premium received on issue separate from premium payable on redemption when calculating the loss on issue.

OR

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

(A) Reserve

(B) Issued

(C) Nominal/Registered

(D) Subscribed

Correct Answer: (B) Issued

Solution:

Concept:

- Minimum subscription is the minimum amount of an issue that must be subscribed before a company proceeds with allotment.
- For the rule stated in the question, minimum subscription is 90% of the issued capital, namely the capital offered for subscription.

Step 1: Choose the base for the percentage The subscription threshold is measured against the issue offered to investors. Therefore the blank is issued capital. For example, an issue of Rs 10,00,000 requires subscriptions of at least Rs 9,00,000 under the stated rule.

Step 2: Distinguish the other capital categories Reserve capital is uncalled capital reserved for winding up and is not the current issue. Nominal or registered capital is the authorised ceiling and may exceed the issue. Subscribed capital is the amount investors actually take up; it is the outcome being compared with the minimum, not the base for calculating it. Thus (A), (C) and (D) are unsuitable.

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

Quick Tip to Solve: Calculate minimum subscription from the capital offered in the issue, then compare actual subscriptions with that minimum.

17. Aman, Suman and Tanvi were partners in a firm sharing profits and losses in the ratio of 9 : 8 : 7. They decided to share future profits and losses in the ratio of 7 : 9 : 8 with effect from 1st April, 2024. Their Balance Sheet as at 31st March, 2024 showed :

(i) Contingency Reserve of Rs. 24,00,000.

(ii) Credit Balance of Rs. 12,00,000 in Profit and Loss Account.

Goodwill of the firm was valued at Rs. 42,00,000 and Revaluation of assets and liabilities resulted in a loss of Rs. 6,00,000. The partners did not want to distribute the Contingency Reserve and the Balance of the Profit and Loss Account. They also decided that revalued values of assets and liabilities were not to be recorded in the books.

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

Solution:

Concept:

- When accumulated profits and reserves are retained, compensate sacrificing partners for the portion that would otherwise pass to gaining partners under the new ratio.
- Goodwill is adjusted through capital accounts in the gaining/sacrificing ratio. An unrecorded revaluation loss reduces the net amount on which compensation is calculated.

Step 1: Calculate sacrifice and gains The old ratio is $9:8:7$ and the new ratio is $7:9:8$; both total 24. Aman sacrifices $9/24 - 7/24 = 2/24$. Suman gains $9/24 - 8/24 = 1/24$, and Tanvi gains $8/24 - 7/24 = 1/24$. The two gaining partners therefore compensate Aman equally.

Step 2: Compute the net adjustment Retained contingency reserve and credit balance of Profit and Loss Account total Rs $24,00,000$ + Rs $12,00,000$ = Rs $36,00,000$. After deducting the unrecorded revaluation loss, retained net benefit is Rs 30,00,000. Including goodwill, the adjustment base is

$$\text{Rs } 42,00,000 + \text{Rs } 36,00,000 - \text{Rs } 6,00,000 = \text{Rs } 72,00,000.$$

Aman is credited $72,00,000 \times 2/24 = \text{Rs } 6,00,000$. Each gaining partner is debited $72,00,000 \times 1/24 = \text{Rs } 3,00,000$. Separately, Aman receives Rs 3,50,000 for goodwill and Rs 3,00,000 for reserves/profit, less Rs 50,000 for the loss; the same net credit results.

Step 3: Pass the single adjustment entry Journal of the Partnership Firm (1st April, 2024)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Suman's Capital A/c Dr. Tanvi's Capital A/c Dr. To Aman's Capital A/c (Being goodwill, retained reserves and profit, and unrecorded revaluation loss adjusted on change in profit-sharing ratio)		3,00,000 3,00,000	 6,00,000

The entry leaves the reserve, Profit and Loss balance and carrying values of assets and liabilities unchanged, as required.

Step 4: Conclusion **Debit Suman and Tanvi by Rs 3,00,000 each; credit Aman by Rs 6,00,000.** Total debits equal total credits of Rs 6,00,000.

Quick Tip to Solve: Use goodwill plus retained profits and reserves minus an unrecorded loss, then multiply by each partner's gain or sacrifice.

18. Vishal and Pulkit were partners in a firm sharing profits and losses in the ratio of 7 : 3. The following is the extract of their Balance Sheet as at 31st March, 2024.

Balance Sheet of Vishal and Pulkit as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Investment Fluctuation Fund	5,00,000	Investments	50,00,000
Workmen Compensation Fund	25,00,000		

On 1st April, 2024, Tarun was admitted as a new partner for 1/10th share in the profits of the firm on the following terms :

(i) Market value of investments was Rs. 44,00,000.

(ii) Claim on account of Workmen Compensation was estimated at Rs. 25,00,000.

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

[3 marks]

Solution:

Concept:

- Investment Fluctuation Fund absorbs a fall in investments first; any fall exceeding the fund is debited to Revaluation Account.
- Revaluation loss belongs to the old partners in their old profit-sharing ratio. Workmen Compensation Fund is used against the corresponding claim, and only a surplus is distributable.

Step 1: Measure the investment loss The fall in investments is Rs $50,00,000$ − Rs $44,00,000$ = Rs $6,00,000$. The Investment Fluctuation Fund absorbs Rs 5,00,000, leaving Rs 1,00,000 as a revaluation loss. Vishal and Pulkit bear this loss in $7:3$: Rs 70,000 and Rs 30,000 respectively. Tarun does not bear this pre-admission loss; his new profit share is irrelevant to its allocation.

Step 2: Record the investment adjustment and transfer of loss Journal of Vishal and Pulkit (1st April, 2024)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Investment Fluctuation Fund A/c Dr. Revaluation A/c Dr. To Investments A/c (Being fall in investments adjusted against the fund and excess charged to revaluation)		5,00,000 1,00,000	 6,00,000
1-4-2024	Vishal's Capital A/c Dr. Pulkit's Capital A/c Dr. To Revaluation A/c (Being revaluation loss transferred to old partners in the ratio 7:3)		70,000 30,000	 1,00,000

Step 3: Provide for the workmen compensation claim The estimated claim exactly equals the fund, so no balance is transferred to capital accounts. The claim is recognised as a liability, rather than treated as an immediate cash payment.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Workmen Compensation Fund A/c Dr. To Workmen Compensation Claim A/c (Being the estimated workmen compensation claim provided for out of the fund)		25,00,000	 25,00,000

Step 4: Conclusion Investments are reduced to **Rs 44,00,000**; Vishal and Pulkit bear an excess loss of **Rs 70,000 and Rs 30,000**. The entire compensation fund becomes a **Rs 25,00,000 claim liability**.

Quick Tip to Solve: Compare each fund with its related loss or claim before deciding whether any surplus can go to the old partners.

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

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

Solution:

Concept:

- Net assets acquired equal agreed assets less liabilities taken over. Purchase consideration exceeding net assets is recorded as goodwill.
- Debentures issued at a premium settle the vendor at their issue price: number issued equals purchase consideration divided by issue price per debenture.

Step 1: Calculate goodwill and debentures issued Net assets acquired are Rs $40,00,000$ − Rs $5,00,000$ = Rs $35,00,000$. Purchase consideration is Rs 36,00,000, so goodwill is Rs 1,00,000. Each debenture is issued for Rs $100 + 20\% \times$ Rs 100 = Rs 120. Thus $36,00,000/120 = 30,000$ debentures are issued. Their nominal value is Rs 30,00,000 and the securities premium is Rs 6,00,000. The 7% interest rate describes the debentures and does not determine their issue price.

Step 2: Record the business purchase Journal of Mallark Ltd.

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

Step 3: Settle the vendor by issuing debentures Journal of Mallark Ltd. (continued)

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

The vendor balance is fully discharged because nominal debenture value plus securities premium equals Rs 36,00,000.

Step 4: Conclusion **Goodwill = Rs 1,00,000; 30,000 debentures issued; 7% Debentures credited Rs 30,00,000 and Securities Premium credited Rs 6,00,000.**

Quick Tip to Solve: Divide purchase consideration by face value plus issue premium, then split the settlement into debenture capital and premium.

OR

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

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

Solution:

Concept:

- Purchase consideration is the amount payable to the vendor. When debentures are issued at a discount, their issue value, rather than face value, settles this amount.
- Assets acquired are debited and liabilities assumed are credited. The excess of net assets over purchase consideration is credited to Capital Reserve Account.
- Debentures are credited at face value; the discount on issue is separately debited. The coupon rate

determines interest and does not determine purchase consideration.

Step 1: Calculate purchase consideration and capital reserve **Working Notes**

Each debenture has a face value of Rs 100 and is issued at a discount of 10%. Thus its issue price is Rs 90.

$$\text{Purchase consideration} = 46,000 \times 90 = \text{Rs } 41,40,000,$$

$$\text{Net assets acquired} = 50,00,000 - 6,00,000 = \text{Rs } 44,00,000,$$

$$\text{Capital reserve} = 44,00,000 - 41,40,000 = \text{Rs } 2,60,000.$$

The face value of debentures issued is $46,000 \times 100 = \text{Rs } 46,00,000$, and the discount is $46,00,000 - 41,40,000 = \text{Rs } 4,60,000$. The vendor is credited only with the agreed settlement value, not the face value of the debentures.

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

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

The first entry balances at Rs 50,00,000 and the second at Rs 46,00,000. Moondock Ltd.'s credit on acquisition is fully cleared by the debit on settlement.

Step 3: Conclusion Purchase consideration is Rs 41,40,000; capital reserve is Rs 2,60,000. The issue creates debentures of Rs 46,00,000 and discount on issue of Rs 4,60,000, as recorded above.

Quick Tip to Solve: Multiply 46,000 by the issue price of Rs 90 to find consideration; use Rs 100 only for the Debentures Account credit.

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

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

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

[3 marks]

Solution:

Concept:

- Interest on drawings is credited to the Profit and Loss Appropriation Account and added to the profit available for distribution.
- When dates of drawings during a year are not specified, interest is calculated for an average period of six months.
- A guarantee creates an adjustment only if the guaranteed partner's normal share is below the minimum. The guaranteeing partner bears that deficiency.

Step 1: Calculate interest and the distributable profit **Working Notes**

The agreed profit-sharing ratio equals the ratio of capitals:

$$80,00,000 : 60,00,000 = 4 : 3.$$

No dates of withdrawal are supplied, so the usual average period of six months is used:

$$\text{Abhay's interest} = 6,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 30,000,$$

$$\text{Sujoy's interest} = 4,00,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs } 20,000,$$

$$\text{Distributable profit} = 6,50,000 + 30,000 + 20,000 = \text{Rs } 7,00,000.$$

Drawings themselves are withdrawals of capital and are not expenses deducted from this account. The printed commencement and year-end dates are inconsistent; the supplied annual profit and drawings are used for the annual appropriation, retaining the requested year-end heading.

Step 2: Apply the profit-sharing ratio and check the guarantee

$$\text{Abhay's normal share} = 7,00,000 \times \frac{4}{7} = \text{Rs } 4,00,000,$$

$$\text{Sujoy's normal share} = 7,00,000 \times \frac{3}{7} = \text{Rs } 3,00,000.$$

Abhay's normal share exceeds his guaranteed minimum of Rs 3,50,000 by Rs 50,000. Therefore there is no deficiency and Sujoy makes no guarantee adjustment. Interest on drawings is charged separately to each partner's account; it does not change the comparison of the allocated profit share with the guaranteed share.

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

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

The whole available profit is transferred to the partners, so the account closes with no balance carried down. Capitals are treated as fluctuating because the question does not specify fixed capitals.

Step 4: Conclusion Interest on drawings is Rs 30,000 for Abhay and Rs 20,000 for Sujoy. Profit of Rs 7,00,000 is appropriated as Rs 4,00,000 to Abhay and Rs 3,00,000 to Sujoy. No guarantee deficiency arises.

Quick Tip to Solve: Add both partners' interest on drawings before dividing profit in 4:3; compare Abhay's Rs 4,00,000 share with the guarantee only afterwards.

OR

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

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

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

Solution:

Concept:

- Interest on partners' capital is allowed only when the partnership deed provides for it. Silence of the deed means that no interest on capital is appropriated.
- When interest on capital is provided, deduct it from the available profit and divide the remaining profit in the agreed profit-sharing ratio.
- With fixed capitals, interest on capital and profit shares are credited to the partners' Current Accounts; the fixed Capital Accounts remain unchanged.

Step 1: Allocate profit when the deed is silent **Working Notes: Case (i)**

No interest on capital is allowed. Therefore the entire profit of Rs 24,00,000 is distributed between Sonia and Shruti in their agreed ratio of $5 : 3$, not equally:

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

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

The deed's silence on interest does not cancel the stated profit-sharing agreement. These amounts are credited to the respective Current Accounts, since the capitals are fixed.

Step 2: Calculate interest when the deed allows it **Working Notes: Case (ii)**

The opening fixed capitals are used for the full year from 1st April, 2023 to 31st March, 2024. At 10% per annum:

$$\text{Sonia's interest} = 25,00,000 \times \frac{10}{100} = \text{Rs } 2,50,000,$$

$$\text{Shruti's interest} = 15,00,000 \times \frac{10}{100} = \text{Rs } 1,50,000,$$

$$\text{Total interest} = 2,50,000 + 1,50,000 = \text{Rs } 4,00,000,$$

$$\text{Residual profit} = 24,00,000 - 4,00,000 = \text{Rs } 20,00,000.$$

The available profit exceeds the total interest, so both partners receive their full interest entitlement.

Step 3: Divide the remaining profit and distinguish total entitlement The residual profit is divided in $5:3$:

$$\text{Sonia's residual share} = 20,00,000 \times \frac{5}{8} = \text{Rs } 12,50,000,$$

$$\text{Shruti's residual share} = 20,00,000 \times \frac{3}{8} = \text{Rs } 7,50,000.$$

Adding interest to these residual shares gives total credits to the Current Accounts of Rs 15,00,000 for Sonia and Rs 9,00,000 for Shruti. The totals happen to equal those in case (i) because the capital ratio $25,00,000 : 15,00,000 = 5:3$ equals the profit-sharing ratio; the interest and residual-profit components must still be identified separately.

Step 4: Conclusion (i) With no interest on capital, Sonia's profit share is Rs 15,00,000 and Shruti's is Rs 9,00,000. (ii) After allowing interest of Rs 2,50,000 and Rs 1,50,000 respectively, their shares of remaining profit are Rs 12,50,000 and Rs 7,50,000. Their total entitlements, including interest, are Rs 15,00,000 and Rs 9,00,000 respectively.

Quick Tip to Solve: In case (ii), label interest separately from residual profit: deduct Rs 4,00,000 first, then split Rs 20,00,000 in 5:3.

21. CD Ltd. invited applications for issuing 2,000, 12% debentures of Rs. 100 each at a premium of Rs. 10 per debenture. The amount was payable as follows :

On Application - Rs. 50 per debenture

On Allotment - Rs. 60 per debenture (including premium)

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

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

Solution:

Concept:

- Debentures are credited at their face value. The excess of issue price over face value is credited separately to Securities Premium Account.
- Application and allotment accounts record the instalments received and due. The premium is due

on allotment because the printed allotment amount includes it.

Step 1: Calculate the amounts due on each instalment Working Notes: There are 2,000 debentures with face value Rs 100 and issue price Rs 110 each. Application money is $2,000 \times 50 =$ Rs $1,00,000$, wholly towards face value. Allotment money is $2,000 \times 60 =$ Rs $1,20,000$. Of this, $2,000 \times 50 =$ Rs $1,00,000$ is the remaining face value and $2,000 \times 10 =$ Rs $20,000$ is securities premium. Total cash received is therefore Rs 2,20,000, against debenture capital of Rs 2,00,000 and premium of Rs 20,000.

Step 2: Record receipt, transfer and allotment entries Journal of CD Ltd.

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 50 each)		1,00,000	 1,00,000
	Debenture Application A/c Dr. To 12% Debentures A/c (Being application money transferred to debentures on allotment)		1,00,000	 1,00,000
	Debenture Allotment A/c Dr. To 12% Debentures A/c To Securities Premium A/c (Being allotment due at Rs 60 per debenture, including Rs 10 premium)		1,20,000	 1,00,000 20,000
	Bank A/c Dr. To Debenture Allotment A/c (Being allotment money received in full)		1,20,000	 1,20,000

Application and allotment accounts both close after the full receipts are adjusted. The 12% rate identifies the debentures; no interest entry is required for these issue transactions.

Step 3: Conclusion Bank is debited by Rs 2,20,000 in total, 12% Debentures Account is credited by Rs 2,00,000, and Securities Premium Account is credited by Rs 20,000. There are no unpaid instalments.

Quick Tip to Solve: Split the Rs 60 allotment into Rs 50 face value and Rs 10 premium before writing the allotment-due entry.

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

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

Solution:

Concept:

- The deceased partner's final capital dues are transferred to the executor's account, creating a liability of the firm.
- Interest is credited to the executor on the outstanding principal: $I = P \times r \times t/100$, where P is

principal, r is the annual percentage rate and t is time in years.

- Each annual payment consists of the stipulated principal instalment plus that year's interest. Payments debit the executor's account and reduce the liability.

Step 1: Work out interest and payments for both years Working Notes: The liability transferred on 1st April, 2022 is Rs 4,00,000. The first principal instalment is payable only on 31st March, 2023, so the full principal remains outstanding throughout the first year.

$$\text{First-year interest} = 4,00,000 \times 10/100 = \text{Rs } 40,000,$$
$$\text{First payment} = 2,00,000 + 40,000 = \text{Rs } 2,40,000.$$

After this payment the principal balance is Rs 2,00,000. Interest for the second year is charged only on that remaining principal, since the first year's interest has already been paid.

$$\text{Second-year interest} = 2,00,000 \times 10/100 = \text{Rs } 20,000,$$
$$\text{Final payment} = 2,00,000 + 20,000 = \text{Rs } 2,20,000.$$

Equal instalments here refer to the two principal repayments of Rs 2,00,000 each; adding declining interest makes the total cash payments unequal.

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

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	31-03-2023: To Bank A/c	2,40,000	01-04-2022: By Iqbal's Capital A/c	4,00,000	
	31-03-2023: To Balance c/d	2,00,000	31-03-2023: By Interest A/c	40,000	
	Total	4,40,000	Total	4,40,000	
	31-03-2024: To Bank A/c	2,20,000	01-04-2023: By Balance b/d	2,00,000	
			31-03-2024: By Interest A/c	20,000	
	Total	2,20,000	Total	2,20,000	

The first year's credit balance of Rs 2,00,000 is carried down on the debit side and brought down on the credit side next year. The final bank payment clears both the remaining principal and the second year's interest, so no balance remains to carry forward on 31st March, 2024.

Step 3: Conclusion The executor receives Rs 2,40,000 on 31st March, 2023 and Rs 2,20,000 on 31st March, 2024. Total interest is Rs 60,000 and the account is fully settled on 31st March, 2024.

Quick Tip to Solve: Compute interest on Rs 4,00,000 in the first year and Rs 2,00,000 in the second; add it to each Rs 2,00,000 principal instalment.

23. Rishika and Shivika were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2024 stood as follows :

Balance Sheet of Rishika and Shivika as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals : Rishika 30,00,000 Shivika 20,00,000	50,00,000	Equipment	45,00,000
Shivika's Husband's Loan	5,00,000	Investments	5,00,000
Creditors	40,00,000	Debtors	35,00,000
		Stock	8,00,000
		Cash at Bank	2,00,000
	95,00,000		95,00,000

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

(i) Equipments were given to creditors in full settlement of their account.

(ii) Investments were sold at a profit of 20% on its book value.

(iii) Full amount was collected from debtors.

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

(v) Actual expenses of realisation amounted to Rs. 2,00,000 which were paid by the firm.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- On dissolution, transfer all assets except cash/bank to the debit of Realisation Account at book value and all outside liabilities to its credit.
- Asset realisations and a partner's takeover of an asset are credited to Realisation Account. Payments of outside liabilities and realisation expenses are debited to it.
- The resulting realisation profit or loss belongs to the partners in their existing profit-sharing ratio, here Rishika : Shivika $= 3 : 2$.

Step 1: Identify transfers and non-cash settlement Equipment, investments, debtors and stock transferred to Realisation Account total Rs 93,00,000. Cash at Bank of Rs 2,00,000 is not transferred because the Bank Account remains open to record receipts and payments. Creditors of Rs 40,00,000 and Shivika's husband's loan of Rs 5,00,000 are transferred to the credit side. The husband's loan is an outside liability, not a partner's loan.

The equipment is given to creditors in full settlement. Once both its book value and the creditors' balance have been transferred, no additional entry is needed for this direct settlement: neither cash nor a partner's capital account is involved. Since no different settlement amount is stated for the husband's loan, it is paid at its book value of Rs 5,00,000.

Step 2: Work out the proceeds and realisation loss **Working Notes**

$$\begin{aligned}\text{Investments sold} &= 5,00,000 \times 120\% = \text{Rs } 6,00,000,\\ \text{Debtors collected} &= \text{Rs } 35,00,000,\\ \text{Stock taken by Rishika} &= 8,00,000 \times 50\% = \text{Rs } 4,00,000.\end{aligned}$$

Stock takeover is credited to Realisation Account against Rishika's Capital Account; it is not a bank receipt. Expenses of Rs 2,00,000 are debited because the firm pays them.

$$\begin{aligned}\text{Debit total before loss transfer} &= 93,00,000 + 5,00,000 + 2,00,000\\ &= \text{Rs } 1,00,00,000,\\ \text{Credit total before loss transfer} &= 45,00,000 + 6,00,000 + 35,00,000 + 4,00,000\\ &= \text{Rs } 90,00,000.\end{aligned}$$

The excess debit of Rs 10,00,000 is a loss. Rishika bears Rs 6,00,000 and Shivika Rs 4,00,000. Their capital accounts are debited and Realisation Account is credited to close it.

Step 3: Prepare the Realisation Account **Realisation Account**

Dr. Particulars	Rs	Cr. Particulars	Rs
To Equipment	45,00,000	By Creditors	40,00,000
To Investments	5,00,000	By Shivika's Husband's Loan	5,00,000
To Debtors	35,00,000	By Bank (investments)	6,00,000
To Stock	8,00,000	By Bank (debtors)	35,00,000
To Bank (husband's loan)	5,00,000	By Rishika's Capital (stock)	4,00,000
To Bank (expenses)	2,00,000	By Rishika's Capital (loss)	6,00,000
		By Shivika's Capital (loss)	4,00,000
Total	**1,00,00,000**	**Total**	**1,00,00,000**

The account closes by transfer of the loss; there is no balance carried forward after dissolution.

Step 4: Conclusion Realisation loss is **Rs 10,00,000**, charged to Rishika's and Shivika's Capital Accounts in the amounts **Rs 6,00,000** and **Rs 4,00,000**, respectively. Both sides of Realisation Account total Rs 1,00,00,000.

Quick Tip to Solve: When creditors take an asset directly, transfer both opening balances but do not add a second cash settlement entry. A partner's relative's loan is still an outside liability.

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

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Revaluation losses and accumulated general reserve belong to the old partners in their old profit-sharing ratio, Atharv : Anmol $= 5 : 2$.
- Goodwill premium is credited to the sacrificing partners in their sacrificing ratio, calculated as old share minus new share.
- When capitals are based on the incoming partner's contribution, total capital equals his capital divided by his profit share. Each required capital is this total multiplied by the partner's new share.

Step 1: Calculate revaluation and the sacrifice **Working Notes**

Fixed assets decrease by $14,00,000 \times 10\% = \text{Rs } 1,40,000$. Stock sold for Rs 4,20,000 against its book value of Rs 4,90,000 produces a further loss of Rs 70,000. Only this loss, not the entire sale proceeds, enters Revaluation Account.

$$\text{Revaluation loss} = 1,40,000 + 70,000 = \text{Rs } 2,10,000,$$

$$\text{Atharv's loss} = 2,10,000 \times \frac{5}{7} = \text{Rs } 1,50,000,$$

$$\text{Anmol's loss} = 2,10,000 \times \frac{2}{7} = \text{Rs } 60,000.$$

Atharv's sacrifice is $5/7 - 4/7 = 1/7$, and Anmol's sacrifice is $2/7 - 1/7 = 1/7$. Therefore, the sacrificing

ratio is $1:1$, and each receives Rs 1,00,000 of Surya's Rs 2,00,000 goodwill premium. The general reserve of Rs 3,50,000 is credited in the old ratio: Rs 2,50,000 to Atharv and Rs 1,00,000 to Anmol.

Step 2: Prepare the Revaluation Account **Revaluation Account**

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

Revaluation Account closes by transferring its loss to the old partners; Surya does not share this pre-admission loss.

Step 3: Determine the required capitals and cash adjustments Surya's capital of Rs 3,00,000 corresponds to his $2/7$ share. His goodwill premium is a separate contribution, so it is excluded from this capital base.

$$\text{Total new capital} = 3,00,000 \times \frac{7}{2} = \text{Rs } 10,50,000,$$

$$\text{Atharv's required capital} = 10,50,000 \times \frac{4}{7} = \text{Rs } 6,00,000,$$

$$\text{Anmol's required capital} = 10,50,000 \times \frac{1}{7} = \text{Rs } 1,50,000.$$

Before the cash adjustment, Atharv's capital is

$$8,00,000 + 2,50,000 + 1,00,000 - 1,50,000 = \text{Rs } 10,00,000.$$

Anmol's capital is

$$4,00,000 + 1,00,000 + 1,00,000 - 60,000 = \text{Rs } 5,40,000.$$

Hence, cash of Rs 4,00,000 is paid to Atharv and Rs 3,90,000 to Anmol. These payments are debited to their capital accounts. Surya's capital remains Rs 3,00,000.

Step 4: Prepare the Partners' Capital Accounts **Atharv's Capital Account**

Dr. Particulars	Rs	Cr. Particulars	Rs
To Revaluation	1,50,000	By Balance b/d	8,00,000
To Cash	4,00,000	By General Reserve	2,50,000
To Balance c/d	6,00,000	By Premium for Goodwill	1,00,000
Total	**11,50,000**	**Total**	**11,50,000**

Anmol's Capital Account

Dr. Particulars	Rs	Cr. Particulars	Rs
To Revaluation	60,000	By Balance b/d	4,00,000
To Cash	3,90,000	By General Reserve	1,00,000
To Balance c/d	1,50,000	By Premium for Goodwill	1,00,000
Total	**6,00,000**	**Total**	**6,00,000**

Surya's Capital Account

Dr. Particulars	Rs	Cr. Particulars	Rs
To Balance c/d	3,00,000	By Cash	3,00,000
Total	**3,00,000**	**Total**	**3,00,000**

The carried-forward credit balances are Rs 6,00,000, Rs 1,50,000 and Rs 3,00,000, which are exactly in the new ratio $4:1:2$.

Step 5: Conclusion Revaluation loss is **Rs 2,10,000**. Atharv and Anmol withdraw **Rs 4,00,000** and **Rs 3,90,000**, respectively, leaving final capitals of **Rs 6,00,000, Rs 1,50,000 and Rs 3,00,000** for Atharv, Anmol and Surya.

Quick Tip to Solve: Use the old ratio for reserve and revaluation, the sacrificing ratio for goodwill, and the new ratio for final capitals. Base the total capital on Surya's Rs 3,00,000 capital alone.

OR

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Revaluation loss and accumulated general reserve are transferred to all partners in the old ratio $1 : 2 : 2$.
- The retiring partner receives goodwill compensation from the continuing partners in their gaining ratio. Their final capitals must be in the new profit-sharing ratio.

Step 1: Working Notes: calculate ratios and goodwill In the absence of a different agreement, Deepak and Elvish continue in their relative old ratio, $2 : 2 = 1 : 1$. Each gains $1/2 - 2/5 = 1/10$, so the gaining ratio is $1 : 1$. Chandan's goodwill share is Rs $6,00,000 \times 1/5 =$ Rs $1,20,000$. Credit Chandan and debit Deepak and Elvish by Rs 60,000 each; no goodwill asset is raised.

Step 2: Working Notes: calculate revaluation and reserve Depreciation of fixed assets is Rs $27,00,000 \times 10\% =$ Rs $2,70,000$. Adding bad debts of Rs 30,000 gives a revaluation loss of Rs 3,00,000. Chandan, Deepak and Elvish bear Rs 60,000, Rs 1,20,000 and Rs 1,20,000 respectively. General reserve of Rs 4,50,000 is credited to them as Rs 90,000, Rs 1,80,000 and Rs 1,80,000 respectively.

Step 3: Prepare Revaluation Account **Revaluation Account**

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

Step 4: Working Notes: determine cash brought in After these adjustments, Chandan's amount payable is

$$\text{Rs } (7,00,000 + 90,000 + 1,20,000 - 60,000) = \text{Rs } 8,50,000.$$

Deepak's adjusted capital is $5,00,000 + 1,80,000 - 1,20,000 - 60,000 =$ Rs $5,00,000$; Elvish's is $3,00,000 + 1,80,000 - 1,20,000 - 60,000 =$ Rs $3,00,000$. The entire Rs 8,50,000 retirement payment is funded by new cash. Thus the continuing partners' total final capital is $5,00,000 + 3,00,000 + 8,50,000 =$ Rs $16,50,000$. In the new ratio $1 : 1$, each must have Rs 8,25,000. Deepak brings $8,25,000 - 5,00,000 =$ Rs $3,25,000$ and Elvish brings $8,25,000 - 3,00,000 =$ Rs $5,25,000$. These receipts total exactly Rs 8,50,000, leaving the existing Rs 1,00,000 cash unchanged.

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

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	60,000	By Balance b/d	7,00,000
To Cash	8,50,000	By General Reserve	90,000
		By Deepak's Capital	60,000
		By Elvish's Capital	60,000
Total	9,10,000	**Total**	9,10,000

Step 6: Prepare Deepak's Capital Account **Deepak's Capital Account**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	1,20,000	By Balance b/d	5,00,000
To Chandan's Capital	60,000	By General Reserve	1,80,000
To Balance c/d	8,25,000	By Cash	3,25,000
Total	10,05,000	**Total**	10,05,000

Step 7: Prepare Elvish's Capital Account **Elvish's Capital Account**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Revaluation	1,20,000	By Balance b/d	3,00,000
To Chandan's Capital	60,000	By General Reserve	1,80,000
To Balance c/d	8,25,000	By Cash	5,25,000
Total	10,05,000	**Total**	10,05,000

Step 8: Conclusion Revaluation loss is Rs 3,00,000. Chandan is paid Rs 8,50,000; Deepak and Elvish bring Rs 3,25,000 and Rs 5,25,000 respectively, and their closing capitals are Rs 8,25,000 each.

Quick Tip to Solve: First adjust reserve, revaluation and goodwill; then add the retirement payment to the continuing partners' adjusted total before dividing it in the new ratio.

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

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

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

Notes to Accounts as at 31st March, 2023

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

Notes to Accounts as at 31st March, 2024

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

Answer the following questions : [6 marks]

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

(A) Rs. 2,10,000

(B) Rs. 4,90,000

(C) Rs. 5,00,000

(D) Rs. 5,50,000

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

Solution:

Concept:

- Capital issued during a year is the increase in issued capital, calculated at face value.
- Calls-in-arrears reduce paid-up capital; they do not reduce the nominal amount of shares issued.

Step 1: Compare issued shares The notes show 2,50,000 issued equity shares on 31 March 2023 and 3,00,000 on 31 March 2024. Therefore $3,00,000 - 2,50,000 = 50,000$ additional shares of Rs 10 each were issued.

Step 2: Calculate nominal capital issued New issued capital is $50,000 \times \text{Rs } 10 = \text{Rs } 5,00,000$. Equivalently subtract Rs 25,00,000 from Rs 30,00,000. Options (A), (B) and (D) do not equal this difference; using paid-up capital or deducting arrears would answer a different question.

Step 3: Conclusion The equity share capital issued was Rs 5,00,000. Hence, the correct option is (C).

Quick Tip to Solve: Compare the two issued-capital figures, not the net share-capital amounts on the face of the Balance Sheet.

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

(A) 10,000

(B) 40,000

(C) 50,000

(D) 1,50,000

Correct Answer: (A) 10,000

Solution:

Concept:

- Calls-in-arrears are called-up amounts that shareholders have not paid.
- Number of defaulting shares equals total calls-in-arrears divided by unpaid amount per share.

Step 1: Read the arrears disclosure The 2024 note explicitly records arrears of Rs 20,000 on 10,000 equity shares at Rs 2 per share. Only this group has an unpaid portion of the amount called up.

Step 2: Verify the count

$$\text{Shares in arrears} = \frac{20,000}{2} = 10,000.$$

Options (B), (C) and (D) would imply arrears of Rs 80,000, Rs 1,00,000 and Rs 3,00,000 respectively at Rs 2 each, contrary to the note. In particular, 50,000 is the number newly issued, not the number

in default.

Step 3: Conclusion The called-up amount was not fully received on 10,000 shares. Hence, the correct option is (A).

Quick Tip to Solve: Divide the Rs 20,000 arrears by the unpaid Rs 2 per share, rather than by the Rs 10 face value.

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

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 1,20,000

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

Solution:

Concept:

- On forfeiture, Share Capital is debited with the amount called up on the forfeited shares.
- The debit reverses called-up capital, including both the paid and unpaid portions.

Step 1: Identify the called-up capital The company forfeits 10,000 shares of Rs 10 each, fully called up. Hence capital to be cancelled is $10,000 \times$ Rs $10 =$ Rs $1,00,000$.

Step 2: Distinguish the three forfeiture amounts Of Rs 1,00,000 called up, Rs 20,000 remains unpaid and Rs 80,000 has been received. Thus Share Capital is debited Rs 1,00,000, while Calls-in-Arrears and Share Forfeiture are credited Rs 20,000 and Rs 80,000. Options (A) and (B) give credit amounts rather than the capital debit; option (D) exceeds the called-up capital.

Step 3: Conclusion Share Capital Account is debited with Rs 1,00,000. Hence, the correct option is (C).

Quick Tip to Solve: For the capital debit on forfeiture, multiply shares forfeited by called-up value, without deducting arrears.

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

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 1,20,000

Correct Answer: (B) Rs. 80,000

Solution:

Concept:

- Share Forfeiture Account is credited with capital money already received on forfeited shares.
- Received capital equals called-up capital less calls-in-arrears.

Step 1: Find the amount paid per share Each forfeited share was fully called up at Rs 10, but Rs 2 remained unpaid. Therefore the company had received $10 - 2 = \text{Rs } 8$ per share.

Step 2: Compute the forfeiture credit

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

This also equals Rs 1,00,000 called-up capital less Rs 20,000 arrears. Option (A) represents unpaid money, (C) represents the full called-up amount, and (D) exceeds the amount called up. None of them is the money actually received.

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

Quick Tip to Solve: Forfeiture retains the amount already paid: here Rs 8 per share, not the unpaid Rs 2.

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

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 70,000

Correct Answer: (D) Rs. 70,000

Solution:

Concept:

- Discount allowed on reissue of forfeited shares is debited to Share Forfeiture Account.
- The balance attributable to reissued shares is transferred to Capital Reserve.

Step 1: Calculate reissue discount All 10,000 forfeited shares are reissued at Rs 9 as Rs 10 fully paid. The discount is $10 - 9 = \text{Rs } 1$ per share, or $10,000 \times 1 = \text{Rs } 10,000$ in total.

Step 2: Calculate the capital profit The forfeiture credit is $10,000 \times (10 - 2) = \text{Rs } 80,000$. Deducting

the reissue discount gives $80,000 - 10,000 =$ Rs $70,000$ for Capital Reserve. Option (B) ignores the discount; (A) is the original arrears and (C) is called-up capital. Only the residual realised capital profit is transferred.

Step 3: Conclusion Capital Reserve is credited with Rs 70,000. Hence, the correct option is (D).

Quick Tip to Solve: Subtract the Rs 1 reissue discount from the Rs 8 forfeited amount per share, then multiply by 10,000.

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

(A) Nil

(B) Rs. 20,000

(C) Rs. 80,000

(D) Rs. 1,00,000

Correct Answer: (A) Nil

Solution:

Concept:

- Maximum reissue discount equals the amount forfeited on the shares reissued.
- At the minimum permissible price, the whole forfeiture balance is used to meet reissue discount.

Step 1: Determine the minimum reissue price The forfeited amount is Rs 8 per share because Rs 2 of the Rs 10 called-up amount remained unpaid. Therefore the maximum discount is Rs 8 and the minimum reissue price as fully paid is $10 - 8 =$ Rs 2 per share.

Step 2: Find the remaining forfeiture balance The Rs 80,000 forfeiture credit is fully absorbed by $10,000 \times$ Rs $8 =$ Rs $80,000$ reissue discount. Thus $80,000 - 80,000 = 0$ remains for Capital Reserve. Option (B) is the minimum reissue cash received, (C) is the forfeited amount before discount, and (D) is nominal capital. None is a remaining capital profit.

Step 3: Conclusion The amount credited to Capital Reserve is Nil. Hence, the correct option is (A).

Quick Tip to Solve: At the minimum reissue price, the maximum allowable discount consumes the full forfeited amount, leaving no capital profit.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Application and allotment of Rs 20 comprises Rs 3 capital and Rs 17 premium; the call of Rs 10 comprises Rs 7 capital and Rs 3 premium.
- Excess application money is adjusted separately for each allotment category. Money beyond that category's total issue price is refunded; it cannot pay another category's call.
- On forfeiture, debit called-up capital and premium due but unpaid. Credit the unpaid call to Calls-in-Arrears and capital received to Share Forfeiture.

Step 1: Working Notes: calculate the category adjustments Category (i) pays $2,00,000 \times 20 =$ Rs $40,00,000$. Its application and allotment liability is $1,50,000 \times 20 =$ Rs $30,00,000$, leaving Rs 10,00,000 for its call of Rs 15,00,000. Its balance payable is therefore Rs 5,00,000.

Category (ii) pays $1,00,000 \times 20 =$ Rs $20,00,000$. Its application and allotment liability is Rs 10,00,000 and its call is only $50,000 \times 10 =$ Rs $5,00,000$. Thus Rs 5,00,000 is held as calls in advance and the other Rs 5,00,000 is refunded.

Total calls in advance are $10,00,000 + 5,00,000 =$ Rs $15,00,000$. The full Rs 20,00,000 excess cannot be transferred to calls in advance, because Rs 5,00,000 exceeds category (ii)'s total obligation.

Step 2: Working Notes: calculate Deepali's default Deepali receives $2,000 \times 1,50,000/2,00,000 = 1,500$ shares. Her payment is Rs 40,000; application and allotment due is $1,500 \times 20 =$ Rs $30,000$. Hence her call advance is Rs 10,000.

Her full call is $1,500 \times 10 =$ Rs $15,000$, so calls in arrears are Rs 5,000. Cash received on the call from the other shareholders is $5,00,000 - 5,000 =$ Rs $4,95,000$.

Adjust the advance against the capital component first. Call capital due is $1,500 \times 7 =$ Rs $10,500$, of which Rs 10,000 is received; unpaid capital is Rs 500. Call premium $1,500 \times 3 =$ Rs $4,500$ remains unpaid and is reversed on forfeiture. Capital received is $1,500 \times 3 + 10,000 =$ Rs $14,500$.

Step 3: Record application, allotment and refund Journal of Centurion Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		60,00,000	
	To Share Application and Allotment A/c			60,00,000
	(Being application money received on 3,00,000 shares at Rs 20 each.)			
	Share Application and Allotment A/c Dr.		60,00,000	
	To Share Capital A/c			6,00,000
	To Securities Premium A/c			34,00,000
	To Calls-in-Advance A/c			15,00,000
	To Bank A/c			5,00,000
	(Being 2,00,000 shares allotted, excess adjusted up to calls due and the balance refunded.)			

Step 4: Record the call and forfeiture Journal of Centurion Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		20,00,000	
	To Share Capital A/c			14,00,000
	To Securities Premium A/c			6,00,000
	(Being first and final call due at Rs 10 per share, including Rs 3 premium.)			
	Bank A/c Dr.		4,95,000	
	Calls-in-Advance A/c Dr.		15,00,000	
	Calls-in-Arrears A/c Dr.		5,000	
	To Share First and Final Call A/c			20,00,000
	(Being call collected after adjustment of advance, except Deepali's unpaid balance.)			
	Share Capital A/c Dr.		15,000	
	Securities Premium A/c Dr.		4,500	
	To Calls-in-Arrears A/c			5,000
	To Share Forfeiture A/c			14,500
	(Being Deepali's 1,500 fully called shares forfeited and unpaid call premium cancelled.)			

Step 5: Open and close the two call accounts Calls-in-Advance Account

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Share First and Final Call	15,00,000	By Share Application and Allotment	15,00,000
To Balance c/d	Nil		
Total	15,00,000	Total	15,00,000

Calls-in-Arrears Account

Dr. Particulars	Amount (Rs)	Cr. Particulars	Amount (Rs)
To Share First and Final Call	5,000	By Sundries (forfeiture entry)	5,000
		By Balance c/d	Nil
Total	5,000	Total	5,000

Both accounts close without a remaining balance: the advance is fully applied to the call, and forfeiture cancels Deepali's arrears.

Step 6: Conclusion Deepali's 1,500 shares are forfeited: debit Share Capital Rs 15,000 and Securities Premium Rs 4,500; credit Calls-in-Arrears Rs 5,000 and Share Forfeiture Rs 14,500. Both call adjustment accounts have nil closing balances.

Quick Tip to Solve: Calculate excess separately for each pro-rata category, and cap the advance at that category's remaining call. For Deepali, separate unpaid capital from unpaid premium before forfeiture.

OR

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

(i) Issue of Debentures.

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

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

Solution:

Concept:

- Issue at par means that cash received equals the face value of debentures. A premium payable on redemption is recognised at issue as a loss and a liability.
- Debenture interest is a charge against profit and is calculated on face value, not on the eventual redemption amount.
- Available securities premium can write off loss on issue of debentures; the remaining loss and the annual interest are charged to the Statement of Profit and Loss.

Step 1: Working Notes: calculate the issue and finance costs The number of debentures is $80,00,000/100 = 80,000$. At-par proceeds are Rs 80,00,000, while the redemption liability is $80,00,000 \times 105/100 =$ Rs $84,00,000$. Therefore the premium on redemption and the loss on issue are each Rs 4,00,000.

The debentures remain outstanding for the full year from 1 April 2023 to 31 March 2024. Thus annual interest is $80,00,000 \times 8/100 =$ Rs $6,40,000$. No tax deduction is specified.

Use the existing Securities Premium balance of Rs 3,00,000 towards the Rs 4,00,000 loss; the remaining Rs 1,00,000 is written off through the Statement of Profit and Loss.

Step 2: Record the issue of debentures: part (i) Journal of Romerio Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	Bank A/c Dr.		80,00,000	
	To Debenture Application and Allotment A/c			80,00,000
	(Being application and allotment money received for 80,000 debentures at par.)			
1 Apr 2023	Debenture Application and Allotment A/c Dr.		80,00,000	
	Loss on Issue of Debentures A/c Dr.		4,00,000	
	To 8% Debentures A/c			80,00,000
	To Premium on Redemption of Debentures A/c			4,00,000
	(Being debentures issued at par, redeemable at a premium of 5%.)			

Step 3: Record interest due and paid: part (ii) Journal of Romerio Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 Mar 2024	Debenture Interest A/c Dr.		6,40,000	
	To Debentureholders A/c			6,40,000
	(Being interest due for the year at 8% on Rs 80,00,000.)			
31 Mar 2024	Debentureholders A/c Dr.		6,40,000	
	To Bank A/c			6,40,000
	(Being annual debenture interest paid.)			

Step 4: Transfer interest and write off the loss: part (iii) Journal of Romerio Ltd. (continued)

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

The premium-on-redemption liability remains outstanding until redemption. Writing off the loss eliminates the deferred loss account; it does not cancel the liability to debentureholders.

Step 5: Conclusion Interest for the year is Rs 6,40,000. The Rs 4,00,000 loss on issue is written off against Securities Premium Rs 3,00,000 and the Statement of Profit and Loss Rs 1,00,000. Total charge to the Statement of Profit and Loss is Rs 7,40,000.

Quick Tip to Solve: Keep redemption premium and annual interest separate: calculate 5% and 8% respectively on the Rs 80,00,000 face value, then use securities premium only for writing off the issue loss.

Part B (20 marks)

Option – I

(Analysis of Financial Statements)

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

(A) Ratio Analysis

(B) Cash Flow Analysis

(C) Common Size Statements

(D) Comparative Statements

Correct Answer: (D) Comparative Statements

Solution:

Concept:

- Comparative statements place corresponding financial data for two or more periods side by side.
- Absolute and percentage changes reveal the direction of change in financial position and operating results.

Step 1: Identify the purpose of the tool To identify a trend, we must compare the same items over time. Comparative balance sheets and comparative statements of profit and loss show increases or decreases from one period to another, both in rupees and as percentages of the earlier period's amounts.

Step 2: Distinguish the other tools Ratio analysis examines relationships between selected financial figures. Cash flow analysis classifies cash inflows and outflows by activity. Common size statements express each item as a percentage of a common base, emphasising composition. The tool specifically described as indicating the trend and direction of financial position and operating results is comparative statements.

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

Quick Tip to Solve: Link period-to-period increases and decreases with comparative statements; link percentages of a common total with common size statements.

OR

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

(A) Revenue from operations

(B) Total liabilities

(C) Total expenses

(D) Total assets

Correct Answer: (A) Revenue from operations

Solution:

Concept:

- A common-size statement expresses each item as a percentage of a common base, enabling comparison despite differences in company size.
- For a common-size Statement of Profit and Loss, revenue from operations is the base and is taken as 100%.

Step 1: Identify the base Each income, expense and profit figure is divided by revenue from operations and multiplied by 100. Thus,

$$\text{Common-size percentage} = \frac{\text{Individual item}}{\text{Revenue from operations}} \times 100.$$

Step 2: Check the alternatives Total liabilities and total assets relate to the Balance Sheet, so (B) and (D) are unsuitable for this statement. Total expenses, option (C), are an item to be expressed relative to revenue from operations; they are not the base.

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

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

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

(A) Accounting Standard 3

(B) Accounting Standard 26

(C) The Companies Act, 2013

(D) The Companies Act, 1956

Correct Answer: (A) Accounting Standard 3

Solution:

Concept:

- Accounting Standard 3 (AS 3), Cash Flow Statements, governs preparation and presentation of a Cash Flow Statement.
- AS 3 classifies cash flows into operating, investing and financing activities.

Step 1: Identify the applicable standard The Cash Flow Statement explains changes in cash and cash equivalents during an accounting period. The relevant standard for its preparation is AS 3; its classification rules determine where receipts and payments appear.

Step 2: Eliminate the other choices AS 26 concerns intangible assets and therefore does not prescribe cash-flow preparation. The Companies Act may govern the requirement to present financial statements, but neither the 2013 Act nor the 1956 Act is the accounting standard sought here. Thus (B), (C) and (D) do not answer the question.

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

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

OR

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

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

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

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

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

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

Solution:

Concept:

- Operating activities are the principal revenue-producing activities and include cash received from customers and cash paid to employees.
- Investing activities concern long-term assets; financing activities concern owners' funds and borrowings.

Step 1: Test options (A), (B) and (C) Proceeds from sale of goods and services are an operating cash inflow, not an outflow, so (A) is false. Dividend paid is a financing cash outflow under the CBSE treatment, so (B) is false. Proceeds from sale of machinery are an investing cash inflow, so the word outflow makes (C) false.

Step 2: Test the employee payment Employee benefit expenses arise in carrying on the regular business. Their payment reduces cash and is classified under operating activities. Both the direction and classification given in (D) are therefore correct.

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

Quick Tip to Solve: Test each cash-flow option twice: first decide receipt or payment, then identify the activity.

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

(A) Payment of outstanding salary

(B) Cash received from debtors

(C) Sale of goods at a profit

(D) Purchase of goods for cash

Correct Answer: (D) Purchase of goods for cash

Solution:

Concept:

- Quick ratio $=$ Quick assets/Current liabilities. Quick assets exclude inventory and prepaid expenses from current assets.
- A cash purchase of inventory exchanges a quick asset for a non-quick current asset without changing current liabilities.

Step 1: Analyse the transaction that reduces the numerator Purchase of goods for cash decreases cash, while the new inventory is excluded from quick assets. Current liabilities remain unchanged, so the quick ratio decreases. For example, quick assets of Rs 200 and liabilities of Rs 100 give $2:1$; a Rs 20 cash purchase changes the ratio to $180/100 = 1.8:1$.

Step 2: Check the remaining transactions Payment of outstanding salary reduces quick assets and current liabilities equally; with the initial ratio above 1, the ratio increases, for example $180/80 = 2.25:1$. Cash received from debtors merely exchanges one quick asset for another and leaves the ratio unchanged. Sale of goods at a profit increases cash or debtors while inventory is excluded from quick assets, so it does not decrease the ratio.

Step 3: Conclusion Purchase of goods for cash decreases the quick ratio. Hence, the correct option is (D).

Quick Tip to Solve: Inventory is excluded from quick assets: converting cash into goods reduces only the quick-ratio numerator.

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

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

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

(A) Only Statement I is true.

(B) Only Statement II is true.

(C) Both the Statements are false.

(D) Both the Statements are true.

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

Solution:

Concept:

- Under the indirect method, net profit is adjusted for non-cash and non-operating items before working-capital changes.
- Interest on investments included in net profit is non-operating income and is deducted when determining operating profit.

Step 1: Verify Statement I The reported net profit includes interest income of Rs 1,00,000. Remove this non-operating income:

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

No other adjustments are supplied. Statement I is therefore true.

Step 2: Verify Statement II Interest on investments is earned from investing funds rather than the company's ordinary operating activity. Its subtraction prevents investing income from remaining in operating profit. Statement II correctly states the reason for the adjustment and is true. Options (A), (B) and (C) each incorrectly reject at least one true statement.

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

Quick Tip to Solve: When net profit already includes investment interest, deduct it once in the operating-profit reconciliation.

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

(a) Public Deposits

(b) Licences and Franchise

(c) Accrued Income [3 marks]

Solution:

Concept:

- Schedule III, Part I presents assets and liabilities under current and non-current major heads, with relevant sub-heads.
- Classify an item first by its nature, then by its maturity or realisation period. Intangible assets are identifiable assets without physical substance.

Step 1: Classify each item by its nature (a) Public deposits are funds borrowed from the public. In the usual classification where no short maturity is specified, they are long-term borrowings under non-current liabilities. (b) Licences and franchise are rights used by the business; they are intangible assets rather than physical fixed assets. (c) Accrued income is income earned but not yet received. It represents an amount receivable and is shown under other current assets.

Step 2: Present the prescribed heads **Balance Sheet classification (Schedule III, Part I)**

Item	Major head	Sub-head
Public deposits	Non-current liabilities	Long-term borrowings
Licences and franchise	Non-current assets	Fixed assets: intangible assets
Accrued income	Current assets	Other current assets

Public deposits are classified here using the standard long-term treatment. If a deposit were expressly repayable within twelve months, the current classification would depend on that maturity; the question gives no such qualification.

Step 3: Conclusion Public deposits: non-current liabilities, long-term borrowings; licences and franchise: non-current assets, intangible assets; accrued income: current assets, other current assets.

Quick Tip to Solve: For these items, recall the nature first: deposits are borrowings, licences are non-physical rights, and accrued income is a receivable.

32. From the following information of AK Ltd., 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
Other Income	1,60,000	80,000
Employee Benefit Expenses - 50% of Revenue from Operations		
Tax rate 50%		

[3 marks]

Solution:

Concept:

- A comparative statement shows the previous-year amount, current-year amount, absolute change and percentage change for each item.
- Absolute change equals the current-year amount less the previous-year amount. Divide this change by the previous-year amount and multiply by 100 to obtain the percentage change.
- Employee benefit expenses are 50% of revenue from operations. Tax is 50% of profit before tax.

Step 1: Calculate expenses, profit and tax **Working Notes**

For 2022–23, employee benefit expenses are $4,00,000 \times 50\% = \text{Rs } 2,00,000$. Total income is $4,00,000 + 80,000 = \text{Rs } 4,80,000$, so profit before tax is $4,80,000 - 2,00,000 = \text{Rs } 2,80,000$. Tax and profit after tax are each Rs 1,40,000.

For 2023–24, employee benefit expenses are $8,00,000 \times 50\% = \text{Rs } 4,00,000$. Total income is Rs 9,60,000, and profit before tax is $9,60,000 - 4,00,000 = \text{Rs } 5,60,000$. Tax and profit after tax are each Rs 2,80,000.

Step 2: Prepare the comparative statement **AK Ltd.**

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. Other income	80,000	1,60,000	80,000	100
III. Total income (I + II)	4,80,000	9,60,000	4,80,000	100
IV. Expenses:				
Employee benefit expenses	2,00,000	4,00,000	2,00,000	100
Total expenses	2,00,000	4,00,000	2,00,000	100
V. Profit before tax (III - IV)	2,80,000	5,60,000	2,80,000	100
VI. Tax expense (50%)	1,40,000	2,80,000	1,40,000	100
VII. Profit after tax (V - VI)	1,40,000	2,80,000	1,40,000	100

For example, the percentage increase in profit after tax is $1,40,000/1,40,000 \times 100 = 100\%$. The previous year is the denominator, even though the source table lists the current year first.

Step 3: Conclusion Profit after tax increased from Rs 1,40,000 to Rs 2,80,000, an increase of Rs 1,40,000 or 100%. Every listed financial amount doubled.

Quick Tip to Solve: Calculate employee expenses from revenue from operations only; calculate tax from profit before tax, and percentage changes using the previous year.

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

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

[4 marks]

Solution:

Concept:

- Interest Coverage Ratio measures how many times profit before interest and tax covers interest on long-term debt. Thus, Interest Coverage Ratio $= \dfrac{\text{Profit before interest and tax}}{\text{Interest on long-term debt}}$.
- Profit after tax (PAT) equals profit before tax (PBT) multiplied by $1 - t$, where t is the tax rate as a decimal. Hence, PBT $= \dfrac{\text{PAT}}{1-t}$.
- Debenture interest is a charge against profit, whereas equity share capital carries no fixed interest charge. Add debenture interest back to PBT to obtain profit before interest and tax (EBIT).

Step 1: Calculate annual interest on debentures The company has 15% debentures of Rs 20,00,000. Interest is calculated on the face amount of these debentures:

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

Equity share capital of Rs 10,00,000 is not included in this calculation because it is owners' funds, not an interest-bearing debt.

Step 2: Convert profit after tax into profit before tax Tax is 30% of profit before tax, so PAT represents 70% of PBT. Divide PAT by 70%, rather than adding 30% of PAT:

$$\text{PBT} = \frac{6,30,000}{1-0.30} = \frac{6,30,000}{0.70} = \text{Rs } 9,00,000.$$

The implied tax is Rs 2,70,000, and Rs 9,00,000 less Rs 2,70,000 confirms the given PAT of Rs 6,30,000.

Step 3: Find EBIT and apply the coverage formula PBT is already after charging debenture interest. Restore that interest to measure the earnings available to meet the charge:

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

Therefore,

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

Step 4: Conclusion The Interest Coverage Ratio is $\boxed{4 \text{ times}}$. Earnings before interest and tax cover the annual debenture interest four times.

Quick Tip to Solve: Work backwards from PAT: divide by 0.70 to remove tax, then add Rs 3,00,000 interest before calculating coverage.

OR

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

Trade Receivables Turnover Ratio = 5 times

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

Gross Profit Ratio = 20%

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

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

Solution:

Concept:

- Gross Profit Ratio is gross profit divided by revenue from operations, multiplied by 100. Thus, a Gross Profit Ratio of 20% means cost of revenue from operations is 80% of revenue from operations.
- Trade Receivables Turnover Ratio equals net credit revenue from operations divided by average trade receivables. Average trade receivables equal half the sum of opening and closing trade receivables.
- When cash sales are one-fourth of credit sales, total sales comprise five equal parts: four credit and one cash. Credit sales therefore equal $\frac{4}{5}$ of total sales.

Step 1: Calculate total revenue from operations Gross profit is 20% of sales, so the given cost of Rs 8,00,000 represents the remaining 80% of sales. Consequently,

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

This gives gross profit of Rs 2,00,000, which is 20% of Rs 10,00,000 as required.

Step 2: Separate cash sales from credit sales Let credit sales be C. Since cash sales are $C/4$, total sales are $C + C/4 = 5C/4$. Hence,

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

Cash sales are therefore Rs 2,00,000. Only the credit sales of Rs 8,00,000 enter the trade receivables turnover calculation; cash sales do not create trade receivables.

Step 3: Determine average trade receivables Substitute credit sales and the given turnover of 5 times:

$$5 = \frac{8,00,000}{\text{Average trade receivables}},$$

$$\text{Average trade receivables} = \frac{8,00,000}{5} = \text{Rs } 1,60,000.$$

Step 4: Solve for opening and closing balances Let opening trade receivables be Rs x. Closing trade

receivables are Rs $(x + 40,000)$. Using their average,

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

Closing trade receivables are $1,40,000 + 40,000 =$ Rs $1,80,000$. The two balances average Rs 1,60,000 and differ by Rs 40,000, verifying both given conditions.

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

Quick Tip to Solve: Cash sales equal one-fourth of credit sales, so credit sales are four-fifths of total sales. Then place the two receivables balances Rs 20,000 below and above their average.

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

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

Additional Information :

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

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

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

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

Solution:

Concept:

- Investing activities comprise cash purchases and sales of long-term assets and investments. For a non-financial enterprise, interest and dividends received are also investing inflows.
- Depreciation is a non-cash charge. When plant balances are carrying amounts, reconcile opening balance plus purchases less carrying amount sold and current depreciation to the closing balance.

Step 1: Determine the carrying amount and cash proceeds of the machine The machine's original cost was Rs 60,000 and depreciation already provided on it was Rs 18,000. Therefore,

$$\text{Carrying amount sold} = 60,000 - 18,000 = \text{Rs } 42,000.$$

It was sold for Rs 48,000, giving a profit of Rs $48,000 - 42,000 = 6,000$. The investing inflow is the

actual receipt of Rs 48,000. The profit is not an additional cash receipt.

Step 2: Calculate the purchase of plant and machinery Treat the balances of plant and machinery as net carrying amounts. Let cash purchases during the year be P. Then

$$\begin{aligned} 8,00,000 &= 6,00,000 + P - 42,000 - 60,000, \\ P &= 8,00,000 - 6,00,000 + 42,000 + 60,000 \\ &= \text{Rs } 3,02,000. \end{aligned}$$

The reconciliation is shown below. The machine sold is removed at its carrying amount, so its accumulated depreciation is not deducted a second time.

Plant and Machinery Account (net carrying amount)

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	6,00,000	By Machinery Disposal A/c	42,000
To Bank (purchases)	3,02,000	By Depreciation	60,000
		By Balance c/d	8,00,000
Total	9,02,000	Total	9,02,000

Step 3: Find the remaining investing receipts and payments The reduction in 10% long-term investments is treated as sale proceeds at book value, since no gain, loss or other transaction is given:

$$4,50,000 - 2,50,000 = \text{Rs } 2,00,000.$$

Additional investment in Pinnacle Ltd. is $14,00,000 - 5,00,000 = \text{Rs } 9,00,000$. The increase in goodwill, $1,40,000 - 1,00,000 = \text{Rs } 40,000$, is treated as a cash purchase. Patents are explicitly sold at book value, so the receipt is Rs 1,50,000. Use the stated interest receipt of Rs 45,000 and dividend receipt of Rs 40,000; do not estimate interest from the closing investment balance.

Step 4: Prepare the investing section of the cash flow statement **Cash Flow Statement (extract)**
For the year ended 31 March 2024

Particulars	Amount (Rs)
B. Cash flows from investing activities	
Sale of 10% long-term investments	2,00,000
Sale of plant and machinery	48,000
Sale of patents	1,50,000
Interest received on long-term investments	45,000
Dividend received from Pinnacle Ltd.	40,000
Total cash inflows	4,83,000
Purchase of plant and machinery	(3,02,000)
Purchase of goodwill	(40,000)
Purchase of shares of Pinnacle Ltd.	(9,00,000)
Total cash outflows	(12,42,000)
Net cash used in investing activities	**(7,59,000)**

Parentheses indicate payments or a negative net cash flow. Depreciation and profit on sale do not appear as separate investing cash flows.

Step 5: Conclusion Cash flows from investing activities are $\boxed{\text{Rs } (7,59,000)}$, i.e. a net cash outflow of Rs 7,59,000.

Quick Tip to Solve: For net plant balances, add both current depreciation and the book value sold to the increase in plant; show the actual sale receipt separately.

Option II (Computerised Accounting)

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

(A) Data vault

(B) Password security

(C) Data audit

(D) Data integrity

Correct Answer: (B) Password security

Solution:

Concept:

- Password security restricts database access to authorised users who supply the required password.
- An access-control method should be distinguished from an audit trail or a check on the correctness of stored data.

Step 1: Identify the security control The question describes a widely accepted control that uses a binary coding format of storage for database access. In computerised accounting terminology, this describes password security: a user must provide the required secret credential before access is permitted.

Step 2: Check the other alternatives A data vault is concerned with protected storage, not the named password-based access control. Data audit examines records and changes, while data integrity concerns accuracy and consistency of data. Thus none of (A), (C) or (D) identifies the control described.

Step 3: Conclusion The correct option is (B) Password security.

Quick Tip to Solve: Link the words "access to database" to an authentication control; integrity and audit concern different safeguards.

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

(A) A text or special character

(B) Used for rows, columns or descriptive information

(C) Can be treated mathematically

(D) Both (A) and (B)

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

Solution:

Concept:

- Labels are text entries, including special characters, used to describe or identify spreadsheet information.
- Labels commonly identify rows, columns and other descriptive information; numerical values are used in arithmetic calculations.

Step 1: Evaluate statements (A) and (B) Statement (A) correctly describes labels as text or special characters. Statement (B) correctly describes their purpose: a label such as Sales or Month gives meaning to a row, column or entry. Both descriptions apply to the same spreadsheet element.

Step 2: Distinguish labels from numerical values A label is not, by itself, a numerical value to be treated mathematically, so (C) is incorrect. Choosing (A) alone or (B) alone leaves out another true description. The combined alternative (D) includes both correct statements.

Step 3: Conclusion The correct option is (D). Both the text description and its descriptive use are correct.

Quick Tip to Solve: Separate what a label contains (text) from what it does (describes data); both descriptions can be correct.

OR

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

(A) Function library

(B) Defined names

(C) Page layout

(D) Calculations

Correct Answer: (C) Page layout

Solution:

Concept:

- The Formulas tab groups commands for inserting functions, defining names and controlling calculation.
- Page Layout is a separate ribbon tab for page setup and related layout settings.

Step 1: Check the formula-related groups Function Library supplies functions, Defined Names manages named cells and ranges, and Calculation controls formula recalculation. Therefore the alternatives (A), (B) and (D) all describe commands or groups associated with the Formulas tab.

Step 2: Identify the separate ribbon tab Page Layout contains page setup and layout controls rather than being a group on the Formulas tab. Because the question asks which choice is NOT contained on that tab, the separate Page Layout tab is the required selection.

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

Quick Tip to Solve: Notice the word "not": eliminate the three groups used for formulas, names and recalculation.

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

(A) Sequential code

(B) Mnemonic code

(C) Alphabetic code

(D) Block code

Correct Answer: (A) Sequential code

Solution:

Concept:

- Sequential codes assign consecutive numbers to documents in their order of creation.
- A break in a consecutive series identifies a document number that should be traced or explained.

Step 1: Apply the missing-document test If documents are numbered 101, 102, 103 and 105, the gap immediately identifies 104 as the number to investigate. Sequential coding therefore enables the identification of missing documents; the gap signals the need for follow-up rather than proving why the document is absent.

Step 2: Compare the remaining codes Mnemonic codes use meaningful abbreviations to aid memory. Alphabetic codes use letters, and block codes reserve ranges for categories. These features describe or classify items, but do not by themselves provide the consecutive-document gap check asked for here.

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

Quick Tip to Solve: Write three consecutive document numbers and omit one: the visible gap demonstrates why sequential coding works.

OR

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

(A) Single value

(B) Store value

(C) Null value

(D) Multi value

Correct Answer: (C) Null value

Solution:

Concept:

- A null value represents the absence of a data item in a database field.
- Null is different from an actual numerical value of zero or a text entry stored in the field.

Step 1: Identify the meaning of absence When a field has no available data item, the database uses the special null value to represent that absence. For example, an unavailable value is not automatically entered as zero, because zero would itself assert a particular numerical value.

Step 2: Check the other options Single value describes a quantity of values, while multi value suggests

more than one value. Store value is not the special database term for absent data. These alternatives do not convey the required meaning of a missing data item, leaving null value as the correct term.

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

Quick Tip to Solve: Treat null as "no data item supplied", and do not confuse it with a genuine stored value such as zero.

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

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

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

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

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

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

Solution:

Concept:

- Information processing converts raw facts, called data, into meaningful information for users.
- Data must first be collected, then organised and processed, before the resulting information can be communicated.

Step 1: Establish the logical sequence Collection supplies the input. Organisation classifies the collected facts, and processing performs calculations or summarisation. Communication then delivers the results to users, for example through an accounting report.

Step 2: Test the options Option (A) incorrectly puts organisation before collection and omits communication. Options (B) and (C) begin with processing before the required data have been collected. Option (D) includes collection, organisation and processing, followed by communication, in the correct order.

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

Quick Tip to Solve: Follow input to processing to output: collection must precede processing, and communication comes last.

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

Solution:

Concept:

- A graph presents numerical data visually using features such as bars, lines or sectors.
- Graphs help users interpret relationships and changes in accounting data without first reading every individual figure in a table.

Step 1: Explain simple and quick understanding **Easy presentation and comprehension:** A graph condenses a large volume of figures into an understandable visual form. Readers can quickly grasp the main message, such as which expense is the largest, even when they are unfamiliar with detailed accounting statements. This saves time in interpreting numerical information.

Step 2: Explain comparison **Convenient comparison:** Graphs make differences between categories, departments or periods readily visible. For example, bars representing sales of different products allow a user to compare their relative performance immediately. A suitably labelled graph makes both large and small differences easier to identify than a long list of amounts.

Step 3: Explain recognition of trends **Identification of trends and patterns:** A graph of monthly sales shows whether sales are rising, falling or fluctuating. Such patterns, and unusual peaks or declines, help management assess past performance and support planning and decisions. The graph assists interpretation; it does not itself establish the cause of a change or guarantee a future result.

Step 4: Conclusion Graphs simplify numerical information, facilitate comparisons and reveal trends or patterns useful for decision-making.

Quick Tip to Solve: Recall three advantages as understand, compare and identify trends; illustrate each with sales or expense data.

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

Solution:

Concept:

- Tailored software is developed to meet the particular requirements, procedures and reporting needs of an individual organisation.
- Specific software is designed to perform a particular task or application, such as payroll calculation or billing, rather than being developed around all the unique needs of one organisation.

Step 1: Identify the basis of distinction The key distinction is the focus of design. Tailored software begins with the requirements of a particular user or business, whereas specific software begins with a defined function. Thus, software made to implement one company's own accounting procedures is tailored; a package intended specifically for payroll performs a particular application.

Step 2: Compare on three bases

Basis	Tailored software	Specific software
Purpose	Meets the unique requirements of a particular organisation.	Performs a specified task or function, such as billing or payroll.
Development	Developed after studying the organisation's procedures, controls and required reports.	Developed around the requirements of the specified application; the same package may serve different users needing that function.
Cost and time	Usually involves higher development cost and more implementation time because it is made to order.	An available task-specific package generally involves lower acquisition cost and less implementation time than developing a bespoke system.

These cost and time differences describe the usual comparison with an available specific package; the actual amounts depend on the complexity of the software required.

Step 3: Conclusion Tailored software is organisation-specific, while specific software is task-specific; they differ in purpose, development approach, and the usual cost and time involved.

Quick Tip to Solve: Link tailored to one organisation's requirements and specific to one task, then compare the two on the same bases.

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

Solution:

Concept:

- The accounting cycle is the sequence from identifying financial transactions to recording, classifying and summarising them in financial statements.
- Computers process entered transactions under the accounting rules and account classifications set up in the software. Supporting documents, correct inputs and authorised adjustments remain essential.

Step 1: Identify transactions and prepare accounting documents **Identification and documentation:** Financial transactions are identified from source documents, such as invoices and receipts, and accounting vouchers are prepared. Computers can generate and store these documents, including dates, amounts and the accounts affected. The supporting evidence establishes what is to be recorded.

Step 2: Record and classify transactions **Journalising or recording:** The voucher details are entered with the appropriate debit and credit accounts. The software records the transaction in the relevant journal or subsidiary book and can check whether total debits equal total credits. **Posting to ledgers:** Recorded transactions are classified and posted to their respective ledger accounts. Thus, a single authorised voucher entry can update the relevant accounts without separately copying the same information into each ledger.

Step 3: Balance accounts and prepare the trial balance **Ledger balancing:** The computer totals the debit and credit entries and calculates each account's balance. **Trial balance:** Ledger balances are collected into a trial balance to check the equality of debit and credit totals. Agreement is an arithmetical check; it does not prove that every transaction has been entered in the correct account.

Step 4: Process adjustments and prepare final accounts **Adjustment entries:** Approved adjustments for matters such as depreciation, accrued income, outstanding expenses and prepaid expenses are entered and posted. The system then produces updated balances. **Financial statements:** These balances are used to prepare the Trading and Profit and Loss Account or Statement of Profit and Loss, as applicable, and the Balance Sheet. The system can also generate supporting schedules and reports. **Closing and carry-forward:** At the end of the period, closing entries transfer nominal account balances to the appropriate final accounts, while continuing asset, liability and capital balances are carried forward to the next accounting period.

Step 5: Conclusion Computers support documentation, recording, ledger posting and balancing,

trial balance preparation, adjustment processing, preparation of financial statements, and period-end closing with carry-forward of balances.

Quick Tip to Solve: Trace one voucher through journal, ledger, trial balance, adjustments and final accounts to recall the accounting cycle in order.

OR

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

Solution:

Concept:

- Accounting software records and processes financial transactions and converts the stored data into useful accounting information.
- Once a transaction is entered correctly, integrated software can update the related books, balances and reports, reducing repeated manual work.

Step 1: 1. Recording transactions It records financial transactions through vouchers, such as cash receipts, cash payments, purchases, sales and journal entries. Entries can be stored systematically and retrieved when required.

Step 2: 2. Maintaining ledger accounts It posts recorded transactions to the relevant ledger accounts and calculates their balances. For example, a credit sale updates the customer's account as well as the sales account.

Step 3: 3. Preparing the trial balance It compiles the debit and credit balances of ledger accounts to prepare a trial balance. This assists in checking the arithmetical agreement of the books and provides a basis for further reporting.

Step 4: 4. Preparing financial statements It prepares statements such as the Trading Account, Profit and Loss Account and Balance Sheet from recorded balances, after the required adjustments have been entered.

Step 5: 5. Managing inventory It maintains records of stock receipts, issues and closing balances. Inventory reports help the business monitor quantities, value its stock and identify items requiring replenishment.

Step 6: 6. Processing payroll It calculates employees' salaries and wages, allowances and deductions. It also prepares salary records and payslips and helps account for amounts payable to employees.

Step 7: 7. Managing receivables and payables It tracks amounts due from customers and amounts due to suppliers. Outstanding-balance and ageing reports help the business follow up collections and plan payments on time.

Step 8: 8. Preparing bank reconciliations It helps compare the bank transactions recorded in the books with bank-statement entries. Unmatched items, such as unpresented cheques or bank charges, can then be identified for reconciliation.

Step 9: Conclusion The eight uses are recording transactions, maintaining ledgers, preparing the trial

balance, preparing financial statements, managing inventory, processing payroll, managing receivables and payables, and preparing bank reconciliations.

Quick Tip to Solve: List eight distinct accounting functions; do not count speed, accuracy and economy as separate uses of software.

34. What is meant by 'Pivot Table' ? What are its uses ? [6 marks]

Solution:

Concept:

- A Pivot Table is an interactive spreadsheet table that summarises and analyses a large set of data by arranging selected fields into rows, columns, values and filters.
- It groups related records and performs calculations such as sum, count and average. The summary can be rearranged without changing the underlying source records.

Step 1: Meaning and working of a Pivot Table A Pivot Table presents a concise summary of a detailed data list. The user chooses the fields to display as row headings and column headings, and selects a numeric field to summarise. The term "pivot" refers to changing the arrangement of these fields to view the same information from different perspectives. For example, from sales records containing region, product and sales amount, a Pivot Table can show products in rows, regions in columns and total sales at their intersections.

Step 2: Use 1: Summarising large volumes of data It converts many individual records into a compact report. Instead of examining every sales invoice, a user can obtain total sales for each product or region and also see the overall total.

Step 3: Use 2: Calculating totals, counts and averages It performs useful aggregate calculations on grouped data, such as the sum of sales, the number of transactions or the average sale value. Subtotals and grand totals make the summary easier to interpret.

Step 4: Use 3: Comparing categories It compares information across two or more classifications. For instance, product-wise sales may be compared across regions to identify which product contributes most to sales in each region.

Step 5: Use 4: Grouping and analysing periods It can group suitable data into categories or periods, such as months, quarters or years. This helps study sales movements over time and recognise patterns that would be difficult to see in a long transaction list.

Step 6: Use 5: Filtering and sorting information Filters restrict the summary to the records relevant to a particular enquiry, such as one region or one year. Sorting the resulting totals helps identify the largest and smallest values and focus attention on significant items.

Step 7: Use 6: Rearranging reports for analysis Fields can be moved between rows and columns to create a different view of the same source data. A region-wise product summary can therefore be changed into a product-wise regional summary quickly, helping prepare flexible management reports for decisions.

Step 8: Conclusion A Pivot Table is a flexible tool for summarising and analysing spreadsheet data. Its

main uses include aggregation, calculations, comparison, grouping, filtering, sorting and rearranging data into useful reports.

Quick Tip to Solve: Define the tool first, then connect each use to a sales-data example; distinguish the summary from the original transaction records.