CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-6-3

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

(A) 5:2:2:1

(B) 2:3:3:2

(C) 3:3:2:2

(D) 4:3:2:1

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

Solution:

Concept:

- A new partner acquires a share by reducing the shares of the partners who sacrifice; the shares of non-sacrificing partners remain unchanged.
- The new share of a sacrificing partner equals the old share less the share surrendered. All new shares must total 1.

Step 1: Express the old shares The old ratio is $2:3:5$, whose terms total 10. Thus D, E and F hold $2/10$, $3/10$ and $5/10$, respectively. G receives $1/5 = 2/10$ entirely from F, so D and E make no sacrifice.

Step 2: Deduct the share from F only F retains $5/10 - 2/10 = 3/10$. Hence the four shares, in the order D, E, F, G, are $2/10, 3/10, 3/10, 2/10$. They total 1. Options (A), (C) and (D) alter D or E, although neither gives any share to G.

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

Quick Tip to Solve: Keep D and E unchanged and deduct G's entire share from F before clearing the common denominator.

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

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

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

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

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

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

Solution:

Concept:

- When profit to the date of death is estimated using the preceding year, apply the elapsed fraction of the year and the deceased partner's profit share.
- Estimated profit due to the deceased partner is credited to that partner's Capital Account and debited to Profit and Loss Suspense Account.

Step 1: Calculate profit up to the date of death The period from 1st April to 31st December is nine months. Khan's share is $1/(2+2+1) = 1/5$. Therefore,

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

Step 2: Identify the debit and credit Profit due increases the amount payable to Khan, so Khan's Capital Account is credited by Rs 90,000; Profit and Loss Suspense Account is debited by the same amount. Option (A) reverses this entry. Options (C) and (D) use Rs 1,20,000, which is Khan's share for an entire year rather than nine months.

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

Quick Tip to Solve: Count the months from the last closing date first; nine months, not a full year, precede Khan's death.

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

(A) Rs. 5,76,000

(B) Rs. 6,76,000

(C) Rs. 4,76,000

(D) Rs. 7,76,000

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

Solution:

Concept:

- Goodwill is to equal the previous year's corrected profit, as stipulated in the question.
- Overvaluing opening stock understates profit; overvaluing closing stock overstates profit. Corrections have opposite signs.

Step 1: Correct the two stock errors Opening stock enters cost of goods sold, so its Rs 50,000 overvaluation increases cost and reduces reported profit by Rs 50,000. Add that amount back. Closing stock reduces cost of goods sold, so its Rs 50,000 overvaluation increases reported profit. Deduct that amount.

Step 2: Value goodwill using adjusted profit

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

The equal corrections cancel. Options (B) and (C) wrongly combine the two errors in one direction; option (D) also overstates the adjustment. Usha's one-fourth share would affect her goodwill contribution, not the goodwill of the whole firm asked here.

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

Quick Tip to Solve: Write opening-stock correction as plus and closing-stock correction as minus; equal overvaluations cancel.

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

(A) Secured Debentures

(B) Redeemable Debentures

(C) Registered Debentures

(D) Bearer Debentures

Correct Answer: (D) Bearer Debentures

Solution:

Concept:

- Bearer debentures are transferable by delivery; the company does not maintain a register identifying their holders.
- Debentures can be classified by transferability, security or redemption. Match the feature in the question to the relevant classification.

Step 1: Identify the transferability feature The question gives two linked features: transfer merely by delivery, and no company record of debentureholders. Both describe bearer debentures, where possession is the relevant feature for the holder.

Step 2: Eliminate the other classifications Registered debentures require holder details in the company's register, so (C) contradicts the question. Secured debentures in (A) refer to security over assets, while redeemable debentures in (B) refer to repayment terms. Neither term identifies transfer by delivery without registration.

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

Quick Tip to Solve: Use the paired clues: delivery without a register points directly to bearer debentures.

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

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

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

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

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

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

Solution:

Concept:

- On dissolution, losses, including deficiencies of capital, are met first from profits, next from partners' capital and finally by partners individually.
- Any contribution required from partners individually is made in their profit-sharing ratio, rather than automatically in their capital ratio.

Step 1: State the order for absorbing losses Apply available profits first. If losses exceed these profits, use the partners' capital next. Only the balance still uncovered is contributed personally by the partners in their profit-sharing ratio. This sequence concerns meeting losses, not the separate sequence of paying liabilities from realised assets.

Step 2: Compare each proposed sequence Option (A) calls for personal contributions before capital is exhausted. Option (B) uses capital before profits. Option (C) starts with personal contributions. Each reverses the prescribed priority. Option (D) alone puts profits first, capital second and individual contributions last.

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

Quick Tip to Solve: Remember the loss-absorption order as profits, capital, personal contributions; do not confuse it with payment of liabilities.

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

(A) Rs. 9,600

(B) Rs. 4,800

(C) Rs. 800

(D) Rs. 1,600

Correct Answer: (B) Rs. 4,800

Solution:

Concept:

- Interest on drawings equals drawings multiplied by the annual interest rate and the fraction of the year for which the money is withdrawn.
- When only total drawings during the year are given and their dates are unspecified, the standard average period is six months.

Step 1: Choose the appropriate period Mohan withdrew Rs 80,000 during the year, but no withdrawal date or special monthly schedule is given. The average period is therefore six months. Treating all drawings as withdrawn on the first day would incorrectly use twelve months.

Step 2: Compute and compare the interest

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

Option (A), Rs 9,600, is a full year's interest. Options (C) and (D), Rs 800 and Rs 1,600, correspond to one and two months respectively; neither period is supported by the question.

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

Quick Tip to Solve: For total annual drawings with no dates, use six months; here that is half the annual interest of Rs 9,600.

OR

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

(A) Profit and Loss Account

(B) Partners' Current Account

(C) Interest on Capital Account

(D) Partners' Capital Account

Correct Answer: (C) Interest on Capital Account

Solution:

Concept:

- When interest on partners' capital is allowed, debit Interest on Capital Account and credit the partners' Capital Accounts, or Current Accounts under fixed capitals.
- The later transfer of Interest on Capital Account to Profit and Loss Appropriation Account is distinct from initially allowing the interest.

Step 1: Identify the account debited on allowance Allowing interest creates an amount due to the partners. Their Capital or Current Accounts are credited, while Interest on Capital Account is debited. The question asks for this initial debit, not the account used to close the interest account later.

Step 2: Check the alternatives Option (A), Profit and Loss Account, does not record this appropriation of partnership profit. Partners' Current Account in (B) and Partners' Capital Account in (D) are credited when interest is allowed, so neither is the required debit. Interest on Capital Account in (C) correctly identifies the debit account.

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

Quick Tip to Solve: Distinguish allowing interest from transferring it: first debit Interest on Capital, then close it through appropriation.

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

(A) Debited by Rs. 1,200

(B) Credited by Rs. 1,200

(C) Debited by Rs. 3,000

(D) Credited by Rs. 3,000

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

Solution:

Concept:

- On forfeiture, Share Forfeiture Account is credited with capital money already received on the forfeited shares.
- Only called-up capital is reversed. An uncalled final call is neither unpaid arrears nor part of the capital called up.

Step 1: Find called-up and received capital The face value is Rs 10, but the final Rs 3 has not been called. Thus called-up capital is Rs 7 per share. Of that, the Rs 2 first call is unpaid, leaving Rs 5 per share already received. For 600 shares, received capital is $600 \times \text{Rs } 5 = \text{Rs } 3,000$.

Step 2: Determine the forfeiture credit Share Capital Account is debited with $600 \times \text{Rs } 7 = \text{Rs } 4,200$; unpaid First Call Account is credited with Rs 1,200, and Share Forfeiture Account is credited with the Rs 3,000 received. The credits total Rs 4,200. Options (A) and (B) use the unpaid call instead of money received, while (C) reverses the required credit.

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

Quick Tip to Solve: Subtract both the uncalled Rs 3 and unpaid Rs 2 from face value; the remaining Rs 5 per share is credited on forfeiture.

OR

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

(A) Rs. 10,000

(B) Rs. 3,000

(C) Rs. 21,000

(D) Rs. 5,000

Correct Answer: (A) Rs. 10,000

Solution:

Concept:

- The forfeiture credit equals called-up capital less capital unpaid, multiplied by the number of forfeited shares.
- After reissue, only the forfeiture surplus relating to reissued shares is transferred to Capital Reserve; the balance for unreissued shares remains.

Step 1: Calculate the original forfeiture balance Capital received per share was Rs $70 -$ Rs $20 =$ Rs 50. Thus forfeiting 300 shares credited Share Forfeiture Account with $300 \times$ Rs $50 =$ Rs $15,000$. The uncalled Rs 30 per share is excluded.

Step 2: Remove the surplus on reissued shares 100 shares are reissued for Rs 100 each as Rs 70 paid up. The Rs 30 excess per share is premium, so there is no reissue discount to charge to forfeiture. The forfeiture surplus on these 100 shares is $100 \times$ Rs $50 =$ Rs $5,000$, transferred to Capital Reserve. The remaining 200 shares retain $200 \times$ Rs $50 =$ Rs $10,000$. Option (B) is reissue premium, (C) is original called-up capital, and (D) is the amount transferred, not retained.

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

Quick Tip to Solve: The remaining balance belongs only to unreissued shares: multiply 200 shares by the Rs 50 originally received per share.

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

(A) Subscribed but not fully paid up capital

(B) Unissued capital

(C) Reserve capital

(D) Subscribed capital

Correct Answer: (C) Reserve capital

Solution:

Concept:

- Reserve capital is the portion of uncalled share capital which the company reserves to be called only upon winding up.
- Uncalled capital belongs to shares already subscribed for; it differs from authorised capital that has not yet been issued.

Step 1: Identify the decisive restriction The question specifies that the amount cannot be called during the normal life of the company and is callable only in the event of winding up. This restriction identifies reserve capital.

Step 2: Distinguish the other capital categories Subscribed but not fully paid up capital describes the payment status of subscribed shares, without this winding-up restriction. Unissued capital has not been offered for subscription. Subscribed capital is the total portion taken up by subscribers and is a broader category.

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

Quick Tip to Solve: Look for "uncalled" and "only on winding up" together to identify reserve capital; do not confuse it with capital reserve.

OR

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

(A) Over subscription

(B) Full subscription

(C) Subscription at premium

(D) Under subscription

Correct Answer: (A) Over subscription

Solution:

Concept:

- Subscription describes the number of shares applied for compared with the number offered to the public.

- Over subscription occurs when applications exceed the shares offered; full subscription means equality and under subscription means a shortfall.

Step 1: Compare applications with the offer The company receives applications for more shares than it has offered. Thus, the demand for shares exceeds the available issue, satisfying the definition of over subscription.

Step 2: Eliminate the other descriptions Full subscription would require the number applied for to equal the number offered. Under subscription would require fewer applications. Subscription at premium relates to the issue price being above face value, not to the number of applications received.

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

Quick Tip to Solve: Compare quantities for over, full or under subscription; compare issue price with face value only when deciding whether shares are issued at premium.

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

(A) 6 1/2

(B) 6

(C) 5 1/2

(D) 5

Correct Answer: (D) 5

Solution:

Concept:

- For equal monthly drawings, interest may be calculated on total drawings for their average outstanding period.
- Average period equals half the sum of the periods from the first and last drawings to the accounting year-end.

Step 1: Find the first and last outstanding periods Mohan starts withdrawing on 1 July 2023, so the equal monthly drawings fall at the beginning of each month from July through March. The first drawing remains outstanding for 9 months and the last, on 1 March 2024, for 1 month.

Step 2: Calculate the average period

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

There are nine drawings totalling Rs 1,80,000; the interest check is $1,80,000 \times 12/100 \times 5/12 =$ Rs $9,000$. The profit-sharing ratio does not determine this period. Neither 6 nor $6\frac{1}{2}$ nor $5\frac{1}{2}$ averages the actual first and last periods.

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

Quick Tip to Solve: Count only July to March: for beginning-of-month drawings over nine months, use $(9+1)/2$, not the twelve-month average.

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

(A) Rs. 2,20,000

(B) Rs. 1,80,000

(C) Rs. 4,00,000

(D) Rs. 40,000

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

Solution:

Concept:

- When a retiring partner receives more than the adjusted capital balance, the excess settlement represents that partner's share of hidden goodwill.
- The adjusted capital balance already includes reserves and revaluation adjustments, so these are not added again.

Step 1: Separate adjusted capital from the settlement Raghav's adjusted capital claim is Rs 2,20,000, whereas Sona and Mona agree to pay Rs 4,00,000 in full settlement. The extra payment must therefore be distinguished from the capital balance.

Step 2: Compute the excess paid

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

Rs 2,20,000 is the capital component and Rs 4,00,000 is the entire settlement, so neither is the goodwill share. Rs 40,000 is not the difference. The old ratio would be needed to infer total firm goodwill, not the share directly asked here.

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

Quick Tip to Solve: For a retiring partner's hidden goodwill share, subtract adjusted capital from settlement; do not multiply this excess by the old profit share again.

OR

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

(A) Rs. 4,10,000

(B) Rs. 7,50,000

(C) Rs. 3,40,000

(D) Rs. 2,50,000

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

Solution:

Concept:

- An incoming partner's capital and profit share can imply the total capitalised value of the firm.
- Hidden goodwill equals the implied total value less the aggregate actual capitals of all partners, including the incoming partner.

Step 1: Infer the total value from Hema's capital Hema brings Rs 1,50,000 for a $1/5$ share. Therefore, the implied total value is

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

This is the capitalised value, not goodwill itself.

Step 2: Deduct the combined actual capital

$$\begin{aligned} \text{Actual capital} &= 1,60,000 + 1,00,000 + 1,50,000 \\ &= \text{Rs } 4,10,000, \\ \text{Hidden goodwill} &= 7,50,000 - 4,10,000 \\ &= \text{Rs } 3,40,000. \end{aligned}$$

Rs 4,10,000 is the actual combined capital and Rs 7,50,000 is the implied total value. Rs 2,50,000 does not result from deducting the stated capitals.

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

Quick Tip to Solve: Gross up the new partner's capital by her profit share, then deduct all partners' capitals including her own.

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

(A) Rs. 36,000

(B) Rs. 30,000

(C) Rs. 48,000

(D) Rs. 54,000

Correct Answer: (B) Rs. 30,000

Solution:

Concept:

- The forfeiture balance is the capital amount already received on the forfeited shares.
- After reissue, the forfeiture balance relating to those shares less the reissue discount is transferred to Capital Reserve.

Step 1: Find the amount forfeited Called-up capital is Rs 80 per share and the unpaid first call is Rs 20 per share. The amount received is therefore Rs 60 per share.

$$\text{Forfeiture balance} = 600 \times (80 - 20) = \text{Rs } 36,000.$$

Step 2: Deduct the discount on reissue The shares are reissued as fully paid Rs 100 shares for Rs 90 each, so the discount is Rs 10 per share, totalling Rs 6,000.

$$\text{Capital Reserve} = 36,000 - 6,000 = \text{Rs } 30,000.$$

Rs 36,000 ignores the reissue discount; Rs 48,000 is the original called-up capital and Rs 54,000 is the reissue cash proceeds. None of these is the resulting capital profit.

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

Quick Tip to Solve: Compute forfeiture from cash already received, but compute reissue discount against the Rs 100 fully paid value, not the earlier Rs 80 called-up value.

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

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

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

(C) No change in the profits

(D) Reduced by Rs. 25,000

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

Solution:

Concept:

- Interest on partners' capital is an appropriation of profit when provided by the partnership deed.
- Divisible profit is the residual available for sharing after such appropriations; allowing interest reduces that residual by the total interest.

Step 1: Calculate each partner's interest The capitals are present from 1 April 2023, so the stated annual rate applies for the full accounting year.

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

Step 2: Determine the effect on divisible profit Total interest is Rs $1,00,000 + 1,50,000 = 2,50,000$. Providing it before distribution would reduce divisible profit by that amount. It does not increase the residual or leave it unchanged. Rs 25,000 applies an incorrect rate. The 3:2 ratio affects distribution of the remaining profit, not the amount of the interest appropriation.

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

Quick Tip to Solve: Distinguish net profit from divisible profit: interest on capital is an appropriation that reduces the balance shared in the profit-sharing ratio.

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

(A) 21 : 11

(B) 3 : 2

(C) 5 : 3

(D) 1 : 1

Correct Answer: (A) 21 : 11

Solution:

Concept:

- A continuing partner's gain is the new profit share minus the old profit share.
- The gaining ratio is obtained by comparing these gains, using a common denominator before reducing the ratio.

Step 1: Calculate Mohit's gain The old ratio totals 9 and the new ratio totals 8. Mohit's old share is $3/9$ and his new share is $5/8$.

$$\text{Mohit's gain} = \frac{5}{8} - \frac{3}{9} = \frac{45 - 24}{72} = \frac{21}{72}.$$

Step 2: Calculate Paras's gain and compare

$$\text{Paras's gain} = \frac{3}{8} - \frac{2}{9} = \frac{27 - 16}{72} = \frac{11}{72}.$$

The gains total $32/72 = 4/9$, which equals Daman's retiring share. Thus the gains are in the ratio $21 : 11$. The ratio $3 : 2$ is the continuing partners' old ratio, $5 : 3$ is their new ratio and $1 : 1$ would incorrectly assume equal gains.

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

Quick Tip to Solve: Find each new share minus old share; then check that their total gain equals Daman's old $4/9$ share.

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

(A) 10,000

(B) 9,500

(C) 9,050

(D) 8,636

Correct Answer: (A) 10,000

Solution:

Concept:

- The number of debentures issued to a vendor equals the purchase consideration divided by the issue price per debenture.
- An issue discount reduces the amount credited towards purchase consideration per debenture; redemption premium concerns the later repayment.

Step 1: Determine the issue price Each debenture has a face value of Rs 100 and is issued at a discount of 5%.

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

The 9% coupon is the interest rate and the 10% redemption premium does not change the issue price.

Step 2: Divide purchase consideration by issue price

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

A check gives $10,000 \times 95 = \text{Rs } 9,50,000$, exactly the machinery price. The figure 9,500 uses face value without the discount; 9,050 wrongly reduces that count by 5%; and 8,636 uses approximately the redemption value of Rs 110 instead of the issue price.

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

Quick Tip to Solve: Use Rs 95, the issue price, to settle the vendor; keep the Rs 110 redemption amount and 9% coupon separate from the debenture-count calculation.

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

Manav, Mayank and Manish

JOURNAL [1 mark]

(A)

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

(B)

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

(C)

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

(D)

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

Correct Answer: (A)

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

Solution:

Concept:

- An existing debit balance of Profit and Loss Account is an accumulated loss belonging to the old partners in their old profit-sharing ratio.
- Writing off this loss debits the partners' capital accounts and credits Profit and Loss Account, eliminating its debit balance.

Step 1: Allocate the accumulated loss The loss arose before reconstitution, so use the old ratio $5 : 3 : 2$, not the future ratio $2 : 2 : 1$. Thus Manav bears $60,000 \times 5/10 = \text{Rs } 30,000$, Mayank bears $60,000 \times 3/10 = \text{Rs } 18,000$, and Manish bears $60,000 \times 2/10 = \text{Rs } 12,000$. Their total is Rs 60,000.

Step 2: Record the write-off and compare the alternatives Journal of Manav, Mayank and Manish

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

Option (B) incorrectly uses the new ratio. Options (C) and (D) transfer Rs 6,000 between two partners and leave the Profit and Loss debit balance outstanding; they do not write it off.

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

Quick Tip to Solve: For an accumulated loss written off on reconstitution, multiply the loss by each partner's old share; do not use the new sharing ratio.

OR

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

(A) Rs. 80,000

(B) Rs. 10,000

(C) Rs. 84,000

(D) Rs. 74,000

Correct Answer: (C) Rs. 84,000

Solution:

Concept:

- The existing provision absorbs bad debts first; only the excess loss and the new provision reduce the revaluation result.
- The closing provision is calculated on debtors remaining after the specific bad debts have been written off.

Step 1: Find the remaining debtors and required provision Debtors after writing off Rs 60,000 are $8,00,000 - 60,000 =$ Rs $7,40,000$. The provision required at 10% is therefore $7,40,000 \times 10/100 =$ Rs $74,000$, rather than Rs 80,000 on the original debtors.

Step 2: Compute the net revaluation loss Total bad debts plus closing provision are $60,000 + 74,000 =$ Rs $1,34,000$. Deduct the old provision already recognised:

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

Option (B), Rs 10,000, accounts only for the bad debts exceeding the old provision. Option (D), Rs 74,000, includes only the closing provision. Both omit part of the total adjustment; option (A) uses the unreduced debtor balance.

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

Quick Tip to Solve: Use bad debts plus the provision on remaining debtors, less the old provision: Rs 60,000 + Rs 74,000 - Rs 50,000.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Partnership arises from an agreement between persons carrying on a business and sharing its profits; mutual agency is an essential feature.
- A partnership agreement may be oral or written. Its written form is called a partnership deed and

helps prevent disputes.

Step 1: Assess Assertion (A) The assertion correctly identifies agreement as the basis of partnership. The partners agree to carry on business and share its results. Partnership does not arise merely from family status or co-ownership of property, so Assertion (A) is correct.

Step 2: Assess Reason (R) The word "always" makes this statement incorrect. A written partnership deed is advisable because it records the terms clearly, but an oral agreement can also establish a partnership. Written documentation is therefore not an indispensable condition for the existence of a partnership.

Step 3: Check the explanatory link and alternatives Since Reason (R) is itself incorrect, it cannot explain the correct assertion. Options (A) and (B) both wrongly treat the reason as correct; option (D) additionally treats the assertion as incorrect. The combination needed is a correct assertion with an incorrect reason.

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

Quick Tip to Solve: Distinguish a desirable written deed from a compulsory written agreement: partnership can arise from an oral agreement too.

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17. Sudha and Sudhir were partners in a firm sharing profits and losses in the ratio of 4 : 1. On 1st April, 2023, their fixed capitals were Rs. 12,00,000 and Rs. 4,00,000 respectively. On 1st July, 2023 Sudha invested Rs. 2,00,000 as additional capital. On 1st August, 2023 Sudhir withdrew Rs. 50,000 from his capital.

The partnership deed provided for the following :

(i) Interest on capital @ 6% p.a.

(ii) Interest on drawings @ 8% p.a.

During the year, Sudha withdrew Rs. 60,000 and Sudhir withdrew Rs. 40,000 for personal use. After providing interest on capital and charging interest on drawings, the net profit of the firm for the year ended 31st March, 2024 was Rs. 3,50,000.

Prepare Current Accounts of Sudha and Sudhir. [3 marks]

Solution:

Concept:

- Under the fixed-capital method, permanent capital additions and withdrawals affect capital accounts. Interest, drawings and profit shares affect the separate current accounts.
- Interest on capital is time-weighted at 6% p.a. With no dates specified for personal drawings, interest is calculated for an average of six months at 8% p.a.
- The Rs 3,50,000 profit is already after interest on capital and drawings, so it is distributed directly in the ratio $4 : 1$.

Step 1: Calculate interest on capital and drawings Sudha's additional capital was employed for nine

months, from 1st July to 31st March:

$$I_S = 12,00,000 \times \frac{6}{100} + 2,00,000 \times \frac{6}{100} \times \frac{9}{12} = \text{Rs } 81,000.$$

Sudhir's Rs 50,000 capital withdrawal reduced his capital for eight months, from 1st August to 31st March:

$$I_D = 4,00,000 \times \frac{6}{100} - 50,000 \times \frac{6}{100} \times \frac{8}{12} = \text{Rs } 22,000.$$

Interest on personal drawings is $60,000 \times 8/100 \times 6/12 = \text{Rs } 2,400$ for Sudha and $40,000 \times 8/100 \times 6/12 = \text{Rs } 1,600$ for Sudhir. The permanent capital withdrawal is not treated as personal drawings again.

Step 2: Apportion the profit The given distributable profit is Rs 3,50,000. Sudha receives $3,50,000 \times 4/5 = \text{Rs } 2,80,000$, and Sudhir receives $3,50,000 \times 1/5 = \text{Rs } 70,000$. No further interest adjustment is made to this profit. No opening current-account balances are stated; the accounts therefore contain the specified current-year entries only.

Step 3: Prepare the current accounts Sudha's Current Account for the year ended 31st March, 2024

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Drawings A/c	60,000	By Interest on Capital A/c	81,000
To Interest on Drawings A/c	2,400	By Profit and Loss Appropriation A/c	2,80,000
To Balance c/d	2,98,600		
Total	3,61,000	Total	3,61,000
		By Balance b/d	2,98,600

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

Dr. Particulars	Amount (Rs)	Particulars Cr.	Amount (Rs)
To Drawings A/c	40,000	By Interest on Capital A/c	22,000
To Interest on Drawings A/c	1,600	By Profit and Loss Appropriation A/c	70,000
To Balance c/d	50,400		
Total	92,000	Total	92,000
		By Balance b/d	50,400

The balances are carried down on 31st March, 2024 and brought down on 1st April, 2024. The additional Rs 2,00,000 and permanent withdrawal of Rs 50,000 belong in the respective fixed capital accounts.

Step 4: Conclusion The closing current-account credit balances are Rs 2,98,600 for Sudha and Rs 50,400 for Sudhir.

Quick Tip to Solve: Because the profit is already after both types of interest, distribute Rs 3,50,000 directly; record the interest separately in current accounts.

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

Solution:

Concept:

- Average maintainable profit is the average historical profit after allowing the partners' annual remuneration.
- Normal profit equals capital employed multiplied by the normal rate of return. Super profit is maintainable profit less normal profit.
- Goodwill under the super-profit method equals annual super profit multiplied by the agreed number of years' purchase.

Step 1: Find average maintainable profit The total profit for the last three years is $8,00,000 + 9,00,000 + 7,00,000 = \text{Rs } 24,00,000$. Hence,

$$\text{Average reported profit} = \frac{24,00,000}{3} = \text{Rs } 8,00,000.$$

The annual salary allowance is Rs 2,00,000 for each of the two partners, or Rs 4,00,000 in total. Thus average maintainable profit is $8,00,000 - 4,00,000 = \text{Rs } 4,00,000$. Salary is deducted once from the annual average; it is not multiplied by three again.

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

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

At the market rate of 10%, normal profit is

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

The excess of maintainable profit over this normal return is the annual super profit:

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

The normal return is deducted separately from remuneration because it compensates the capital employed rather than the partners' services.

Step 3: Apply the agreed purchase period Goodwill is valued at two years' purchase of the annual super profit:

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

The two-year multiplier is applied to super profit, not to the Rs 8,00,000 historical average or to total capital. The three-year period is used only to establish the annual average profit.

Step 4: Conclusion The goodwill of Jeevan and Kavi's firm is Rs 2,60,000.

Quick Tip to Solve: First deduct both partners' salaries from average profit, then deduct 10% of combined capital; multiply only the remaining super profit by two.

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

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

Solution:

Concept:

- First calculate each partner's normal share using the agreed profit-sharing ratio $5 : 3 : 8$.
- The guaranteed partner receives at least the specified minimum. Any shortfall is transferred from the guaranteeing partners in the agreed deficiency-bearing ratio.
- The deficiency changes the distribution among partners; it does not reduce the firm's total profit.

Step 1: Calculate the normal shares The sum of the ratio terms is $5 + 3 + 8 = 16$. Divide the Rs 8,00,000 profit accordingly:

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

Suresh's normal share is below his annual guaranteed amount of Rs 5,00,000.

Step 2: Allocate the deficiency equally The shortfall is $5,00,000 - 4,00,000 = \text{Rs } 1,00,000$. Aman and Raj bear it equally, so each gives up $1,00,000/2 = \text{Rs } 50,000$. Their adjusted shares are Rs 2,00,000 and Rs 1,00,000 respectively, while Suresh receives Rs 5,00,000. The deficiency is not divided in their normal ratio $5 : 3$, because the specific guarantee requires equal contribution.

Step 3: Prepare the appropriation account Profit and Loss Appropriation Account of Aman, Raj and Suresh

For the year ended 31st March, 2024

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

All profit is transferred to the partners, so this appropriation account has no balance to carry forward. The debit total verifies that the guarantee reallocates the same Rs 8,00,000 without creating an additional expense.

Step 4: Conclusion The final profit shares are Aman: Rs 2,00,000; Raj: Rs 1,00,000; and Suresh: Rs 5,00,000. Total appropriation is Rs 8,00,000.

Quick Tip to Solve: Compute Suresh's shortfall first, split that shortfall equally between Aman and Raj, and check that the final shares still total Rs 8,00,000.

OR

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

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

Solution:

Concept:

- Interest on capital is an appropriation of profit. Excess interest reduces the divisible profit and must be reversed before the correct profit shares are determined.
- With fixed capitals, adjustments for interest and profit shares are made through the partners' Current Accounts; the fixed Capital Accounts remain unchanged.

Step 1: Calculate the excess interest allowed **Working Notes**

The incorrect rate was 9% and the agreed rate was 8%, so excess interest equals 1% of each partner's capital for the year.

$$\text{Jay: correct interest} = 9,00,000 \times 8\% = \text{Rs } 72,000,$$
$$\text{Jay: interest allowed} = 9,00,000 \times 9\% = \text{Rs } 81,000,$$
$$\text{Vijay: correct interest} = 7,00,000 \times 8\% = \text{Rs } 56,000,$$
$$\text{Vijay: interest allowed} = 7,00,000 \times 9\% = \text{Rs } 63,000.$$

Thus, excess interest of Rs 9,000 to Jay and Rs 7,000 to Vijay must be debited to their respective Current Accounts. The total excess appropriation is Rs 16,000.

Step 2: Restore the divisible profit and find the net adjustment Reversing excess interest increases divisible profit by Rs 16,000. This amount belongs to Jay and Vijay in their profit-sharing ratio of 7:3.

$$\text{Jay's additional profit} = 16,000 \times \frac{7}{10} = \text{Rs } 11,200,$$
$$\text{Vijay's additional profit} = 16,000 \times \frac{3}{10} = \text{Rs } 4,800.$$

Jay therefore requires a net credit of Rs $11,200 - 9,000 = 2,200$. Vijay requires a net debit of Rs $7,000 - 4,800 = 2,200$. The equal net debit and credit confirm that a single adjustment entry will correct both interest and the consequential profit distribution.

Step 3: Pass the rectifying journal entry **Journal of Jay and Vijay**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
31 March 2024	Vijay's Current A/c Dr.		2,200	
	To Jay's Current A/c			2,200
	(Being excess interest on capital and the resulting error in profit distribution rectified through the partners' Current Accounts)			

Step 4: Conclusion Debit Vijay's Current Account and credit Jay's Current Account by Rs 2,200 each. The fixed capitals of Rs 9,00,000 and Rs 7,00,000 are unaffected.

Quick Tip to Solve: For excess interest, first debit the excess to each partner, then credit its total in the profit-sharing ratio; record only the net amounts in Current Accounts when capitals are fixed.

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

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

Solution:

Concept:

- Net assets acquired equal assets taken over less liabilities assumed. If net assets exceed purchase consideration, the difference is credited to Capital Reserve.
- Debentures issued to a vendor are credited at face value, while their issue premium is credited to Securities Premium. The number issued equals purchase consideration divided by issue price per debenture.

Step 1: Determine capital reserve and the number of debentures **Working Notes**

Sandhya Ltd. acquires assets of Rs 50,00,000 and assumes liabilities of Rs 7,00,000, so the net assets received are Rs 43,00,000.

$$\begin{aligned}
\text{Capital reserve} &= 43,00,000 - 40,00,000 = \text{Rs } 3,00,000,\\
\text{Issue price per debenture} &= 100 + 25\% \text{ of } 100 = \text{Rs } 125,\\
\text{Number of debentures} &= \frac{40,00,000}{125} = 32,000,\\
\text{Face value issued} &= 32,000 \times 100 = \text{Rs } 32,00,000,\\
\text{Securities premium} &= 32,000 \times 25 = \text{Rs } 8,00,000.
\end{aligned}$$

The 9% rate is the coupon rate for future interest; it does not determine the number of debentures issued for the purchase consideration.

Step 2: Record the business purchase and assets taken over **Journal of Sandhya Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Business Purchase A/c Dr. To Guman Ltd. (Being business purchased from Guman Ltd. for the agreed consideration)		40,00,000	 40,00,000
	Sundry Assets A/c Dr. To Sundry Liabilities A/c To Business Purchase A/c To Capital Reserve A/c (Being assets and liabilities taken over, with the excess of net assets over purchase consideration credited to Capital Reserve)		50,00,000	 7,00,000 40,00,000 3,00,000

Step 3: Discharge the purchase consideration The vendor is debited for the full amount payable. Debentures and securities premium together equal Rs 40,00,000, extinguishing the vendor's balance.

Journal of Sandhya Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Guman Ltd. Dr. To 9% Debentures A/c To Securities Premium A/c (Being 32,000 debentures of Rs 100 each issued at a premium of 25% to discharge the purchase consideration)		40,00,000	 32,00,000 8,00,000

Step 4: Conclusion The takeover creates Capital Reserve of Rs 3,00,000. Sandhya Ltd. issues 32,000 debentures, crediting 9% Debentures by Rs 32,00,000 and Securities Premium by Rs 8,00,000 to settle Rs 40,00,000 due to Guman Ltd.

Quick Tip to Solve: Divide the vendor's consideration by Rs 125, the issue price, to find the debenture count; use Rs 100 only to calculate the Debentures Account credit.

OR

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

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

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

Solution:

Concept:

- Debentures are credited at their face value. Bank is debited with the actual issue proceeds; any issue premium is credited separately to Securities Premium.
- Loss on Issue of Debentures includes discount on issue plus premium payable on redemption. The

redemption premium is recognised as a liability when debentures are issued, even though payment occurs later.

Step 1: Calculate the amounts for case (i) **Working Notes: Case (i)**

The face value of 9,000 debentures of Rs 100 each is Rs 9,00,000. A 10% discount means the company receives Rs 90 for each debenture, while the 5% redemption premium requires eventual payment of Rs 105 for each.

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

Step 2: Record the issue in case (i) **Journal of RR Ltd. — Case (i)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		8,10,000	
	Loss on Issue of Debentures A/c Dr.		1,35,000	
	To 9% Debentures A/c			9,00,000
	To Premium on Redemption of Debentures A/c			45,000
	(Being 9,000, 9% debentures of Rs 100 each issued at a discount of 10%, redeemable after five years at a premium of 5%)			

Both the debit total and the credit total are Rs 9,45,000.

Step 3: Calculate the amounts for case (ii) **Working Notes: Case (ii)**

The face value of 5,000 debentures is Rs 5,00,000. The 10% issue premium increases the cash received, while the 5% redemption premium is a separate loss and liability.

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

There is no discount in this case, so the loss on issue consists only of the premium payable on redemption. The issue premium and redemption premium are shown separately in the entry.

Step 4: Record the issue in case (ii) **Journal of RR Ltd. — Case (ii)**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		5,50,000	
	Loss on Issue of Debentures A/c Dr.		25,000	
	To 11% Debentures A/c			5,00,000
	To Securities Premium A/c			50,000
	To Premium on Redemption of Debentures A/c			25,000
	(Being 5,000, 11% debentures of Rs 100 each issued at a premium of 10%, redeemable after five years at a premium of 5%)			

Both sides of the entry total Rs 5,75,000. The 9% and 11% coupon rates determine future interest and do not affect these issue entries.

Step 5: Conclusion Case (i) records Bank of Rs 8,10,000 and loss on issue of Rs 1,35,000. Case (ii) records Bank of Rs 5,50,000, Securities Premium of Rs 50,000 and loss on issue of Rs 25,000. Redemption premium liabilities are Rs 45,000 and Rs 25,000 respectively.

Quick Tip to Solve: Compute issue discount or premium and redemption premium separately on face value. Debit redemption premium as a loss now, although the related liability is payable after five years.

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21. PR Ltd. forfeited 10,000 equity shares of Rs. 10 each issued at a premium of Rs. 4 per share for non-payment of first call of Rs. 3 per share. The second and final call of Rs. 2 per share was not yet made. The forfeited shares were reissued at a discount of Rs. 1 per share fully paid up.

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

Solution:

Concept:

- On forfeiture, debit Share Capital with the called-up face value; credit the unpaid call and credit Share Forfeiture with the capital already received. Premium already received is not reversed.
- On reissue as fully paid, credit Share Capital with the full face value. A reissue discount is debited to Share Forfeiture, within the amount forfeited on those shares.
- After all forfeited shares are reissued, transfer the unused forfeited amount to Capital Reserve. It is a capital profit, not revenue profit.

Step 1: Working Notes: determine the forfeited capital The final call of Rs 2 has not been made, so called-up capital is only $10 - 2 = \text{Rs } 8$ per share. The first call of Rs 3 is unpaid; capital received is therefore $8 - 3 = \text{Rs } 5$ per share. Only the first call is stated to be unpaid, so the securities premium of Rs 4 per share has already been received and remains in Securities Premium Account.

$$\begin{aligned}\text{Called-up capital} &= 10,000 \times 8 = \text{Rs } 80,000,\\ \text{Unpaid first call} &= 10,000 \times 3 = \text{Rs } 30,000,\\ \text{Capital forfeited} &= 10,000 \times 5 = \text{Rs } 50,000.\end{aligned}$$

Fully paid reissue at a discount of Rs 1 means receipt of Rs 9 per share. Thus bank receives Rs 90,000, while the reissue discount is Rs 10,000. All 10,000 shares are reissued, so the entire remaining forfeiture balance is transferred to Capital Reserve.

Step 2: Record the forfeiture, reissue and capital profit **Journal of PR Ltd.**

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		80,000	
	To Share First Call A/c			30,000
	To Share Forfeiture A/c			50,000
	(Being 10,000 shares forfeited for non-payment of the first call; Rs 8 per share called up)			
	Bank A/c Dr.		90,000	
	Share Forfeiture A/c Dr.		10,000	
	To Share Capital A/c			1,00,000
	(Being forfeited shares reissued at Rs 9 each as fully paid shares of Rs 10 each)			
	Share Forfeiture A/c Dr.		40,000	
	To Capital Reserve A/c			40,000
	(Being surplus on reissue transferred to Capital Reserve)			

The first entry balances at Rs 80,000, the second at Rs 1,00,000, and the third at Rs 40,000. No entry for the uncalled Rs 2 is passed before forfeiture.

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

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Share Capital A/c	10,000	By Share Capital A/c	50,000
To Capital Reserve A/c	40,000		
To Balance c/d	0		
Total	50,000	Total	50,000

The account closes after charging the reissue discount and transferring the capital profit; there is no forfeiture balance left relating to these shares.

Step 4: Conclusion Share Forfeiture is credited with Rs 50,000 on forfeiture, debited with Rs 10,000 for reissue discount and debited with Rs 40,000 transferred to Capital Reserve. Its closing balance is nil.

Quick Tip to Solve: Deduct the uncalled Rs 2 before calculating forfeited capital, but use the full Rs 10 face value when recording the fully paid reissue. Never include received premium in Share Forfeiture.

22. Shobha, Kalyani and Kaveri were partners in a firm sharing profits and losses in the ratio of 3 : 5 : 2. The firm closes its books on 31st March every year. On 30th June, 2024 Kalyani died. On that date, her capital account showed a credit balance of Rs. 3,00,000. On the same date the firm had a General Reserve of Rs. 1,20,000.

The partnership deed provided for the following on the death of a partner :

(i) Balance in her capital account.

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

(iii) Her share in the profits of the firm till the date of her death calculated on the basis of previous year's profits. The profit of the firm for the year ended 31st March, 2024 was Rs. 2,80,000.

(iv) Her share in the goodwill of the firm. The goodwill of the firm on Kalyani's death was valued at Rs. 4,00,000.

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

Solution:

Concept:

- A deceased partner's capital account is credited with her opening capital, share of accumulated reserves, interest on capital, profit up to death and goodwill entitlement.
- Allocate reserves, profit and goodwill using the deceased partner's old profit-sharing fraction. For Kalyani this fraction is $5/(3+5+2) = 1/2$.
- Interest and estimated current-year profit are calculated only from the last closing date to the date of death. Transfer the final amount due to the deceased partner's Executor's Account.

Step 1: Working Notes: calculate reserve and interest entitlements The books were last closed on 31st March, 2024 and Kalyani died on 30th June, 2024. The relevant period is therefore three months, from 1st April to 30th June. Her old profit share is one-half.

$$\text{Share of General Reserve} = 1,20,000 \times \frac{5}{10} = \text{Rs } 60,000,$$

$$\text{Interest on capital} = 3,00,000 \times \frac{12}{100} \times \frac{3}{12} = \text{Rs } 9,000.$$

General Reserve represents profits accumulated before death, so Kalyani receives her full old-ratio share; it is not restricted to three months. Interest is calculated on the stated capital of Rs 3,00,000, not on the capital after adding the other death adjustments.

Step 2: Working Notes: determine profit and goodwill shares Use the previous year's profit to estimate profit earned up to the date of death, as specifically required by the partnership deed:

$$\text{Estimated firm's profit} = 2,80,000 \times \frac{3}{12} = \text{Rs } 70,000,$$

$$\text{Kalyani's profit share} = 70,000 \times \frac{5}{10} = \text{Rs } 35,000,$$

$$\text{Kalyani's goodwill share} = 4,00,000 \times \frac{5}{10} = \text{Rs } 2,00,000.$$

Credit the estimated profit through Profit and Loss Suspense Account because the current year's actual profit has not yet been ascertained. No new ratio is specified, so the continuing partners Shobha and

Kaveri retain their relative ratio of $3:2$, which is also their gaining ratio. Their capitals are debited with Rs 1,20,000 and Rs 80,000 respectively for Kalyani's goodwill share; goodwill need not be raised in the books.

Step 3: Prepare Kalyani's Capital Account **Kalyani's Capital Account as at 30th June, 2024**

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Kalyani's Executor's A/c	6,04,000	By Balance b/d	3,00,000
		By General Reserve A/c	60,000
		By Interest on Capital A/c	9,000
		By Profit and Loss Suspense A/c	35,000
		By Shobha's Capital A/c (goodwill)	1,20,000
		By Kaveri's Capital A/c (goodwill)	80,000
To Balance c/d	0		
Total	6,04,000	Total	6,04,000

All credits are amounts owed to Kalyani. Their total is transferred to her Executor's Account on the debit side, closing her Capital Account. This records a liability to the executor; no bank payment is assumed.

Step 4: Conclusion The amount due to Kalyani's executor is $3,00,000 + 60,000 + 9,000 + 35,000 + 2,00,000 = \boxed{\text{Rs } 6,04,000}$. Her Capital Account is closed by transfer to her Executor's Account.

Quick Tip to Solve: Apply the three-month fraction only to annual interest and annual profit. Reserve and goodwill are credited at Kalyani's full old-ratio share of one-half.

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

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

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

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

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

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

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

(iv) Sharma was paid in cash brought by Ratan and Singh in such a way so as to make their capitals proportionate to their new profit sharing ratio.

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

Solution:

Concept:

- Revaluation records decreases in assets as losses and increases in assets or decreases in provisions as gains. The balance is transferred in the old profit-sharing ratio.
- Accumulated reserve and accumulated loss are transferred to all partners in the old ratio $2:2:1$.
- The continuing partners compensate the retiring partner for goodwill in their gaining ratio. Cash introduced then adjusts their capitals to the new ratio.

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

Plant and machinery decreases by Rs $2,50,000 - 2,00,000 = 50,000$. Land and building increases by Rs 49,500. Required provision is $90,000 \times 5\% =$ Rs $4,500$; the existing provision is Rs 5,000, so its reduction gives a gain of Rs 500. Total gains of Rs 50,000 exactly offset the loss of Rs 50,000; there is no revaluation profit or loss to distribute.

With no change specified between Ratan and Singh, their new ratio is $2:2=1:1$. Each gains $1/2 - 2/5 = 1/10$; the gaining ratio is also $1:1$. Each is debited Rs 30,000 for Sharma's goodwill of Rs 60,000.

Step 2: Prepare the Revaluation Account Revaluation Account

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

Step 3: Calculate the adjusted capitals and cash introduced General reserve of Rs 3,00,000 is credited in the old ratio: Ratan Rs 1,20,000, Singh Rs 1,20,000 and Sharma Rs 60,000. The debit balance of Profit and Loss Account, Rs 1,00,000, is written off by debiting Rs 40,000, Rs 40,000 and Rs 20,000 respectively.

$$\text{Ratan} = 3,60,000 + 1,20,000 - 40,000 - 30,000 = 4,10,000,$$

$$\text{Singh} = 2,40,000 + 1,20,000 - 40,000 - 30,000 = 2,90,000,$$

$$\text{Sharma} = 1,00,000 + 60,000 - 20,000 + 60,000 = 2,00,000.$$

All amounts are in Rs. Sharma is paid entirely from cash introduced by the continuing partners. Their combined capital therefore becomes Rs $4,10,000 + 2,90,000 + 2,00,000 = 9,00,000$. Equal final capitals are Rs 4,50,000 each. Ratan introduces Rs $4,50,000 - 4,10,000 = 40,000$, and Singh introduces Rs $4,50,000 - 2,90,000 = 1,60,000$. Their total introduction equals Sharma's payment.

Step 4: Prepare Ratan's Capital Account Ratan's Capital Account

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

Step 5: Prepare Singh's Capital Account Singh's Capital Account

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

Step 6: Prepare Sharma's Capital Account Sharma's Capital Account

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

Step 7: Conclusion Revaluation has nil profit or loss. Sharma is paid Rs 2,00,000. Ratan and Singh bring Rs 40,000 and Rs 1,60,000 respectively, leaving capital balances of Rs 4,50,000 each in the new ratio of $1 : 1$.

Quick Tip to Solve: First adjust reserve, accumulated loss and goodwill; then add the retiring partner's cash settlement to continuing capitals before splitting the total in the new ratio.

OR

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

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

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

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

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

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

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

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

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

[6 marks]

Solution:

Concept:

- The incoming partner brings capital and premium for goodwill separately. Goodwill premium is credited to sacrificing partners in their sacrificing ratio.
- Changes in existing assets and liabilities on admission go through Revaluation Account; its profit or loss belongs only to old partners in their old ratio.
- An omitted purchase bill creates an unrecorded liability. With stock separately revalued to its stated amount, the omitted liability is debited to Revaluation Account.

Step 1: Calculate goodwill premium and sacrifice **Working Notes**

Zen's share is $4/15$, and the firm's goodwill is Rs 4,12,500. Thus,

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

The old partners continue sharing their remaining share in their old ratio of $3 : 2$, since no other arrangement is stated. Mita sacrifices $(4/15)(3/5) = 4/25$, while Vihaan sacrifices $(4/15)(2/5) = 8/75$. Their sacrificing ratio is $3 : 2$. Hence premium credits are Rs $1,10,000 \times 3/5 = 66,000$ and Rs $1,10,000 \times 2/5 = 44,000$. Total cash received is Rs $3,00,000 + 1,10,000 = 4,10,000$. No goodwill asset is raised.

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

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

Step 3: Calculate revaluation adjustments Required provision is Rs $2,00,000 \times 5\% = 10,000$. Existing provision is Rs 7,000, so the additional loss is Rs 3,000. Stock decreases by Rs $2,50,000 - 2,00,000 = 50,000$. Machinery increases by Rs $4,00,000 - 3,50,000 = 50,000$, while patents increase by Rs $1,20,000 - 57,000 = 63,000$. The omitted bill adds Rs 30,000 to sundry creditors and is a revaluation loss.

$$\text{Total gains} = 50,000 + 63,000 = 1,13,000,$$

$$\text{Total losses} = 3,000 + 50,000 + 30,000 = 83,000,$$

$$\text{Revaluation profit} = 1,13,000 - 83,000 = 30,000.$$

All amounts are in Rs. Mita receives Rs $30,000 \times 3/5 = 18,000$, and Vihaan receives Rs $30,000 \times 2/5 = 12,000$. Zen receives none of this pre-admission profit.

Step 4: Record revaluation and transfer its profit Journal of the Firm (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr.		83,000	
	To Provision for Doubtful Debts A/c			3,000
	To Stock A/c			50,000
	To Sundry Creditors A/c			30,000
	(Being increase in provision, decrease in stock and omitted purchase liability recorded)			
	Plant and Machinery A/c Dr.		50,000	
	Patents A/c Dr.		63,000	
	To Revaluation A/c			1,13,000
	(Being increases in machinery and patents recorded)			
	Revaluation A/c Dr.		30,000	
	To Mita's Capital A/c			18,000
	To Vihaan's Capital A/c			12,000
	(Being revaluation profit transferred in the old ratio of 3:2)			

Step 5: Conclusion Zen brings Rs 4,10,000, including Rs 1,10,000 goodwill premium. Mita and Vihaan receive goodwill credits of Rs 66,000 and Rs 44,000 and revaluation-profit credits of Rs 18,000 and Rs 12,000 respectively. The journal entries above record all admission adjustments.

Quick Tip to Solve: Use only the increase in the provision, Rs 3,000, as a loss; also include the omitted Rs 30,000 purchase bill before distributing revaluation profit.

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

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

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

Notes to Accounts :

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

Answer the following questions : [6 marks]

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

(A) 71,000

(B) 70,400

(C) 70,000

(D) 75,000

Correct Answer: (D) 75,000

Solution:

Concept:

- Issued capital is the part of authorised capital offered by a company to the public for subscription.
- Subscribed capital refers to shares taken up by applicants; it need not equal the number offered.

Step 1: Identify the relevant category The note to accounts expressly shows issued capital as 75,000 equity shares of Rs 100 each. Therefore, the number offered is obtained directly from issued capital, rather than from the paid-up amount of Rs 71,80,000.

Step 2: Check the alternatives Option (D) gives the issued number of 75,000. Option (A), 71,000, counts only fully paid shares; it excludes partly paid subscribed shares and is not the number offered. Neither 70,400 in (B) nor 70,000 in (C) equals the issued number stated in the note.

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

Quick Tip to Solve: For shares offered, read the issued-capital line; do not use the fully-paid or subscribed-capital line.

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

(A) Rs. 25,00,000

(B) Rs. 29,00,000

(C) Rs. 29,60,000

(D) Rs. 20,32,000

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

Solution:

Concept:

- Unissued capital is the part of authorised capital that the company has not offered for subscription.
- Unissued capital = Authorised capital − Issued capital.

Step 1: Read authorised and issued capital The note states authorised capital of 1,00,000 shares at Rs 100 each, or Rs 1,00,00,000. Issued capital is 75,000 shares at Rs 100 each, or Rs 75,00,000. Calls in arrears do not reduce the nominal amount issued.

Step 2: Subtract issued capital

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

Equivalently, 25,000 unissued shares multiplied by Rs 100 gives the same amount. Rs 29,00,000 in (B) incorrectly subtracts only fully paid capital. Neither Rs 29,60,000 in (C) nor Rs 20,32,000 in (D) is the difference between authorised and issued capital.

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

Quick Tip to Solve: Use nominal authorised capital minus nominal issued capital; calls in arrears affect paid-up capital only.

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

(A) Rs. 71,80,000

(B) Rs. 71,00,000

(C) Rs. 80,00,000

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

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

Solution:

Concept:

- Subscribed capital comprises shares subscribed and fully paid up and shares subscribed but not fully paid up.
- In the given balance-sheet note, the amount reported for the partly paid category is net of calls in arrears.

Step 1: Combine the two reported categories The fully paid category contributes Rs 71,00,000. The

other 1,000 shares have called-up capital of Rs 1,00,000, less calls in arrears of Rs 20,000, giving Rs 80,000. Thus the subscribed capital as reported in this note is

$$\text{Rs } 71,00,000 + \text{Rs } 80,000 = \text{Rs } 71,80,000.$$

Step 2: Distinguish the other amounts Rs 71,00,000 in (B) excludes the partly paid category. Rs 80,00,000 in (C) does not agree with either subscribed category, and Rs 1,00,00,000 in (D) is authorised capital. The nominal value of all 72,000 subscribed shares before deducting arrears is Rs 72,00,000; option (A) represents the net subscribed capital shown in the supplied balance sheet.

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

Quick Tip to Solve: For this balance-sheet-based MCQ, add both subscribed categories after the displayed calls-in-arrears deduction.

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

(A) Rs. 71,80,000

(B) Rs. 80,00,000

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

(D) Rs. 71,00,000

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

Solution:

Concept:

- Registered capital, authorised capital and nominal capital refer to the maximum share capital authorised by the memorandum of association.
- Authorised capital equals the authorised number of shares multiplied by their face value.

Step 1: Read the authorised capital line The note authorises 1,00,000 equity shares of Rs 100 each. Therefore,

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

This limit is different from the amount actually offered or received.

Step 2: Check the other choices Option (A), Rs 71,80,000, is the reported paid-up share capital, and option (D), Rs 71,00,000, covers only the fully paid subscribed shares. Option (B), Rs 80,00,000, is not the authorised amount stated in the note. Neither calls in arrears nor the number of shares subscribed reduces the registered capital limit.

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

Quick Tip to Solve: When a question uses "registered capital", go directly to the authorised-capital line in the note.

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

(A) Rs. 100

(B) Rs. 20

(C) Rs. 1,000

(D) Rs. 80,000

Correct Answer: (B) Rs. 20

Solution:

Concept:

- Calls in arrears are amounts called by the company but not received from shareholders.
- Arrears per share equal total calls in arrears divided by the number of shares on which the amount remains unpaid.

Step 1: Identify the affected shares The subscribed-but-not-fully-paid category contains 1,000 shares. Its total calls in arrears are Rs 20,000. Use only these shares as the denominator because the 71,000 fully paid shares have no unpaid amount.

Step 2: Calculate and compare

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

Option (A), Rs 100, is the face value, not the amount unpaid. Option (C), Rs 1,000, confuses the share count with a rupee amount; option (D), Rs 80,000, is the aggregate received on the partly paid shares.

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

Quick Tip to Solve: Divide the arrears by 1,000 partly paid shares, not by all 72,000 subscribed shares.

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

(A) Rs. 20,000

(B) Rs. 80,000

(C) Rs. 1,00,000

(D) Rs. 71,00,000

Correct Answer: (B) Rs. 80,000

Solution:

Concept:

- When shares are forfeited, Share Forfeiture Account is credited with the amount already received towards their share capital.
- Capital received on the forfeited shares equals called-up capital less calls in arrears.

Step 1: Compute capital received on the shares The 1,000 shares have called-up capital of Rs 1,00,000. Calls in arrears of Rs 20,000 have not been received, so the amount retained by the company on forfeiture is

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

Step 2: Check the proposed balances Option (A), Rs 20,000, is unpaid capital and cannot be credited as money received. Option (C), Rs 1,00,000, is the total called-up amount and includes the unpaid portion. Option (D), Rs 71,00,000, relates to the separate fully paid shares, which are not being forfeited. Only Rs 80,000 is received on the shares in question.

Step 3: Conclusion Share Forfeiture Account will have a credit balance of Rs 80,000. Hence, the correct option is (B).

Quick Tip to Solve: For forfeiture, distinguish the called-up capital reversed from the amount received credited to Share Forfeiture Account.

25. Tushar, Mehta and Ghosh were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 4. On 31st March, 2024 their firm was dissolved. After transferring sundry assets (other than cash in hand and cash at bank) and external liabilities to realisation account, the following transactions took place :

(i) There was a debit balance of Rs. 77,000 in the profit and loss account, which was transferred to the capital accounts of the partners.

(ii) The firm had investments of Rs. 4,00,000 whose market price was Rs. 4,20,000. The investments were taken over by the partners in their profit sharing ratio at market price.

(iii) The book value of the debtors was Rs. 8,00,000 and the provision for bad debts was Rs. 40,000. Debtors were realised at 90% of the book value and a debtor of Rs. 5,000 which had been previously written off as bad debt paid the full amount.

(iv) Ram Lal, a creditor of Rs. 2,00,000 took over furniture of book value of Rs. 2,50,000 in full settlement of his claim. The remaining creditors allowed a discount of 10% on their claim of Rs. 2,20,000.

(v) Expenses on realisation amounted to Rs. 50,000 which were paid by the firm.

(vi) Gain on realisation amounted to Rs. 42,000.

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

Solution:

Concept:

- Accumulated losses are transferred to partners' capital accounts in the profit-sharing ratio; they are not transferred to Realisation Account.
- After assets and external liabilities have been transferred, asset proceeds are credited and liability settlements and expenses are debited to Realisation Account.
- An asset taken over by a partner is debited to that partner's capital at the agreed value; realisation profit is credited to partners in the profit-sharing ratio.

Step 1: (i) Transfer the accumulated loss **Working Notes:** The profit-sharing ratio is $1:2:4$, so the total number of parts is 7. The debit balance in Profit and Loss Account is an accumulated loss, borne by Tushar, Mehta and Ghosh as Rs 11,000, Rs 22,000 and Rs 44,000 respectively.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tushar's Capital A/c Dr.		11,000	
	Mehta's Capital A/c Dr.		22,000	
	Ghosh's Capital A/c Dr.		44,000	
	To Profit and Loss A/c			77,000
	(Being accumulated loss transferred to partners in the ratio 1:2:4)			

Step 2: (ii) Record investments taken over **Working Notes:** The agreed takeover value is the market value, Rs 4,20,000. The partners are charged $4,20,000 \times 1/7 = 60,000$, $4,20,000 \times 2/7 = 1,20,000$ and $4,20,000 \times 4/7 = 2,40,000$. The book value has already been transferred to Realisation Account.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Tushar's Capital A/c Dr.		60,000	
	Mehta's Capital A/c Dr.		1,20,000	
	Ghosh's Capital A/c Dr.		2,40,000	
	To Realisation A/c			4,20,000
	(Being investments taken over by partners at market value in their profit-sharing ratio)			

Step 3: (iii) Record debtors realised and bad debts recovered **Working Notes:** Collection from recorded debtors is $8,00,000 \times 90\% =$ Rs $7,20,000$. Recovery of previously written-off debt is Rs 5,000, giving total cash received of Rs 7,25,000. The 90% applies to the gross book value, not Rs 7,60,000 after provision. Transfers to Realisation Account are already completed; no fresh provision adjustment is necessary.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		7,25,000	
	To Realisation A/c			7,25,000
	(Being debtors realised Rs 7,20,000 and previously written-off debt of Rs 5,000 recovered)			

Step 4: (iv) Settle creditors No entry is required for Ram Lal taking over furniture in full settlement: both the furniture and creditor have already been transferred to Realisation Account, and no cash or partner capital is involved. For the remaining creditors,

$$\text{Payment} = \text{Rs } 2,20,000 \times 90\% = \text{Rs } 1,98,000.$$

The discount of Rs 22,000 is reflected through the difference between liability transferred and amount paid.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		1,98,000	
	To Bank A/c			1,98,000
	(Being remaining creditors settled after allowing a 10% discount)			

Step 5: (v) Record realisation expenses Expenses paid by the firm are charged to Realisation Account. No partner capital account is involved because the firm itself pays and bears the expenses.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		50,000	
	To Bank A/c			50,000
	(Being realisation expenses paid by the firm)			

Step 6: (vi) Transfer the gain on realisation **Working Notes:** The stated gain of Rs 42,000 is shared in the ratio $1:2:4$: Tushar receives Rs 6,000, Mehta Rs 12,000 and Ghosh Rs 24,000. Their capital accounts are credited because the gain increases their claims against the firm.

Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Realisation A/c Dr.		42,000	
	To Tushar's Capital A/c			6,000
	To Mehta's Capital A/c			12,000
	To Ghosh's Capital A/c			24,000
	(Being realisation gain transferred to partners in their profit-sharing ratio)			

Step 7: Conclusion The required entries are recorded above. The loss of Rs 77,000 is borne in the ratio 1:2:4, investments are taken over at Rs 4,20,000, debtor receipts total Rs 7,25,000, creditors are paid Rs 1,98,000, expenses are Rs 50,000, and the gain of Rs 42,000 is credited as Rs 6,000, Rs 12,000 and Rs 24,000.

Quick Tip to Solve: Once transfers to Realisation Account are complete, do not record them again. A creditor accepting an asset in full settlement needs no further entry.

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

On Application and Allotment - Rs. 40 per share

On First and Final Call - Balance (including premium)

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

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

Solution:

Concept:

- Pro-rata allotment gives shares allotted in the ratio of available shares to valid applications. Excess application money reduces the amount later payable on the call.
- Forfeiture debits Share Capital with the called-up nominal value, debits unpaid Securities Premium, credits the unpaid call and credits Share Forfeiture with capital already received.

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

Valid applications cover $1,25,000 - 25,000 = 1,00,000$ shares. Thus, the allotment ratio is

$$75,000 : 1,00,000 = 3 : 4.$$

Application receipts are $1,25,000 \times 40 =$ Rs $50,00,000$; refunds are $25,000 \times 40 =$ Rs $10,00,000$. Share capital credited on application and allotment is $75,000 \times 40 =$ Rs $30,00,000$. The remaining Rs 10,00,000 is adjusted against the call. The call per share is $75 + 25 - 40 =$ Rs 60, comprising Rs 35 capital and Rs 25 premium.

Step 2: Calculate both shareholders' defaults Govind's applications were for $1,500 \times 4/3 = 2,000$ shares. Namita is allotted $2,000 \times 3/4 = 1,500$ shares. Their positions are identical. Each paid $2,000 \times 40 =$ Rs $80,000$. Of this, Rs 60,000 is application and allotment capital and Rs 20,000 is excess adjusted towards the call. Each shareholder's call is $1,500 \times 60 =$ Rs $90,000$, leaving $90,000 - 20,000 =$ Rs $70,000$ unpaid. The excess is applied first against the call's capital component of Rs 52,500. Hence premium of $1,500 \times 25 =$ Rs $37,500$ per shareholder remains unpaid and is reversed on forfeiture. Total arrears are Rs 1,40,000; cash received on call is

$$45,00,000 - 10,00,000 - 1,40,000 = \text{Rs } 33,60,000.$$

Step 3: Record application and allotment Journal of DDG Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		50,00,000	
	To Share Application and Allotment A/c			50,00,000
	(Being application money received on 1,25,000 shares at Rs 40 each)			
	Share Application and Allotment A/c Dr.		50,00,000	
	To Share Capital A/c			30,00,000
	To Bank A/c			10,00,000
	To Calls-in-Advance A/c			10,00,000
	(Being 75,000 shares allotted, rejected applications refunded and excess retained for the call)			

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

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		45,00,000	
	To Share Capital A/c			26,25,000
	To Securities Premium A/c			18,75,000
	(Being call of Rs 60 per share due, including premium of Rs 25)			
	Calls-in-Advance A/c Dr.		10,00,000	
	Bank A/c Dr.		33,60,000	
	Calls-in-Arrears A/c Dr.		1,40,000	
	To Share First and Final Call A/c			45,00,000
	(Being excess applications adjusted and call money received except arrears from Govind and Namita)			

Step 5: Record forfeiture of both holdings Total nominal capital forfeited is $3,000 \times 75 =$ Rs $2,25,000$. Capital received is $2 \times 80,000 =$ Rs $1,60,000$; unpaid premium is Rs 75,000. The combined entry records both identical defaults.

Journal of DDG Ltd. (forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		2,25,000	
	Securities Premium A/c Dr.		75,000	
	To Calls-in-Arrears A/c			1,40,000
	To Share Forfeiture A/c			1,60,000
	(Being 3,000 shares of Govind and Namita forfeited, reversing unpaid premium)			

Step 6: Conclusion The entries record allotment of 75,000 shares and forfeiture of 3,000 shares. Share Forfeiture is credited with Rs 1,60,000, and unpaid Securities Premium of Rs 75,000 is reversed.

Quick Tip to Solve: Both defaulters hold 1,500 shares: work out one default and double it. Keep the Rs 25 premium separate from capital when recording forfeiture.

OR

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

On Application and Allotment - Rs. 30 per share

On First and Final Call - Balance

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

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

[6 marks]

Solution:

Concept:

- Calls-in-Advance records money received before a call becomes due; it is adjusted when that call is made. Calls-in-Arrears records the amount due but unpaid.
- On forfeiture of shares issued at par, debit Share Capital with called-up capital, credit Calls-in-Arrears with the default, and credit Share Forfeiture with capital already received.

Step 1: Prepare working notes for the pro-rata allotment **Working Notes**

Valid applications are $1,40,000 - 20,000 = 1,20,000$ shares. Allotment is in the ratio $80,000 : 1,20,000 = 2 : 3$. Normal application receipts are $1,40,000 \times 30 =$ Rs $42,00,000$. Rejected applications require a refund of Rs 6,00,000. Application capital on allotted shares is $80,000 \times 30 =$ Rs $24,00,000$, leaving normal excess application money of Rs 12,00,000. The call is $80 - 30 =$ Rs 50 per share, or Rs 40,00,000 in total.

Step 2: Calculate Ravi's advance and refund Ravi applies for 1,200 shares and pays $1,200 \times 80 =$

Rs $96,000$, including Rs 36,000 application money and Rs 60,000 additional advance. He receives $1,200 \times 2/3 = 800$ shares, whose total issue price is $800 \times 80 =$ Rs $64,000$. Consequently, Rs 32,000 is refunded. His application excess of $36,000 - 800 \times 30 =$ Rs $12,000$, together with the retained additional payment of Rs 28,000, meets his Rs 40,000 call in full. Total calls in advance available when the call falls due are

$$12,00,000 + 60,000 - 32,000 = \text{Rs } 12,28,000.$$

Total cash initially received is $42,00,000 + 60,000 =$ Rs $42,60,000$.

Step 3: Calculate Chaman's arrears and cash on call Chaman's application was for $2,400 \times 3/2 = 3,600$ shares. He paid $3,600 \times 30 =$ Rs $1,08,000$, of which Rs 72,000 relates to application capital and Rs 36,000 is adjusted against the call. His call due is $2,400 \times 50 =$ Rs $1,20,000$, so arrears are $1,20,000 - 36,000 =$ Rs $84,000$. Cash received on call is

$$40,00,000 - 12,28,000 - 84,000 = \text{Rs } 26,88,000.$$

On forfeiture, nominal capital is $2,400 \times 80 =$ Rs $1,92,000$ and capital received is Rs 1,08,000.

Step 4: Record receipts, allotment and refund Journal of Karan Ltd. (receipts and allotment)

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

	Bank A/c Dr.
	  To Share Application and Allotment A/c
	  To Calls-in-Advance A/c
	(Being applications received, including Ravi's additional payment of Rs 60,000)
			42,60,000	
				42,00,000
				60,000

	Share Application and Allotment A/c Dr.
	  To Share Capital A/c
	  To Bank A/c
	  To Calls-in-Advance A/c
	(Being shares allotted pro-rata, rejected applications refunded and excess transferred to calls in advance)
			42,00,000	
				24,00,000
				6,00,000
				12,00,000

	Calls-in-Advance A/c Dr. To Bank A/c (Being Ravi's payment beyond the total issue price of his allotted shares refunded)		32,000	 32,000

Step 5: Record the first and final call Journal of Karan Ltd. (call and receipt)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr. To Share Capital A/c (Being first and final call of Rs 50 per share due on 80,000 shares)		40,00,000	 40,00,000
	Calls-in-Advance A/c Dr. Bank A/c Dr. Calls-in-Arrears A/c Dr. To Share First and Final Call A/c (Being advance adjusted, call received and Chaman's unpaid balance transferred to arrears)		12,28,000 26,88,000 84,000	 40,00,000

Step 6: Forfeit Chaman's shares Journal of Karan Ltd. (forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		1,92,000	
	To Calls-in-Arrears A/c			84,000
	To Share Forfeiture A/c			1,08,000
	(Being Chaman's 2,400 fully called shares forfeited for non-payment of the call)			

Step 7: Conclusion Calls-in-Advance of Rs 12,28,000 is adjusted against the call. Chamanś arrears of Rs 84,000 are cleared on forfeiture, and Share Forfeiture is credited with Rs 1,08,000.

Quick Tip to Solve: For Ravi, cap retained cash at the full price of his 800 allotted shares. For Chaman, deduct the Rs 36,000 application excess before calculating arrears.

Part B (20 marks)

OPTION – I (Analysis of Financial Statements)

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

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

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

(C) Outstanding salaries paid Rs. 62,000

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

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

Solution:

Concept:

- Current ratio equals current assets divided by current liabilities: $\mathrm{CR} = \mathrm{CA}/\mathrm{CL}$. A long-term loan is a non-current liability.
- Exchanging one current asset for another leaves total current assets unchanged. Paying a current liability reduces both current assets and current liabilities.

Step 1: Check options A, B and C Purchasing goods for cash exchanges cash for inventory; total current assets stay unchanged. Collecting cash from debtors similarly exchanges receivables for cash. Thus neither (A) nor (B) changes the ratio. For (C), let current liabilities be L, so current assets are $2.5L$. Paying outstanding salaries of $x = \text{Rs } 62,000$ gives

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

provided a positive current-liability balance remains. Payment of a current liability therefore increases this ratio.

Step 2: Check repayment of the long-term loan Repayment of Rs 8,00,000 reduces cash, a current

asset, and reduces a non-current liability. Current liabilities remain unchanged. The new ratio is

$$\frac{\text{CA} - 8,00,000}{\text{CL}} < \frac{\text{CA}}{\text{CL}}.$$

Thus the numerator decreases while the denominator stays fixed, producing the required decrease.

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

Quick Tip to Solve: First classify the liability: repaying a long-term loan reduces only the numerator of the current ratio, whereas paying outstanding salaries reduces both terms.

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28. There are two statements :

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

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

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

(A) Both the Statements are true.

(B) Both the Statements are false.

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

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

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

Solution:

Concept:

- Profit for the year is the increase in the surplus in the Statement of Profit and Loss, subject to any appropriations or other adjustments given.
- With no write-off or disposal given, an increase in goodwill represents goodwill acquired during the year.

Step 1: Test Statement I Treat the opening deficit as a negative balance. The profit first wipes out that deficit and then creates the closing surplus. Thus, profit is Rs $3,00,000 - (-\text{Rs } 2,00,000) = \text{Rs } 5,00,000$. Statement I is true; merely subtracting the two positive amounts would ignore the opening loss.

Step 2: Test Statement II and compare the options The increase in goodwill is Rs $5,00,000 - \text{Rs } 4,00,000 = \text{Rs } 1,00,000$. No goodwill written off or other movement is supplied, so this is goodwill acquired during the year. Statement II is also true. Options (B), (C) and (D) incorrectly treat at least one true statement as false.

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

Quick Tip to Solve: Write an opening deficit with a minus sign before subtracting it from the closing surplus.

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

[1 mark]

(A) Common Size Statement

(B) Comparative Statement

(C) Cash Flow Statement

(D) Financial Statement

Correct Answer: (B) Comparative Statement

Solution:

Concept:

- A comparative statement presents corresponding financial statement items side by side and shows their absolute and percentage changes.
- Absolute change equals current amount minus base amount; percentage change equals absolute change divided by base amount, multiplied by 100.

Step 1: Identify the defining feature The question specifically asks for changes in all items in both absolute and percentage terms over time or between firms. This is the purpose of a comparative statement: it makes the increase or decrease in each item visible alongside the original figures.

Step 2: Eliminate the other statements A common size statement expresses each item as a percentage of a common base, such as revenue from operations, rather than primarily reporting period-to-period changes. A cash flow statement reports movements of cash and cash equivalents. Financial statement is the broad category and does not identify the particular analysis described.

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

Quick Tip to Solve: Use the words "absolute and percentage changes" to identify a comparative statement; "percentage of a common base" identifies common size.

OR

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

[1 mark]

(A) Liquidity

(B) Solvency

(C) Profitability

(D) Activity

Correct Answer: (D) Activity

Solution:

Concept:

- Activity or turnover ratios measure the speed and efficiency with which assets are used in business operations.
- Examples include inventory turnover and trade receivables turnover; greater turnover usually indicates faster movement of the related resource.

Step 1: Connect speed with turnover The speed at which business activities are performed concerns how often resources turn over during a period. Inventory turnover describes how quickly inventory is sold, while receivables turnover describes how quickly credit sales are converted into collections.

Step 2: Distinguish the other ratio groups Liquidity ratios test the ability to meet short-term obligations. Solvency ratios assess long-term financial stability and debt-paying capacity. Profitability ratios measure earnings relative to sales, assets or capital. None of these categories specifically denotes the speed of business activity.

Step 3: Conclusion The blank is Activity ratios. Hence, the correct option is (D).

Quick Tip to Solve: Associate "speed", "turnover" and "efficiency of asset use" with activity ratios, not liquidity or profitability.

30(a). Which of the following transactions will result in outflow of cash ?

[1 mark]

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

(B) Cash receipts from royalties

(C) Issue of shares

(D) Dividend received from investments in other enterprises

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

Solution:

Concept:

- A cash outflow occurs when cash or a cash equivalent leaves the enterprise; a cash receipt is an inflow.
- Cash payments to and on behalf of employees are normally operating cash outflows because they

relate to the enterprise's regular activities.

Step 1: Check the direction of employee payments Payments of wages, salaries and amounts paid on behalf of employees reduce the enterprise's cash balance. The stated transaction therefore produces an actual outflow, regardless of whether cash is paid directly to an employee or to another party for the employee.

Step 2: Test the remaining alternatives Cash receipts from royalties increase cash. Issue of shares for cash brings cash into the business as financing; a non-cash issue would not create a cash flow at all. Dividend received from investments also increases cash. Thus none of (B), (C) or (D) describes cash leaving the enterprise.

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

Quick Tip to Solve: Read "paid" and "received" from the enterprise's viewpoint: employee payments reduce cash, while royalties and dividends received increase it.

OR

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

(A) Operating Activity

(B) Investing Activity

(C) Financing Activity

(D) Both Investing and Financing Activity

Correct Answer: (C) Financing Activity

Solution:

Concept:

- Financing activities concern the owners' capital and borrowings and the cash flows associated with financing the enterprise.
- For a non-financial enterprise, dividend paid is classified as a financing cash outflow under the prescribed cash flow statement treatment.

Step 1: Identify the nature of dividend paid Dividend distributes a return to the shareholders who have supplied ownership capital. Payment reduces cash and relates to the financing provided by owners. It is not an expense of producing goods or providing services.

Step 2: Eliminate the other activity classifications Operating activities relate to the principal revenue-producing business. Investing activities relate to acquiring or disposing of long-term assets and investments; dividend received on investments is treated there for a non-financial enterprise. The question asks about dividend paid, so operating, investing and a combined investing-and-financing classification are unsuitable.

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

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

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

(a) Prepaid Insurance

(b) Capital Work-in-Progress

(c) Unpaid Dividend [3 marks]

Solution:

Concept:

- Schedule III classifies assets and liabilities into current and non-current categories and presents them under the prescribed sub-heads.
- A prepaid expense represents a future benefit, construction of a long-term asset remains capital work-in-progress, and an unpaid dividend is an obligation to shareholders.

Step 1: Classify each item by its nature (a) Prepaid insurance is the part of insurance expenditure relating to the future period. It is carried as an asset and, in the usual annual classification here, appears under Other Current Assets. It is not an outstanding expense.

(b) Capital work-in-progress represents expenditure on constructing a long-term asset which is not yet ready for use. It is a Non-current Asset under Property, Plant and Equipment and Intangible Assets, separately shown as Capital Work-in-Progress.

(c) Unpaid dividend is an amount already payable to shareholders but not yet paid. It is shown as Other Current Liabilities, not as share capital or a reserve.

Step 2: Present the Schedule III classification **Balance Sheet classification (extract)**

Item	Major head	Sub-head / presentation
Prepaid Insurance	Current Assets	Other Current Assets
Capital Work-in-Progress	Non-current Assets	Property, Plant and Equipment and Intangible Assets (Fixed Assets): Capital Work-in-Progress
Unpaid Dividend	Current Liabilities	Other Current Liabilities

The construction balance is kept distinct from completed assets. The dividend balance remains a liability until payment; it does not become an asset merely because its payment is pending.

Step 3: Conclusion Prepaid Insurance: Current Assets – Other Current Assets. Capital Work-in-Progress: Non-current Assets – Property, Plant and Equipment and Intangible Assets (Fixed Assets). Unpaid Dividend: Current Liabilities – Other Current Liabilities.

Quick Tip to Solve: Prepaid means a future benefit (asset); unpaid dividend means a present obligation (liability); unfinished construction stays non-current.

32. Prepare a Common Size Statement of profit and loss of Laveena Ltd. for the year ended 31st March, 2023 and 31st March, 2024 from the following information :

Particulars	2023 - 24 (Rs.)	2022 - 23 (Rs.)
Revenue from operations	80,00,000	40,00,000
Purchase of stock in trade	8,00,000	4,00,000
Other expenses	80,000	40,000
Tax Rate 50%		

[3 marks]

Solution:

Concept:

- A common size Statement of Profit and Loss expresses each item as a percentage of revenue from operations of its own year: Percentage $= \dfrac{\text{Item amount}}{\text{Revenue from operations}} \times 100$.
- Profit before tax equals total revenue less total expenses; tax is 50% of profit before tax, and profit after tax is the remainder.

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

For 2023–24, total expenses are Rs $8,00,000$ + Rs $80,000$ = Rs $8,80,000$. Therefore,

$$\text{Profit before tax} = 80,00,000 - 8,80,000 = \text{Rs } 71,20,000,$$
$$\text{Tax} = 71,20,000 \times 50\% = \text{Rs } 35,60,000,$$
$$\text{Profit after tax} = 71,20,000 - 35,60,000 = \text{Rs } 35,60,000.$$

For 2022–23, total expenses are Rs $4,00,000$ + Rs $40,000$ = Rs $4,40,000$. Profit before tax is $40,00,000 - 4,40,000$ = Rs $35,60,000$. Tax at 50% and profit after tax are each Rs 17,80,000. No other income or expense is given.

Step 2: Convert the amounts into common size percentages Use Rs 80,00,000 as the base for 2023–24 and Rs 40,00,000 for 2022–23. Purchases are $8,00,000/80,00,000 \times 100 = 10\%$; other expenses are $80,000/80,00,000 \times 100 = 1\%$. The corresponding ratios for 2022–23 are identical. Total expenses are 11%, profit before tax is 89%, and tax is $89\% \times 50\% = 44.5\%$ of revenue, leaving profit after tax of 44.5%.

Laveena Ltd.

Common Size Statement of Profit and Loss

For the years ended 31 March 2024 and 31 March 2023

Particulars	2023–24 Rs	2022–23 Rs	2023–24 %	2022–23 %
I. Revenue from operations	80,00,000	40,00,000	100.0	100.0
II. Other income	–	–	–	–
III. Total revenue (I + II)	80,00,000	40,00,000	100.0	100.0
IV. Expenses:				
Purchase of stock in trade	8,00,000	4,00,000	10.0	10.0
Other expenses	80,000	40,000	1.0	1.0
Total expenses	8,80,000	4,40,000	11.0	11.0
V. Profit before tax (III–IV)	71,20,000	35,60,000	89.0	89.0
VI. Tax expense (50% of V)	35,60,000	17,80,000	44.5	44.5
VII. Profit after tax (V–VI)	35,60,000	17,80,000	44.5	44.5

Step 3: Conclusion Profit after tax is Rs 35,60,000 for 2023–24 and Rs 17,80,000 for 2022–23. It is 44.5% of revenue from operations in both years; all common size proportions are unchanged.

Quick Tip to Solve: Use each year's own revenue as 100%. The 50% tax rate applies to profit before tax, not directly to sales.

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

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

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

Calculate Return on Investment. [4 marks]

Solution:

Concept:

- Return on Investment (ROI) measures profit before interest and tax as a percentage of capital employed. Interest is added back because capital employed includes both owners' funds and long-term borrowings.
- $\text{ROI} = \dfrac{\text{Profit before interest and tax}}{\text{Capital employed}} \times 100$. Capital employed is total assets less current liabilities, or non-current assets plus working capital.
- Profit before interest and tax equals net profit after interest and tax plus tax plus interest on long-term debt. Debenture interest is the face amount of debentures multiplied by their annual interest rate.

Step 1: Calculate annual debenture interest Vivek Ltd. has 10% debentures of Rs 15,00,000. Their

annual interest is a financing cost which has already been deducted in the stated net profit. Compute it before reconstructing the profit available to all providers of capital:

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

Step 2: Calculate profit before interest and tax The given Rs 4,10,000 is after both interest and tax. Add back the stated tax of Rs 40,000 and the annual debenture interest so that the numerator measures the return before financing cost and taxation:

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

Step 3: Calculate capital employed and substitute Current liabilities finance part of current assets and must be deducted from total assets. Debentures are a source of long-term capital, so they are not deducted in this calculation:

$$\begin{aligned}\text{Working capital} &= 7,00,000 - 2,00,000 = \text{Rs } 5,00,000, \\ \text{Capital employed} &= 25,00,000 + 5,00,000 = \text{Rs } 30,00,000, \\ \text{ROI} &= \frac{6,00,000}{30,00,000} \times 100.\end{aligned}$$

Step 4: Conclusion Vivek Ltd.'s Return on Investment is $\boxed{20\%}$. Thus, each Rs 100 of capital employed earns Rs 20 before interest and tax.

Quick Tip to Solve: When profit is after interest and tax, add back both deductions for ROI; subtract only current liabilities from total assets when finding capital employed.

OR

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

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

[4 marks]

Solution:

Concept:

- Operating ratio expresses the cost of revenue from operations and operating expenses as a percentage of revenue from operations: Operating ratio $= \dfrac{\text{Operating cost}}{\text{Revenue from operations}} \times 100$.
- Cost of revenue from operations equals purchases plus direct expenses plus opening inventory less closing inventory. Hence, an increase in inventory is deducted from purchases and direct expenses.
- Both cash and credit transactions form part of sales and purchases. Carriage inward and wages are direct costs; salaries are operating expenses, added to cost of revenue from operations to obtain operating cost.

Step 1: Find total revenue and purchases Combine the cash and credit amounts separately. The classification describes how transactions are settled; it does not exclude credit transactions from the year's operating ratio:

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

Step 2: Calculate cost of revenue from operations Add carriage inward and wages as direct expenses. Since inventory increased by Rs 50,000, closing inventory exceeds opening inventory by that amount. Deduct the increase because this portion of goods remains unsold:

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

Thus the inventory adjustment is a subtraction, even though it is described as an increase.

Step 3: Add operating expenses and apply the ratio Salaries of Rs 1,45,000 are operating expenses. Add them once to the cost of revenue from operations; wages and carriage inward are already included and must not be counted again:

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

Step 4: Conclusion The operating ratio is $\boxed{56\%}$: operating costs absorb Rs 56 of every Rs 100 of revenue from operations.

Quick Tip to Solve: Add cash and credit figures, subtract an increase in inventory, then add salaries after computing the direct cost of goods sold.

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

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

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

Notes to Accounts:

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

Additional Information:

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

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

Solution:

Concept:

- Under the indirect method, adjust net profit or loss for non-cash charges and non-operating items, then adjust operating working capital.
- Depreciation, goodwill written off and loss on sale of machinery are added back because they

reduce accounting profit without being operating cash payments.

- Interest on debentures is added back to profit when treated as a financing cash flow. Decreases in operating current assets and increases in operating current liabilities increase operating cash flow.

Step 1: Find the loss and interest for the year The balance in the Statement of Profit and Loss falls from Rs 12,00,000 to Rs 5,00,000. No dividend, transfer or tax adjustment is given. Therefore, the loss for the year is:

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

The additional Rs 2,00,000 debentures were issued on 31st March, 2024, the last day of the year. Interest for the year is therefore calculated on the opening debentures:

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

Add back this financing expense in the operating reconciliation.

Step 2: Calculate depreciation and other non-cash adjustments Accumulated depreciation on the sold machinery must be removed from the opening balance when finding the current year's charge. Thus:

$$\begin{aligned}\text{Depreciation charge} &= \text{Closing accumulated depreciation} \\ &\quad - \text{Opening accumulated depreciation} \\ &\quad + \text{Depreciation on machinery sold} \\ &= \text{Rs } (5,00,000 - 3,00,000 + 3,00,000) \\ &= \text{Rs } 5,00,000.\end{aligned}$$

Goodwill written off is Rs $5,00,000 - 3,00,000 = 2,00,000$. The loss on machinery sold, Rs 70,000, is also added back. Its carrying amount is Rs $4,00,000 - 3,00,000 = 1,00,000$, so sale proceeds are Rs 30,000; those proceeds belong to investing activities and are not included in operating cash flow.

Step 3: Identify changes in operating working capital Inventories decrease by Rs $10,00,000 - 8,00,000 = 2,00,000$; add this release of funds. Trade receivables increase by Rs $10,00,000 - 2,00,000 = 8,00,000$; deduct this amount tied up in receivables. Trade payables increase by Rs $5,00,000 - 3,50,000 = 1,50,000$; add this source of operating finance.

Share capital, debentures and short-term borrowings are financing items. Current investments are investing items, while cash and cash equivalents are the balance being reconciled. None is included in operating working-capital changes.

Step 4: Prepare the operating section of the cash flow statement **Bose Ltd.**
Cash Flow from Operating Activities
for the year ended 31st March, 2024

Particulars	Amount (Rs)
Net loss before tax	(7,00,000)
Adjustments for:	
Depreciation on plant and machinery	5,00,000
Goodwill written off	2,00,000
Loss on sale of machinery	70,000
Interest on debentures	1,80,000
Operating profit before working-capital changes	2,50,000
Add: Decrease in inventories	2,00,000
Add: Increase in trade payables	1,50,000
Less: Increase in trade receivables	(8,00,000)
Cash used in operations	(2,00,000)
Less: Income tax paid (none given)	–
Net cash used in operating activities	(2,00,000)

The operating adjustments turn the accounting loss into a positive operating profit before working-capital changes, but the increase in receivables exceeds the funds released by inventories and payables. This produces an operating cash outflow.

Step 5: Conclusion Net cash flow from operating activities is $-$Rs $2,00,000$, i.e. cash used in operating activities of $\boxed{\text{Rs } 2,00,000}$.

Quick Tip to Solve: When machinery is sold, add its accumulated depreciation to the closing-minus-opening depreciation balance to obtain the yearly charge.

OPTION II (Computerised Accounting)

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

(A) Using Hashtag

(B) Using Vector

(C) Using Colour

(D) Using Comma

Correct Answer: (C) Using Colour

Solution:

Concept:

- A range is a cell or a group of cells used together in a spreadsheet calculation.
- Excel uses colour to distinguish referenced ranges visually while a formula is being entered or edited.

Step 1: Identify the visual aid When a formula refers to cells or ranges, Excel displays coloured reference outlines and corresponding colours in the formula. These colours help the user see which cells each reference represents.

Step 2: Compare all four choices Using Colour is the appropriate choice here. A hashtag is not the general visual identifier of a range, and a vector is not the spreadsheet identification method. A comma can separate references or arguments, but it does not provide the visual identification of a selected range. A range address such as $A1 : B5$ uses a colon between its endpoints; that is a separate matter from the colour-based identification asked in these options.

Step 3: Conclusion Hence, the correct option is (C): Using Colour.

Quick Tip to Solve: Distinguish the coloured outline identifying a referenced range from the colon used in its address.

OR

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

(A) Language processing and utility

(B) Storage and presentation

(C) System analysis and operations

(D) Timelines and relevance

Correct Answer: (D) Timelines and relevance

Solution:

Concept:

- An accounting report must provide relevant information for the decision for which it is prepared.
- Timeliness means making information available while it can still influence the decision.

Step 1: Connect the requirements to usefulness A report delivered too late cannot support a timely decision even if its figures are accurate. Equally, information unrelated to the user's purpose has little decision-making value. Thus, timeliness and relevance are the two requirements sought.

Step 2: Evaluate the alternatives The printed word "Timelines" in option (D) conveys the intended requirement of timeliness. Language processing is not one of the two report-quality requirements, so (A) is unsuitable. Storage and presentation in (B) describe handling and display of information. System analysis and operations in (C) concern system development and functioning rather than these report requirements.

Step 3: Conclusion Hence, the correct option is (D): Timelines and relevance (timeliness and relevance).

Quick Tip to Solve: For report-quality questions, ask whether the information arrives in time and helps the user's decision.

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

(A) Data label

(B) Data table

(C) Data point

(D) Data marks

Correct Answer: (A) Data label

Solution:

Concept:

- A data marker is the graphical representation of a value in a chart, such as a bar, point or pie slice.
- A data label supplies identifying information attached to a data marker, such as its value, category or percentage.

Step 1: Identify the element described The question asks for additional information that identifies the details of data represented by a marker. A data label provides precisely this information and can be displayed alongside the relevant marker.

Step 2: Eliminate the remaining choices A data table displays values in rows and columns beneath a chart rather than labelling a particular marker. A data point is the underlying individual value represented in a series. "Data marks" does not name the chart element that supplies this identifying text. Therefore, (B), (C) and (D) do not fit the stated function.

Step 3: Conclusion Hence, the correct option is (A): Data label.

Quick Tip to Solve: If the question asks for a value, category or percentage displayed beside a chart marker, choose data label.

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

(A) Journal Voucher

(B) Receipt Voucher

(C) Contra Voucher

(D) Payment Voucher

Correct Answer: (D) Payment Voucher

Solution:

Concept:

- A payment voucher records money paid out by a business through cash or bank.
- Voucher types distinguish receipts, payments, internal transfers and adjustments according to the transaction.

Step 1: Apply the direction of cash flow An outflow occurs when the business pays money, for example to a supplier or for an expense. Such a payment reduces cash or bank and is recorded using a payment voucher.

Step 2: Check the other voucher types A receipt voucher records money coming into the business, so (B) has the opposite direction. A contra voucher records internal cash-bank or bank-bank transfers rather than an external business payment. A journal voucher is generally used for non-cash adjustments and transactions not recorded in the specialised vouchers. Hence, (A) and (C) do not describe the outflow asked here.

Step 3: Conclusion Hence, the correct option is (D): Payment Voucher.

Quick Tip to Solve: Use the direction test: money received means receipt voucher; money paid to an outside party means payment voucher.

OR

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

(A) Data

(B) Hardware

(C) Software

(D) Procedure

Correct Answer: (A) Data

Solution:

Concept:

- Data consists of raw facts and figures entered into a computerised accounting system.
- The system processes data according to instructions and procedures to produce useful accounting information.

Step 1: Identify the input component Unprocessed transaction details, such as dates, amounts and account names, are raw facts. They become useful information after classification, calculation and reporting. The name of this input component is data.

Step 2: Distinguish the other system components Hardware is the physical equipment, such as the computer and input devices. Software comprises programs that process the entries. Procedures are the prescribed steps for entering, checking and processing transactions. These components work with raw facts but are not the raw facts themselves, eliminating (B), (C) and (D).

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

Quick Tip to Solve: Separate the raw facts (data) from the equipment, programs and rules used to process those facts.

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

(A) Horizontal value

(B) Derived value

(C) Basic value

(D) Vertical value

Correct Answer: (B) Derived value

Solution:

Concept:

- A basic value is entered directly as data, whereas a derived value is calculated from other values.
- An arithmetic expression or a built-in function processes inputs and returns a calculated result.

Step 1: Identify how the value is obtained The question describes the outcome of an expression or function. For example, multiplying quantity by price produces a sales amount. That amount is obtained by calculation from the input data, so it is a derived value.

Step 2: Eliminate the other descriptions A basic value is an input rather than the calculated result described here. Horizontal and vertical refer to directions or arrangements; neither is the name for the output of an arithmetic expression or function.

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

Quick Tip to Solve: When a value comes from a formula or function rather than direct entry, identify it as derived.

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

Solution:

Concept:

- The accounting cycle is the recurring sequence through which business transactions are converted into accounting records and financial statements for an accounting period.
- Each phase uses the information produced by the preceding phase; computerisation automates processing but retains the logic of the accounting cycle.

Step 1: Identify, analyse and record transactions First identify financial transactions from source documents such as invoices, receipts and vouchers, and analyse the accounts affected. Record the transactions chronologically in the journal or appropriate subsidiary books, applying the rules of debit and credit.

Step 2: Classify and summarise the records Post entries to their respective ledger accounts to classify transactions account-wise. Balance the ledger accounts and prepare a trial balance to summarise their balances and check the arithmetical agreement of total debits and total credits.

Step 3: Make adjustments and prepare reports Record period-end adjustments, such as outstanding expenses, prepaid expenses and depreciation, and incorporate the adjusted balances in the final accounts. Prepare the financial statements to determine profit or loss and show financial position.

Communicate the resulting accounting information to its users.

Step 4: Close the period and carry balances forward Close the temporary accounts relating to the completed period. Carry forward the balances of continuing accounts to the next period, when the cycle starts again.

Step 5: Conclusion The phases cover identifying and analysing transactions, recording, ledger classification, summarisation through the trial balance, adjustments, financial-statement preparation and reporting, and period-end closing.

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

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

Solution:

Concept:

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

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

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

Square brackets indicate optional arguments; they are not typed in the formula. The payment includes principal and interest, assuming the stated constant rate and equal periodic payments.

Step 2: Explain the required parameters `rate` is the interest rate per repayment period. For a quoted annual rate with monthly repayments, enter the annual rate divided by 12. `nper` is the total number of repayment periods; for a term of n years with monthly instalments, enter $12n$. `pv` is the present value, that is, the principal amount of the loan.

Step 3: Explain the optional parameters and payment sign `fv` is the desired future balance after the last payment. It defaults to zero, appropriate when the loan is fully repaid. `type` specifies when payments fall due: 0 for the end of each period (the default) and 1 for the beginning. Cash inflows and outflows have opposite signs. If the loan principal is entered as a positive `pv`, PMT normally returns a negative instalment, representing a cash payment.

Step 4: Conclusion `PMT(rate, nper, pv, [fv], [type])` computes the loan instalment. Use the monthly interest rate and the total number of months to compute the monthly instalment.

Quick Tip to Solve: For a fully repaid monthly loan, use annual rate divided by 12, years multiplied by 12, and zero future balance.

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

Solution:

Concept:

- A group code combines several fields in a stated order, so that each group of digits identifies one characteristic of a record.
- Fixed field widths make a code easy to interpret and avoid ambiguity when its parts are joined. A student's name can be stored against the code rather than included in the identifier.

Step 1: Choose the coding fields and their order Within the Education For All Trust's student records, use the order: school number, admission year, class, section/stream code and roll number. This identifies the school and admission batch before the student's class, section and individual roll number. As the question does not prescribe a field order, state the chosen scheme explicitly and use it consistently.

Step 2: Assign the given values to the fields The fields for Nisha are as follows:

Field	Width	Code
School number	2 digits	10
Admission year	4 digits	2024
Class XI	2 digits	11
Section A, science stream	1 digit	1
Roll number	2 digits	23

Use the supplied section code 1; there is no need to invent a second code for Section A. Class XI is expressed numerically as 11.

Step 3: Combine and check the code Join the fields in the declared order:

$$\underbrace{10}_{\text{school}} \mid \underbrace{2024}_{\text{year}} \mid \underbrace{11}_{\text{class}} \mid \underbrace{1}_{\text{section}} \mid \underbrace{23}_{\text{roll}}.$$

Reading the groups back gives School 10, admission in 2024, Class XI, Section A (science, code 1), and Roll No. 23. Store the name Nisha in the name field associated with this identifier. Separators may be retained for readability or removed when the fixed widths are used.

Step 4: Conclusion One valid group code for Nisha is **10-2024-11-1-23**, or **10202411123** without separators, using school–year–class–section–roll order.

Quick Tip to Solve: Declare the field order first, use 1 for the given science section, then decode the finished code to check every detail.

OR

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

Solution:

Concept:

- Number formatting specifies how a numeric value is displayed in a spreadsheet cell, such as a number, currency, percentage or date.
- A display format normally changes the appearance of an existing numeric value, not the value used in calculations. Decimal places, digit separators and symbols make accounting data easier to interpret.

Step 1: Explain the meaning and purpose Number formatting is the process of assigning a suitable display pattern to numerical data in cells. It makes similar figures consistent and helps users distinguish amounts, rates, dates and quantities. For example, a stored value of 1250 can be displayed as 1,250.00, or with the currency indication Rs 1,250.00. These displays represent the same numerical amount; the separator, decimal places and currency indication improve readability.

Step 2: Describe the principal formats General displays numbers in the default form. Number allows a chosen number of decimal places and a digit separator. Currency displays a monetary amount with a currency symbol, while Accounting aligns currency symbols and decimal points in a column of monetary figures. Percentage displays a value multiplied by 100 followed by the percent sign: a stored value of 0.15 appears as 15%. Date and Time display the corresponding date or time representation of stored serial values. Fraction and Scientific formats display numbers as fractions or using exponential notation. A Custom format permits a user-defined display pattern.

Step 3: Apply the required format Select the cell or range, open the Format Cells dialog box and choose the appropriate category in the Number tab. Set the required decimal places, currency symbol, separator or date pattern, inspect the sample display and confirm the choice. For a column of monetary amounts, apply one consistent currency or accounting format to the complete range.

Step 4: Distinguish display rounding from calculation If 1250.567 is formatted with two decimal places, the displayed amount becomes 1,250.57. Under normal spreadsheet settings, calculations still use 1250.567. Number formatting therefore controls presentation; it does not itself perform permanent rounding of the stored value. A rounding function is used when the numerical result itself must be rounded.

Step 5: Conclusion Number formatting controls the presentation of numerical data through formats such as Number, Currency, Accounting, Percentage and Date. It makes spreadsheet reports clear and consistent while normally preserving the underlying values for calculation.

Quick Tip to Solve: Choose the format from the meaning of the data: money needs currency formatting and rates need percentage formatting. Check the formula bar to distinguish the stored value from its displayed form.

34. Name the error which occurs when there is some invalid numeric value (e.g. you try to calculate square root of some negative number) is placed in the formula or function. State its possible causes and their solutions. [6 marks]

Solution:

Concept:

- The spreadsheet error `#NUM!` indicates an invalid numeric argument or a numerical result that the spreadsheet cannot calculate or represent.
- Correcting this error requires checking the permitted domain of a function, convergence of iterative functions and the magnitude of the calculated result.

Step 1: Identify the error from the example The error is `#NUM!`. The square-root function SQRT expects a non-negative real argument. For example, `=SQRT(-9)` attempts to find the real square root of a negative number. Since no real number has a square equal to -9, the function cannot return a real numerical result and displays `#NUM!`.

Step 2: Check for an invalid numeric argument A cause is supplying a numeric argument that lies outside the range permitted by the formula or function. A negative argument in SQRT is an example. Check the function's requirements, the values in the referenced cells and the signs in the formula. Correct an erroneous input or reference so that the argument is within the permitted domain. For example, if the intended input was 9 but it was entered as -9, correcting it gives `=SQRT(9)`, whose result is 3. Do not change the sign of a valid original input merely to hide the error; select a mathematically appropriate calculation for the actual data.

Step 3: Check whether an iterative function can converge Functions such as IRR and RATE find an answer by repeated numerical calculations. They can display `#NUM!` when they cannot find a result after the permitted attempts. Check whether the input data admit a solution, supply a more suitable initial guess and correct inconsistent cash-flow signs or other arguments. For IRR, the cash flows must include at least one positive and one negative value. Where the spreadsheet's calculation controls govern the iteration concerned, adjust the maximum iterations or acceptable change appropriately. Increasing iterations cannot create a solution when the underlying data do not allow one.

Step 4: Check whether the result exceeds the numerical range Another cause is a formula whose result is too large or too small for the spreadsheet's numerical limits. For example, a very large power such as `=10^400` exceeds the representable range. Check for a wrongly typed exponent or input and correct the formula. Where the data are valid, use appropriately scaled units or reformulate the calculation to keep intermediate values within the supported range, documenting the scale in the final result. Merely changing the cell's number format does not correct a numerical range error.

Step 5: Conclusion The required error is `#NUM!`. Its principal causes are invalid numeric arguments, failure of an iterative calculation to find a result, and results outside the supported numerical range. The respective remedies are to correct the arguments, check inputs and convergence settings or guesses, and correct or suitably scale the calculation.

Quick Tip to Solve: Diagnose `#NUM!` in this order: check the function's allowed inputs, then iterative convergence, then the size of the result. Number formatting cannot repair an invalid numerical calculation.