CBSE Class 12 Accountancy Question Paper 2025 with Solution PDF-Set 67-5-1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

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

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

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

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

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

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

Part A (60 marks)

(Accounting for Partnership Firms and Companies)

1. There are two statements Assertion (A) and Reason (R):

Assertion (A): The partners' fixed capital accounts always show a credit balance, which shall remain the same (fixed) year after year unless there is any addition or withdrawal of capital.

Reason (R): When captials are fixed, then various items like share of profit or loss, interest on capital, drawings, interest on drawings, etc. are recorded in partners' capital accounts.

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

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

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

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

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

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

Solution:

Concept:

- Under the fixed capital method, capital accounts record permanent capital introduced and permanent withdrawals of capital.
- A separate current account records recurring adjustments such as profit, loss, drawings and interest.

Step 1: Judge Assertion (A) Assertion (A) is correct. Fixed capital accounts retain their credit balances unless the partners introduce additional capital or permanently withdraw capital. Ordinary annual appropriations do not change these fixed balances.

Step 2: Judge Reason (R) Reason (R) is incorrect. Share of profit or loss, interest on capital, drawings and interest on drawings are recorded in the partners' current accounts under the fixed capital method, rather than in their capital accounts.

Step 3: Check the explanatory link The reason cannot explain the assertion because it states the wrong account for recurring adjustments. Options (A) and (B) require a true reason, while option (D) incorrectly treats the assertion as false.

Step 4: Conclusion The assertion is true and the reason is false. Hence, the correct option is (C).

Quick Tip to Solve: For fixed capitals, put annual adjustments in current accounts; change capital only for permanent capital transactions.

2(a). **Rani, Maharani and Laxmi were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 2. On 1st April, 2024 they admitted Reena as a new partner for 1/5th share in the profits of the firm. Reena acquired her share from Rani and Maharani in the ratio of 3 : 2. The new profit sharing ratio between Rani, Maharani, Laxmi and Reena will be:** [1 mark]

(A) 51 : 59 : 40 : 50

(B) 51 : 59 : 50 : 40

(C) 59 : 51 : 50 : 40

(D) 40 : 51 : 59 : 50

Correct Answer: (B) 51 : 59 : 50 : 40

Solution:

Concept:

- A partner's new share equals the old share minus the share sacrificed.
- Reena receives $1/5$; only Rani and Maharani sacrifice, in the ratio $3 : 2$.

Step 1: Find each sacrifice Rani sacrifices $\frac{1}{5} \times \frac{3}{5} = \frac{3}{25}$. Maharani sacrifices $\frac{1}{5} \times \frac{2}{5} = \frac{2}{25}$. Laxmi does not sacrifice any share. The old shares are $3/8, 3/8, 2/8$, respectively.

Step 2: Calculate and compare the new shares Using denominator 200, Rani has $\frac{3}{8} - \frac{3}{25} = \frac{51}{200}$, Maharani has $\frac{3}{8} - \frac{2}{25} = \frac{59}{200}$, Laxmi has $\frac{2}{8} = \frac{50}{200}$, and Reena has $\frac{1}{5} = \frac{40}{200}$. The numerators total 200. Options (A), (C) and (D) place at least one partner's share incorrectly.

Step 3: Conclusion The new ratio is $51 : 59 : 50 : 40$. Hence, the correct option is (B).

Quick Tip to Solve: Keep Laxmi's share unchanged and subtract the sacrifice only from the two partners named in the question.

OR

2(b). **Ravita, Savita, Kavita and Babita were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2 : 2. On 1st April, 2024 Savita retired and her share was acquired equally by the remaining partners. The new profit sharing ratio between Ravita, Kavita and Babita will be:** [1 mark]

(A) 2 : 1 : 1

(B) 1 : 2 : 1

(C) 1 : 1 : 2

(D) 3 : 3 : 2

Correct Answer: (A) 2 : 1 : 1

Solution:

Concept:

- A continuing partner's new share equals the old share plus the share acquired from the retiring partner.
- Equal acquisition means equal additions to shares, even when the original shares differ.

Step 1: Distribute the retiring share Savita's old share is $3/12 = 1/4$. It is acquired equally by three continuing partners. Each therefore gains $\frac{1}{4} \times \frac{1}{3} = \frac{1}{12}$.

Step 2: Find the continuing partners' ratio Ravita's new share is $5/12 + 1/12 = 6/12$. Kavita and Babita each have $2/12 + 1/12 = 3/12$. Thus their shares total $12/12$ and their ratio is $6 : 3 : 3 = 2 : 1 : 1$. Options (B) and (C) give the largest share to the wrong partner, while option (D) does not preserve equal gains.

Step 3: Conclusion The new ratio of Ravita, Kavita and Babita is $2 : 1 : 1$. Hence, the correct option is (A).

Quick Tip to Solve: Divide the retiring share equally first, then add that fraction separately to each continuing partner's old share.

3. On dissolution of a firm, there was an unrecorded asset of Rs. 15,000 which was taken over by a partner at Rs. 13,000. Partner's capital account will be debited by: [1 mark]

(A) Rs. 15,000

(B) Rs. 28,000

(C) Rs. 2,000

(D) Rs. 13,000

Correct Answer: (D) Rs. 13,000

Solution:

Concept:

- An unrecorded asset has no book balance to transfer to the Realisation Account.
- When a partner takes over an asset, debit the partner's capital account and credit Realisation with the agreed takeover value.

Step 1: Identify the amount chargeable to the partner The partner receives the unrecorded asset at the agreed value of Rs 13,000. This amount reduces the capital claim payable to that partner, so the capital account is debited by Rs 13,000.

Step 2: Reject the alternative amounts Rs 15,000 is the asset's stated value, but it is not the agreed takeover amount. Rs 28,000 wrongly adds the two values, and Rs 2,000 is merely their difference. None of these is the amount of the asset actually taken over for accounting purposes.

Step 3: Conclusion The partner's capital account is debited by Rs 13,000. Hence, the correct option is (D).

Quick Tip to Solve: For an asset taken over by a partner, use the agreed takeover value, even when the asset was unrecorded.

4. Sun and Moon were partners in a firm sharing profits and losses equally. Their fixed capitals were Rs. 5,00,000 each. After the accounts for the year ended 31st March, 2024 were prepared, it was discovered that interest on capital @ 10% p.a. was not credited to the partners' current accounts as provided in the partnership deed.

The rectifying adjustment entry for the same will be: [1 mark]

(A) No Entry

(B) Sun's Current A/c Dr. 50,000

To Moon's Current A/c 50,000

(C) Moon's Current A/c Dr. 50,000

To Sun's Current A/c 50,000

(D) Sun's Current A/c Dr. 50,000

Moon's Current A/c Dr. 50,000

To Profit and Loss Appropriation A/c 1,00,000

Correct Answer: (A) No Entry

Solution:

Concept:

- Interest on capital is an appropriation of profit and reduces the residual profit available for distribution.
- A past adjustment transfers only the net amount due between partners' current accounts when capitals are fixed.

Step 1: Calculate the omitted interest Interest due to each partner is Rs $5,00,000 \times 10/100 =$ Rs $50,000$. Total omitted interest is Rs 1,00,000. Each current account should receive an interest credit of Rs 50,000.

Step 2: Offset the excess profit already credited Because the accounts were already prepared without this appropriation, the profit distributed was higher by Rs 1,00,000. Equal sharing means each partner received Rs 50,000 excess profit. For each partner the required Rs 50,000 interest credit exactly offsets the Rs 50,000 excess-profit debit. Thus neither partner owes the other anything. Options (B) and (C) make an unjustified transfer; option (D) ignores this netting and reverses the interest treatment.

Step 3: Conclusion The net adjustment for both partners is nil, so no entry is required. Hence, the correct option is (A).

Quick Tip to Solve: Equal capitals with equal profit shares make omitted interest cancel in a single net past-adjustment entry.

5. John and Harry were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 1st April, 2023, they admitted Dinesh as a new partner for 1/4th share in the profits of the firm with a guarantee that his share in the profits shall be at least Rs. 1,00,000. The net profit of the firm for the year ended 31st March, 2024 was Rs. 2,80,000. John's share in the profits of the firm after giving the guaranteed amount of profit to Dinesh will be: [1 mark]

(A) Rs. 1,40,000

(B) Rs. 1,20,000

(C) Rs. 1,00,000

(D) Rs. 70,000

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

Solution:

Concept:

- A newly admitted partner's guaranteed profit must be paid before determining the final profit of the guaranteeing partners.
- The old partners bear the deficiency in their old profit-sharing ratio when no different guarantee ratio is specified.

Step 1: Find Dinesh's deficiency Dinesh's normal share is Rs $2,80,000 \times \frac{1}{4} =$ Rs $70,000$. Against the guarantee of Rs 1,00,000, the deficiency is Rs $1,00,000 -$ Rs $70,000 =$ Rs $30,000$.

Step 2: Calculate John's final share John's normal share is Rs $2,80,000 \times \frac{3}{4} \times \frac{2}{3} =$ Rs $1,40,000$. His share of deficiency is Rs $30,000 \times \frac{2}{3} =$ Rs $20,000$, leaving Rs 1,20,000. Equivalently, distribute the remaining Rs 1,80,000 between John and Harry in 2:1. Option (A) ignores the guarantee, (C) is Dinesh's guaranteed share and (D) is Dinesh's normal share.

Step 3: Conclusion John receives Rs 1,20,000. Hence, the correct option is (B).

Quick Tip to Solve: Subtract the guaranteed Rs 1,00,000 from total profit and divide the balance between the old partners in 2:1.

6(a). Jeeta Ltd. forfeited 300 shares of Rs. 100 each for the non-payment of final call of Rs. 10 per share. The amount credited to share forfeiture account will be: [1 mark]

(A) Rs. 30,000

(B) Rs. 27,000

(C) Rs. 9,000

(D) Rs. 3,000

Correct Answer: (B) Rs. 27,000

Solution:

Concept:

- The Share Forfeiture Account is credited with the capital amount actually received on forfeited shares.

- An unpaid call is credited separately to the relevant call account, not to Share Forfeiture.

Step 1: Find capital received per share The shares have face value Rs 100 each and only the final call of Rs 10 is unpaid. Thus the capital already received per share is Rs 100 − Rs 10 = Rs 90.

Step 2: Calculate the forfeiture credit For 300 shares the credit is $300 \times$ Rs 90 = Rs $27,000$. Rs 30,000 is the total called-up share capital, while Rs 3,000 is the unpaid final call. Rs 9,000 does not represent either the paid-up capital or the unpaid final call. The paid amount is retained by the company and transferred to Share Forfeiture.

Step 3: Conclusion Share Forfeiture Account is credited with Rs 27,000. Hence, the correct option is (B).

Quick Tip to Solve: For forfeiture credit, multiply shares forfeited by capital already received per share; exclude unpaid calls.

OR

6(b). Meeta Ltd. invited applications for issuing 30,000 equity shares of Rs. 10 each. Applications for 29,500 shares were received. Allotment was made in full. A shareholder holding 100 shares failed to pay the first call of Rs. 2 per share. His shares were forfeited. The second call of Rs. 3 per share was not yet made. The amount debited to share capital account, on the forfeiture of shares will be: [1 mark]

(A) Rs. 3,00,000

(B) Rs. 2,95,000

(C) Rs. 700

(D) Rs. 300

Correct Answer: (C) Rs. 700

Solution:

Concept:

- Share Capital Account is debited with the called-up capital on the forfeited shares.
- An amount not yet called is excluded from called-up capital, even though it is part of the face value.

Step 1: Calculate called-up capital per share Each share has face value Rs 10. The second call of Rs 3 has not yet been made, so called-up capital per share is Rs 10 − Rs 3 = Rs 7. The unpaid first call of Rs 2 is already included in these Rs 7.

Step 2: Apply this amount to the forfeited holding Only the defaulting shareholder's 100 shares are forfeited. The Share Capital debit is therefore $100 \times$ Rs 7 = Rs 700. The application totals of 30,000 and 29,500 shares do not determine this debit, eliminating (A) and (B). Rs 300 is the uncalled second call on 100 shares, which must be excluded, so (D) is also incorrect.

Step 3: Conclusion Share Capital Account is debited with Rs 700. Hence, the correct option is (C).

Quick Tip to Solve: For the Share Capital debit, use called-up value times forfeited shares, including unpaid calls but excluding uncalled calls.

7. The debentures that can be transferred by way of delivery and the company does not keep any record of the debentures holders are called: [1 mark]

(A) Redeemable debentures

(B) Convertible debentures

(C) Zero Coupon Rate debentures

(D) Bearer debentures

Correct Answer: (D) Bearer debentures

Solution:

Concept:

- Bearer debentures are transferred by delivery, and the company does not maintain a register of their holders.
- Debenture classifications may instead describe repayment, conversion rights or coupon interest; these are distinct features.

Step 1: Match the transfer condition Transfer by delivery, together with the absence of records of individual holders, identifies bearer debentures. Possession of the instrument is the distinguishing feature in the question.

Step 2: Check the other descriptions Redeemable debentures describe instruments repayable according to their terms. Convertible debentures describe instruments that can be converted into shares. Zero Coupon Rate debentures concern the absence of periodic coupon interest. None of those labels identifies the stated method of transfer or lack of holder records.

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

Quick Tip to Solve: When the question says transfer by delivery and no holder register, immediately identify bearer debentures.

8(a). Sudha, a partner withdrew Rs. 12,000 on 31st October, 2023 for her personal use. Interest on drawings is charged @ 6% p.a. The interest on Sudha's drawings for the year ended 31st March, 2024 will be: [1 mark]

(A) Rs. 300

(B) Rs. 30

(C) Rs. 3,000

(D) Rs. 150

Correct Answer: (A) Rs. 300

Solution:

Concept:

- For a single drawing, interest is $I = P \times r/100 \times t/12$, where P is the amount, r the annual rate and t the number of months.
- Charge interest for the period from withdrawal to the financial year end; no average-period shortcut

is needed.

Step 1: Determine the period The withdrawal was made on 31 October 2023. The five months from November 2023 through March 2024 run to the year end, 31 March 2024. Therefore the relevant period is $5/12$ of a year.

Step 2: Calculate and compare

$$I = \text{Rs } 12,000 \times \frac{6}{100} \times \frac{5}{12} = \text{Rs } 300.$$

The full-year interest would be Rs 720, which must be reduced to five months. Rs 30 and Rs 3,000 misplace a factor of ten; Rs 150 halves the actual five-month charge without justification. Such averaging is inappropriate for this single dated withdrawal.

Step 3: Conclusion Interest on Sudha's drawings is Rs 300. Hence, the correct option is (A).

Quick Tip to Solve: For a withdrawal on 31 October, count November to March as five months rather than using an average drawing period.

OR

8(b). The partnership deed should be prepared as per the provisions of which of the following Acts? [1 mark]

(A) The Companies Act, 2013

(B) The Indian Partnership Act, 1932

(C) The Indian Stamp Act

(D) The Cooperative Societies Act

Correct Answer: (C) The Indian Stamp Act

Solution:

Concept:

- A partnership deed is the written agreement recording the terms agreed by partners.
- The deed is executed on stamp paper in accordance with the Indian Stamp Act.

Step 1: Identify the requirement for the written deed The question asks about preparation of the partnership deed. A written partnership deed is prepared on duly stamped paper; its stamping is governed by the Indian Stamp Act.

Step 2: Distinguish the other Acts The Indian Partnership Act, 1932 governs partnership relationships, but the specific requirement for preparing the deed on stamp paper comes under the Indian Stamp Act. The Companies Act concerns companies, and the Cooperative Societies Act concerns cooperative societies.

Step 3: Conclusion Hence, the correct option is (C), the Indian Stamp Act.

Quick Tip to Solve: For preparation of a deed on stamp paper, identify the Indian Stamp Act; distinguish it from the law governing partnership relationships.

9. Manoj, Dilip and Rajinder were partners in a firm sharing profits and losses in the ratio of 7 : 3 : 5. Their fixed capitals were Rs. 10,00,000, Rs. 8,00,000 and Rs. 6,00,000, respectively. The partnership deed provided for interest on partners' drawings @ 12% p.a. Which of the following accounts will be debited for charging interest on partners' drawings? [1 mark]

(A) Partners' Capital Account

(B) Profit and Loss Appropriation Account

(C) Interest on Drawings Account

(D) Profit and Loss Account

Correct Answer: None of the printed options is correct: Partners' Current Accounts must be debited because the capitals are fixed.

Solution:

Concept:

- Under the fixed capital method, routine partner adjustments are recorded in the partners' current accounts.
- Interest on drawings is charged to the partner and credited to Interest on Drawings Account.

Step 1: Apply the fixed capital method The capitals are expressly stated to be fixed. Therefore interest charged on Manoj's, Dilip's and Rajinder's drawings must be debited to their respective Current Accounts, rather than their Capital Accounts. The rate and profit-sharing ratio do not change this classification.

Step 2: Check every printed option Option (A) would apply to fluctuating capitals, not the stated fixed capitals. Interest on Drawings Account in (C) is credited when the charge is recorded. Its balance is subsequently transferred to the credit of Profit and Loss Appropriation Account, so (B) is not the debit sought. Profit and Loss Account in (D) is also incorrect.

Step 3: Conclusion Partners' Current Accounts should be debited. No printed option is correct.

Quick Tip to Solve: Whenever capitals are fixed, route interest on drawings through current accounts, even if Capital Account appears among the options.

10. On the dissolution of the partnership firm of Raman, Hari and Suresh, realisation expenses Rs. 17,000 were paid by a debtor of Rs. 75,000 on behalf of the firm. The remaining amount was received from him along with interest of Rs. 2,000 for delayed payment. Realisation Account will be ____ by ____. [1 mark]

(A) debited, Rs. 17,000

(B) credited, Rs. 50,000

(C) debited, Rs. 77,000

(D) credited, Rs. 60,000

Correct Answer: (D) credited, Rs. 60,000

Solution:

Concept:

- Realisation Account records the amount actually realised from assets during dissolution.
- An expense paid directly by a debtor reduces the cash that the debtor remits to the firm.

Step 1: Determine the cash collected The debtor owes Rs 75,000 and pays Rs 17,000 of the firm's realisation expenses directly. The balance of the original debt received in cash is $75,000 - 17,000 =$ Rs $58,000$. Interest of Rs 2,000 is also received for the delay.

Step 2: Identify the credit to Realisation Account The total bank receipt is $58,000 + 2,000 =$ Rs $60,000$. This receipt is credited to Realisation Account. The direct payment of expenses by the debtor is an adjustment against his debt and does not produce a separate bank payment. Rs 17,000 is not the amount received, Rs 50,000 is not the balance collected, and Rs 77,000 ignores the direct expense payment.

Step 3: Conclusion Hence, Realisation Account is credited by Rs 60,000, option (D).

Quick Tip to Solve: Subtract expenses paid directly by the debtor from his balance, then add any interest collected to find the bank receipt.

11. Paratigm Ltd. issued 40,000, 11% debentures of Rs. 100 each at a discount of 5%, redeemable at a premium. On issue of these debentures 'Loss on Issue of Debentures Account' was debited with Rs. 4,00,000. The amount of premium on redemption of debentures was: [1 mark]

(A) Rs. 4,00,000

(B) Rs. 2,00,000

(C) Rs. 4,40,000

(D) Rs. 20,000

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

Solution:

Concept:

- Loss on issue comprises discount on issue plus premium payable on redemption.
- Discount is calculated on the nominal value of debentures, not on their issue proceeds.

Step 1: Calculate the issue discount The nominal value of 40,000 debentures of Rs 100 each is

$40,000 \times 100 = \text{Rs } 40,00,000$. The discount at 5% is therefore $40,00,000 \times 5/100 = \text{Rs } 2,00,000$.

Step 2: Separate the redemption premium The total debit to Loss on Issue of Debentures Account is Rs 4,00,000. Thus the premium on redemption is $4,00,000 - 2,00,000 = \text{Rs } 2,00,000$. Rs 4,00,000 is the total loss, not premium alone. Rs 4,40,000 incorrectly relates to the 11% coupon, and Rs 20,000 understates the calculated premium.

Step 3: Conclusion The premium on redemption is Rs 2,00,000, option (B).

Quick Tip to Solve: Deduct the issue discount from total loss on issue to isolate the redemption premium.

12(a). On 1st April, 2023, Viya Ltd. issued 20,000, 10% debentures of Rs. 100 each at a premium of 10%. The total amount of interest on debentures for the year ended 31st March, 2024 will be: [1 mark]

(A) Rs. 2,000

(B) Rs. 2,20,000

(C) Rs. 2,00,000

(D) Rs. 20,000

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

Solution:

Concept:

- Debenture interest is calculated on nominal value at the stated coupon rate.
- Issue premium is a capital receipt and does not increase the interest-bearing principal.

Step 1: Find nominal value and time The face value is $20,000 \times \text{Rs } 100 = \text{Rs } 20,00,000$. The debentures are issued on 1st April, 2023 and remain outstanding through 31st March, 2024, so interest is payable for a full year.

Step 2: Calculate annual interest Interest is $20,00,000 \times 10/100 = \text{Rs } 2,00,000$. The 10% issue premium does not enter this calculation. Rs 2,20,000 incorrectly charges interest on issue proceeds; Rs 20,000 and Rs 2,000 are too small because they omit factors in the total nominal value calculation.

Step 3: Conclusion The annual interest is Rs 2,00,000, option (C).

Quick Tip to Solve: Apply the coupon rate to face value, and use the issue date only to determine the time fraction.

OR

12(b). Radhya Ltd. issued 5,000, 9% debentures of Rs. 100 each at Rs. 97 per debenture. The 9% debentures account will be credited by: [1 mark]

(A) Rs. 4,85,000

(B) Rs. 5,00,000

(C) Rs. 4,50,000

(D) Rs. 50,000

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

Solution:

Concept:

- Debentures Account is credited with the face value of debentures issued.
- The difference between nominal value and issue proceeds is recorded separately as discount on issue.

Step 1: Calculate the liability recorded The nominal value of 5,000 debentures of Rs 100 each is $5,000 \times 100 = \text{Rs } 5,00,000$. This is the principal liability represented by the 9% Debentures Account.

Step 2: Distinguish face value from proceeds Cash received is $5,000 \times 97 = \text{Rs } 4,85,000$, and discount on issue is Rs 15,000. Accordingly, Rs 4,85,000 in option (A) is bank proceeds, not the debenture liability. Neither Rs 4,50,000 nor Rs 50,000 equals the nominal amount; the 9% coupon rate is irrelevant to this credit.

Step 3: Conclusion The 9% Debentures Account is credited by Rs 5,00,000, option (B).

Quick Tip to Solve: For the credit to Debentures Account, multiply quantity by face value, ignoring issue price and coupon rate.

13. X Ltd. invited applications for issuing 90,000 equity shares of Rs. 100 each. The amount per share was payable as follows:

On Application - Rs. 20

On Allotment - Rs. 50

On First and final call - Balance

Applications for 2,00,000 shares were received. An applicant who had applied for 5,000 shares paid the entire share money with the application. The total application money received by the company was: [1 mark]

(A) Rs. 44,00,000

(B) Rs. 40,00,000

(C) Rs. 18,00,000

(D) Rs. 90,00,000

Correct Answer: (A) Rs. 44,00,000

Solution:

Concept:

- Total money received with applications includes any excess paid by an applicant.
- The amount of shares offered does not limit cash received on all applications.

Step 1: Calculate ordinary application receipts Applications are received for 2,00,000 shares at Rs 20 per share. Normal application money is therefore $2,00,000 \times 20 = \text{Rs } 40,00,000$. This already includes Rs 20 per share for the applicant who paid the whole price.

Step 2: Add only the extra payment The applicant for 5,000 shares pays Rs 100 instead of Rs 20 per share, an extra Rs 80 each. Additional cash is $5,000 \times 80 = \text{Rs } 4,00,000$, giving total receipts of $40,00,000 + 4,00,000 = \text{Rs } 44,00,000$. Rs 40,00,000 omits the excess; Rs 18,00,000 uses shares offered instead of applications received; Rs 90,00,000 is the face value of the issue.

Step 3: Conclusion Total application money received is Rs 44,00,000, option (A).

Quick Tip to Solve: After computing normal application money on all applications, add only the excess over application money paid by the special applicant.

14. A, B and C were partners in a firm sharing profits and losses in the ratio of 8 : 5 : 3. It was decided that with effect from 1st April, 2024, profits and losses will be shared in the ratio of 6 : 5 : 5. Due to change in the profit sharing ratio, A's gain or sacrifice will be: [1 mark]

(A) 1/8 gain

(B) 2/8 gain

(C) 1/8 sacrifice

(D) 2/8 sacrifice

Correct Answer: (C) 1/8 sacrifice

Solution:

Concept:

- Sacrifice is old share minus new share; a positive difference indicates sacrifice.
- Shares must be compared after converting each ratio to fractions of total profit.

Step 1: Find the old and new shares The old ratio totals $8 + 5 + 3 = 16$, so A's old share is $8/16$. The new ratio also totals $6 + 5 + 5 = 16$, so A's new share is $6/16$. Equal denominators allow a direct comparison.

Step 2: Determine sacrifice or gain A's sacrifice is $8/16 - 6/16 = 2/16 = 1/8$. A receives less profit under the new ratio and therefore sacrifices; neither gain option is possible. The raw reduction of two ratio units means $2/16$, not $2/8$, so option (D) uses the wrong denominator.

Step 3: Conclusion A sacrifices 1/8 of total profits, option (C).

Quick Tip to Solve: Compare fractions of total profit, not just the numerators of the profit-sharing ratios.

15(a). On 1st April, 2024, the Balance Sheet of Radha and Mohan showed a loan of Rs. 10,000 given by Mohan to the firm. The firm was dissolved on this date. Mohan's loan will be discharged by crediting which of the following account? [1 mark]

(A) Realisation Account

(B) Mohan's Capital Account

(C) Mohan's Current Account

(D) Bank Account

Correct Answer: (D) Bank Account

Solution:

Concept:

- A loan advanced by a partner is a separate liability from that partner's capital.
- Repayment reduces the loan liability and reduces the bank balance.

Step 1: Identify the liability being paid Mohan has lent Rs 10,000 to the firm. On dissolution, settling this loan means debiting Mohan's Loan Account to remove the liability, while the payment reduces the firm's bank balance. The loan does not become a capital or current account balance merely because dissolution occurs.

Step 2: Identify the credit side The Bank Account is credited by Rs 10,000 on repayment. Realisation Account does not receive the credit because repayment of a partner's loan is handled separately from realisation of assets and settlement of outside liabilities. Mohan's Capital and Current Accounts are not credited because the loan is being discharged, not transferred to those accounts.

Step 3: Conclusion Mohan's loan is discharged by crediting Bank Account, option (D).

Quick Tip to Solve: For repayment of a partner loan, debit the Loan Account and credit the Bank Account.

OR

15(b). Which of the following events does not result in reconstitution of a firm? [1 mark]

(A) Dissolution of partnership

(B) Dissolution of partnership firm

(C) Death of a partner

(D) Change in profit sharing ratio of existing partners

Correct Answer: (B) Dissolution of partnership firm

Solution:

Concept:

- Reconstitution changes the partnership relationship while the firm continues its business.
- Dissolution of the firm brings the business and the partnership relationship to an end.

Step 1: Identify events involving continuation Death of a partner and a change in the profit-sharing ratio can change the relationship among partners while the firm continues. Dissolution of partnership refers to the ending of the old partnership agreement; it may be followed by a reconstituted partnership carrying on the same business.

Step 2: Identify the event ending the firm Dissolution of the partnership firm ends the business itself and entails realisation of assets and settlement of liabilities. Since the firm no longer continues in a changed form, this event is not reconstitution. Therefore (A), (C) and (D) concern changes in partnership relationships, whereas (B) ends the firm.

Step 3: Conclusion Dissolution of partnership firm does not result in reconstitution, option (B).

Quick Tip to Solve: Ask whether the firm continues after the event: continuation with changed relations indicates reconstitution.

16. Ajay and Parth were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 1st April, 2024, they admitted Vinod as a new partner in the firm. The new profit sharing ratio on Vinod's admission was 2 : 1 : 1. Ajay's sacrifice on Vinod's admission was: [1 mark]

(A) 1/12

(B) Nil

(C) 1/6

(D) 1/4

Correct Answer: (C) 1/6

Solution:

Concept:

- A partner's sacrificing share equals old profit share minus new profit share.
- Each ratio must first be converted to a fraction using its own total.

Step 1: Calculate Ajay's shares Ajay's old share is $2/(2+1) = 2/3$. His new share is $2/(2+1+1) = 2/4 = 1/2$. Vinod's admission changes the denominator even though Ajay's ratio term remains 2.

Step 2: Find and compare the sacrifice

$$\text{Ajay's sacrifice} = \frac{2}{3} - \frac{1}{2} = \frac{4-3}{6} = \frac{1}{6}.$$

Option (A), $1/12$, is Parth's sacrifice, since $1/3 - 1/4 = 1/12$. Option (B) is wrong because Ajay's fractional share decreases. Option (D), $1/4$, is Vinod's new share, not Ajay's individual sacrifice.

Step 3: Conclusion Ajay sacrifices $\boxed{1/6}$ of the total profits. Hence, the correct option is (C).

Quick Tip to Solve: Convert each ratio to fractions before subtracting; unchanged ratio terms do not mean unchanged shares.

17. Suman and Lata were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2023, their capital accounts showed balances of Rs. 1,50,000 and Rs. 2,00,000, respectively. The partnership deed provided for interest on capital @ 8% p.a. Show the treatment of interest on capital in the following cases if:

(i) The firm earned a profit of Rs. 14,000 for the year ended 31st March, 2024.

(ii) The firm earned a profit of Rs. 60,000 for the year ended 31st March, 2024. [3 marks]

Solution:

Concept:

- Interest on capital allowed by the deed is an appropriation of profit, unless specifically made a charge against profit.
- When profit is insufficient, available profit is distributed in the ratio of the interest due; remaining profit, when any, follows the profit-sharing ratio.

Step 1: Compute the annual interest entitlement Both opening capitals are available for the full year

ended 31st March, 2024. Thus, Suman's interest is $1,50,000 \times 8/100 = \text{Rs } 12,000$, and Lata's interest is $2,00,000 \times 8/100 = \text{Rs } 16,000$. Total interest due is Rs 28,000 and its ratio is $12,000 : 16,000 = 3 : 4$.

Step 2: Case (i): profit of Rs 14,000 The profit is less than the total interest entitlement. Therefore only Rs 14,000 can be appropriated as interest, in the interest-entitlement ratio $3 : 4$:

$$\text{Suman} = 14,000 \times \frac{3}{7} = \text{Rs } 6,000,$$
$$\text{Lata} = 14,000 \times \frac{4}{7} = \text{Rs } 8,000.$$

Credit these amounts to the respective capital/current accounts as interest on capital. The entire profit is exhausted and no residual profit remains for distribution in the ratio 3:2. The unpaid part of the calculated interest does not create a loss.

Step 3: Case (ii): profit of Rs 60,000 The profit is sufficient to allow full interest: Rs 12,000 to Suman and Rs 16,000 to Lata. The balance available for distribution is $60,000 - 28,000 = \text{Rs } 32,000$. In the agreed profit-sharing ratio $3 : 2$, Suman receives $32,000 \times 3/5 = \text{Rs } 19,200$, while Lata receives $32,000 \times 2/5 = \text{Rs } 12,800$. Their total credits from interest and profit are respectively Rs 31,200 and Rs 28,800; together these equal Rs 60,000.

Step 4: Conclusion In case (i), interest allowed is Rs 6,000 to Suman and Rs 8,000 to Lata. In case (ii), allow interest of Rs 12,000 and Rs 16,000, then distribute the remaining profit as Rs 19,200 and Rs 12,800 respectively.

Quick Tip to Solve: For insufficient profit, use the interest-entitlement ratio 3:4, not the profit-sharing ratio 3:2.

18(a). Abha and Sara were partners in a firm. Their capitals were: Abha Rs. 3,00,000 and Sara Rs. 2,00,000. The normal rate of return in similar business is 10%. The profits of the firm of Abha and Sara for the last three years were:

2021-22 - Rs. 60,000

2022-23 - Rs. 90,000

and 2023-24 - Rs. 1,20,000

Calculate goodwill of the firm on the following basis:

(i) Four years purchase of the average profits for the last three years.

(ii) Capitalisation of super-profits. [3 marks]

Solution:

Concept:

- Average profit equals the total maintainable profits divided by the number of years.
- Normal profit equals capital employed multiplied by the normal rate of return. Super-profit is average profit less normal profit.
- Capitalised value of super-profit, that is goodwill, equals super-profit multiplied by 100 divided by the normal rate expressed as a percentage.

Step 1: Calculate average profit The three years' profits total $60,000 + 90,000 + 1,20,000 =$ Rs $2,70,000$. No adjustment to these profits is specified, so all three figures enter the average:

$$\text{Average profit} = \frac{2,70,000}{3} = \text{Rs } 90,000.$$

This average is the annual profit used for both requested methods.

Step 2: Part (i): four years purchase Under the average-profit method, goodwill is the agreed years' purchase multiplied by average annual profit:

$$\text{Goodwill} = 90,000 \times 4 = \text{Rs } 3,60,000.$$

The multiplier is four even though the average itself is calculated using three years of historical profits.

Step 3: Part (ii): capitalisation of super-profits Total capital employed is the sum of the partners' capitals: $3,00,000 + 2,00,000 =$ Rs $5,00,000$. Hence normal profit is $5,00,000 \times 10/100 =$ Rs $50,000$, and super-profit is $90,000 - 50,000 =$ Rs $40,000$. Capitalising this excess earning at 10% gives

$$\text{Goodwill} = 40,000 \times \frac{100}{10} = \text{Rs } 4,00,000.$$

As a check, capitalising average profit gives Rs 9,00,000; deducting actual capital employed of Rs 5,00,000 yields the same Rs 4,00,000.

Step 4: Conclusion Goodwill is $\boxed{\text{Rs } 3,60,000}$ under four years' purchase of average profits, and $\boxed{\text{Rs } 4,00,000}$ under capitalisation of super-profits.

Quick Tip to Solve: Use four only as the purchase multiplier; use three to average profits and 10% to capitalise super-profit.

OR

18(b). Vijay, Ravi and Raman were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 1st April, 2024, they admitted Kamal as a new partner for 1/10th share in the profits. It was decided that new profit sharing ratio will be 4 : 2 : 3 : 1. On Kamal's admission, the goodwill of the firm was valued at Rs. 6,00,000. Kamal brought his share of goodwill premium in cash.

(i) Calculate the sacrificing ratio.

(ii) Pass necessary journal entries for the treatment of goodwill on Kamal's admission.

Show your working notes clearly. [3 marks]

Solution:

Concept:

- Sacrificing share equals old share minus new share; a negative result identifies a gaining partner.
- The incoming partner and any old gaining partner compensate the sacrificing partners for goodwill in proportion to their sacrifices.

Step 1: Working note: determine sacrifice and gain

$$\text{Vijay: } \frac{5}{10} - \frac{4}{10} = \frac{1}{10},$$
$$\text{Ravi: } \frac{3}{10} - \frac{2}{10} = \frac{1}{10},$$
$$\text{Raman: } \frac{2}{10} - \frac{3}{10} = -\frac{1}{10}.$$

Vijay and Ravi sacrifice equally, so their sacrificing ratio is $1:1$. Raman gains $1/10$; Kamal receives $1/10$. The total sacrifice $2/10$ matches these total gains.

Step 2: Working note: determine goodwill adjustments Kamal brings his goodwill share of $6,00,000 \times 1/10 =$ Rs $60,000$ in cash. It is credited equally to Vijay and Ravi: Rs 30,000 each. Raman must also compensate them for his gain: $6,00,000 \times 1/10 =$ Rs $60,000$, again Rs 30,000 each. Thus each sacrificing partner receives total goodwill compensation of Rs 60,000.

Step 3: Record the goodwill entries Journal of the firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1-4-2024	Cash A/c Dr.		60,000	
	To Premium for Goodwill A/c			60,000
	(Being goodwill premium brought by Kamal)			
	Premium for Goodwill A/c Dr.		60,000	
	To Vijay's Capital A/c			30,000
	To Ravi's Capital A/c			30,000
	(Being premium credited in sacrificing ratio 1:1)			
	Raman's Capital A/c Dr.		60,000	
	To Vijay's Capital A/c			30,000
	To Ravi's Capital A/c			30,000
	(Being Raman's gain adjusted for goodwill)			

No withdrawal of goodwill is recorded because withdrawal is not stated. The goodwill adjustments credit only the sacrificing partners; Raman is debited because he gains.

Step 4: Conclusion The sacrificing ratio of Vijay and Ravi is $\boxed{1:1}$. Kamal brings Rs 60,000, and Raman's capital is debited by Rs 60,000. Vijay and Ravi each receive a total credit of Rs 60,000.

Quick Tip to Solve: Check old partners for a gain: Raman gains 1/10 and must compensate Vijay and Ravi in addition to Kamal.

19(a). KM Ltd. acquired assets worth Rs. 7,20,000 and took over liabilities of Rs. 2,00,000 of LS Ltd. for a purchase consideration of Rs. 9,60,000. KM Ltd. issued 12% debentures of Rs. 100 each at a discount of 4% in favour of LS Ltd. for payment of purchase consideration.

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

Solution:

Concept:

- Goodwill on acquisition is purchase consideration less net identifiable assets acquired.
- Debentures issued at discount settle the liability at their issue price; the debenture account is

credited with nominal value.

Step 1: Calculate goodwill and number of debentures Net assets acquired are $7,20,000 - 2,00,000 =$ Rs $5,20,000$. The consideration exceeds net assets, so goodwill is $9,60,000 - 5,20,000 =$ Rs $4,40,000$. Each Rs 100 debenture is issued at $100 - 4 =$ Rs 96. Thus the number issued is $9,60,000/96 = 10,000$, nominal value is Rs 10,00,000 and discount is $10,000 \times 4 =$ Rs $40,000$.

Step 2: Record acquisition and discharge of consideration Journal of KM Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Sundry Assets A/c Dr.		7,20,000	
	Goodwill A/c Dr.		4,40,000	
	To Sundry Liabilities A/c			2,00,000
	To LS Ltd. A/c			9,60,000
	(Being assets and liabilities taken over for the agreed consideration)			
	LS Ltd. A/c Dr.		9,60,000	
	Discount on Issue of Debentures A/c Dr.		40,000	
	To 12% Debentures A/c			10,00,000
	(Being 10,000 debentures of Rs 100 issued at 4% discount to settle consideration)			

The first entry balances at Rs 11,60,000 on each side and records the business purchased. The second entry balances at Rs 10,00,000 and clears the full vendor liability. The 12% coupon determines future interest; it does not alter the number of debentures needed to settle the purchase consideration.

Step 3: Conclusion KM Ltd. records goodwill of $\boxed{\text{Rs } 4,40,000}$ and issues $\boxed{10,000}$ 12% debentures of Rs 100 each at a discount of Rs 4 each to discharge Rs 9,60,000.

Quick Tip to Solve: Divide consideration by the issue price Rs 96, then credit debentures at face value Rs 100 each.

OR

19(b). Varsha Ltd. invited applications for issuing 2,000, 12% debentures of Rs. 100 each at a premium of Rs. 30 per debenture. Full amount was payable on application. Applications were received for 5,000 debentures. Applications for 3,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applicants.

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

Solution:

Concept:

- When debentures are issued at a premium, the face value is credited to Debentures Account and the premium is credited to Securities Premium Account.
- Application money for rejected applications is refunded; only the money relating to allotted debentures is transferred to the issue accounts.

Step 1: Calculate the application receipts and refund The full issue price per debenture is $100 + 30 =$ Rs 130. Thus the money received on 5,000 applications is $5,000 \times 130 =$ Rs $6,50,000$. Rejected

applications relate to 3,000 debentures, so the refund is $3,000 \times 130 = \text{Rs } 3,90,000$. The retained amount is $6,50,000 - 3,90,000 = \text{Rs } 2,60,000$, being the issue price of the 2,000 debentures allotted.

Step 2: Record the transactions in the journal Journal of Varsha Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		6,50,000	
	To Debenture Application and Allotment A/c			6,50,000
	(Being full application money received on 5,000 debentures at Rs 130 each)			
	Debenture Application and Allotment A/c Dr.		3,90,000	
	To Bank A/c			3,90,000
	(Being money refunded on 3,000 rejected applications)			
	Debenture Application and Allotment A/c Dr.		2,60,000	
	To 12% Debentures A/c			2,00,000
	To Securities Premium A/c			60,000
	(Being 2,000 debentures allotted at a premium of Rs 30 each)			

The face value credited is $2,000 \times 100 = \text{Rs } 2,00,000$ and the premium credited is $2,000 \times 30 = \text{Rs } 60,000$. The application and allotment account closes because its total debits equal its credit of Rs 6,50,000. The 12% rate concerns future interest and does not alter the issue proceeds.

Step 3: Conclusion The company refunds Rs 3,90,000 and records 12% Debentures of Rs 2,00,000 with Securities Premium of Rs 60,000.

Quick Tip to Solve: Compute refunds at the full issue price of Rs 130, including the premium, rather than at face value.

20. Aman, Govind and Guru were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Sudarshan was admitted for 1/4th share in the profits of the firm. The new profit sharing ratio between Aman, Govind, Guru and Sudarshan was agreed at 9 : 5 : 4 : 6. The total capital of the new firm was agreed upon as Rs. 3,60,000. Sudarshan will bring 1/4th of this as his capital. The capitals of the other partners were also to be adjusted according to the new profit sharing ratio. The capitals of Aman, Govind and Guru after all adjustments stood at Rs. 60,000, Rs. 80,000 and Rs. 45,000 respectively.

Calculate the new capitals of Aman, Govind and Guru. Also pass necessary journal entries for the above transactions in the books of the firm. [3 marks]

Solution:

Concept:

- The agreed total capital is distributed in the new profit-sharing ratio. Required capital equals total capital multiplied by the partner's new share.
- Compare each required capital with the capital after all adjustments: a deficiency is brought in through bank and a surplus is refunded.

Step 1: Determine the required capitals The sum of the new ratio is $9+5+4+6=24$. Therefore,

$$\text{Aman} = 3,60,000 \times \frac{9}{24} = \text{Rs } 1,35,000,$$
$$\text{Govind} = 3,60,000 \times \frac{5}{24} = \text{Rs } 75,000,$$
$$\text{Guru} = 3,60,000 \times \frac{4}{24} = \text{Rs } 60,000,$$
$$\text{Sudarshan} = 3,60,000 \times \frac{6}{24} = \text{Rs } 90,000.$$

Sudarshan's new share, $6/24 = 1/4$, agrees with the share specified in the question.

Step 2: Compare required and existing capitals Aman's adjusted capital of Rs 60,000 falls short of Rs 1,35,000 by Rs 75,000. Guru's adjusted capital of Rs 45,000 falls short of Rs 60,000 by Rs 15,000. They bring these amounts into the firm. Govind's capital of Rs 80,000 exceeds his required capital of Rs 75,000 by Rs 5,000, which is paid back. Sudarshan brings Rs 90,000 as his capital. The existing partners' adjusted capitals already incorporate all other adjustments, so no fresh goodwill or revaluation entry is required here.

Step 3: Pass the capital adjustment entries Journal of the Firm

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		90,000	
	To Sudarshan's Capital A/c			90,000
	(Being capital brought in by Sudarshan)			
	Bank A/c Dr.		90,000	
	To Aman's Capital A/c			75,000
	To Guru's Capital A/c			15,000
	(Being deficiencies in capitals brought in)			
	Govind's Capital A/c Dr.		5,000	
	To Bank A/c			5,000
	(Being surplus capital refunded to Govind)			

As a check, final capitals total $1,35,000+75,000+60,000+90,000 = \text{Rs } 3,60,000$, exactly the agreed capital.

Step 4: Conclusion The new capitals are Aman: Rs 1,35,000; Govind: Rs 75,000; and Guru: Rs 60,000. Sudarshan contributes Rs 90,000.

Quick Tip to Solve: Use the new ratio out of 24 for required capitals, then compare with the already adjusted balances.

21. Sudha, Sudama and Sulochna were partners in a firm sharing profits equally. On 31st March, 2020, Sudha retired. On the date of retirement Rs. 2,40,000 became due to her. Sudama and Sulochna agreed to pay Sudha in four equal yearly instalments plus interest @ 10% p.a. on the unpaid balance starting from 31st March, 2021. The firm closes its books on 31st March every year.

Prepare Sudha's loan account till it is fully paid. [4 marks]

Solution:

Concept:

- Transfer the amount due to the retiring partner to her Loan Account. Interest is credited on the opening unpaid principal for each year.
- Four equal yearly principal instalments are Rs $2,40,000/4 =$ Rs $60,000$ each. Annual cash payment equals this principal instalment plus interest.

Step 1: Calculate instalments and yearly interest The first payment falls due on 31st March, 2021, one year after retirement. Interest at 10% is calculated on the unpaid principal at the start of each year. For the four years, the opening principal amounts are Rs 2,40,000, Rs 1,80,000, Rs 1,20,000 and Rs 60,000. Their interest amounts are respectively Rs 24,000, Rs 18,000, Rs 12,000 and Rs 6,000. Adding the equal principal instalment of Rs 60,000 gives bank payments of Rs 84,000, Rs 78,000, Rs 72,000 and Rs 66,000. Interest itself is paid each year, so it is not carried forward as unpaid principal.

Step 2: Prepare the loan account until final settlement Sudha's Loan Account

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
			31-03-2020		
			By Sudha's Capital A/c	2,40,000	
	31-03-2021		31-03-2021		
	To Bank A/c	84,000	By Interest A/c	24,000	
	To Balance c/d	1,80,000			
	Total	2,64,000	Total	2,64,000	
			01-04-2021		
			By Balance b/d	1,80,000	
	31-03-2022		31-03-2022		
	To Bank A/c	78,000	By Interest A/c	18,000	
	To Balance c/d	1,20,000			
	Total	1,98,000	Total	1,98,000	
			01-04-2022		
			By Balance b/d	1,20,000	
	31-03-2023		31-03-2023		
	To Bank A/c	72,000	By Interest A/c	12,000	
	To Balance c/d	60,000			
	Total	1,32,000	Total	1,32,000	
			01-04-2023		
			By Balance b/d	60,000	
	31-03-2024		31-03-2024		
	To Bank A/c	66,000	By Interest A/c	6,000	
	Total	66,000	Total	66,000	

The account is fully discharged after the fourth payment; no balance remains to be carried down on 31st March, 2024. Total interest is $24,000 + 18,000 + 12,000 + 6,000 =$ Rs $60,000$, and total cash

paid is Rs 3,00,000, comprising principal of Rs 2,40,000 and interest of Rs 60,000.

Step 3: Conclusion Sudha receives Rs 84,000, Rs 78,000, Rs 72,000 and Rs 66,000 on 31st March of 2021, 2022, 2023 and 2024 respectively; her loan is then fully paid.

Quick Tip to Solve: Keep the principal instalment fixed at Rs 60,000; calculate each year's interest on the declining unpaid principal.

22. On 1st April, 2023, GI Ltd. issued 40,000, 12% debentures of Rs. 100 each at a premium of 10%, redeemable at par after five years. The company closes its books on 31st March every year. Interest on debentures is payable half-yearly on 30th September and 31st March every year.

Pass necessary journal entries in the books of the company for issue of debentures and payment of interest for the year ended 31st March, 2024. [4 marks]

Solution:

Concept:

- Debentures are recorded at face value; an issue premium is credited separately to Securities Premium Reserve. Redemption at par creates no premium on redemption.
- Debenture interest is calculated on nominal value, irrespective of the issue price. Each half-year bears $12\% \times 6/12 = 6\%$ interest.

Step 1: Calculate the issue proceeds and interest

$$\begin{aligned}\text{Nominal value} &= 40,000 \times 100 = \text{Rs } 40,00,000,\\ \text{Issue premium} &= 40,00,000 \times 10\% = \text{Rs } 4,00,000,\\ \text{Bank receipts} &= 40,00,000 + 4,00,000 = \text{Rs } 44,00,000,\\ \text{Half-yearly interest} &= 40,00,000 \times \frac{12}{100} \times \frac{6}{12} = \text{Rs } 2,40,000.\end{aligned}$$

Interest accrues for the two complete half-years ending 30 September 2023 and 31 March 2024. The premium is a capital receipt, whereas interest is an expense charged to the Statement of Profit and Loss. No redemption entry is required during this year because redemption is due only after five years.

Step 2: Record issue, interest due and payment

Journal of GI Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
1 Apr 2023	Bank A/c Dr.		44,00,000	
	To 12% Debentures A/c			40,00,000
	To Securities Premium Reserve A/c			4,00,000
	(Being debentures issued at 10% premium)			
30 Sep 2023	Debenture Interest A/c Dr.		2,40,000	
	To Debentureholders A/c			2,40,000
	(Being half-yearly interest due)			
30 Sep 2023	Debentureholders A/c Dr.		2,40,000	
	To Bank A/c			2,40,000
	(Being half-yearly interest paid)			

31 Mar 2024		Debenture Interest A/c Dr.	2,40,000	
		To Debentureholders A/c		2,40,000
		(Being half-yearly interest due)		
31 Mar 2024		Debentureholders A/c Dr.	2,40,000	
		To Bank A/c		2,40,000
		(Being half-yearly interest paid)		
31 Mar 2024		Statement of Profit and Loss A/c Dr.	4,80,000	
		To Debenture Interest A/c		4,80,000
		(Being annual interest transferred to profit and loss)		

Step 3: Conclusion GI Ltd. receives Rs 44,00,000 on issue, credits Rs 40,00,000 to 12% Debentures and Rs 4,00,000 to Securities Premium Reserve. Interest of Rs 2,40,000 is paid on each half-yearly date; total annual finance cost is Rs 4,80,000.

Quick Tip to Solve: Use face value, not the premium-inclusive proceeds, when calculating debenture interest.

23(a). Radhika Ltd. invited applications for issuing 40,000 equity shares of Rs. 100 each at a premium of Rs. 50 per share. The amount was payable as follows:

On Application and Allotment - Rs. 40 per share (including Rs. 10 premium)

On First call - Rs. 45 per share (including Rs. 5 premium)

On Second and final call - Balance

Applications for 39,000 shares were received. Allotment was made in full to all the applicants. Dinu, to whom 100 shares were allotted, failed to pay the first call money. His shares were immediately forfeited. The forfeited shares were re-issued thereafter at Rs. 70 per share fully paid up. The second and final call was not yet made.

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

Solution:

Concept:

- Share capital is credited only with the face-value portion called up. Securities premium is credited separately when it becomes due.
- On forfeiture, debit called-up share capital and unpaid premium already credited; credit the unpaid call and the capital received to Share Forfeiture. Reissue discount cannot exceed the forfeiture amount for those shares.

Step 1: Separate capital and premium and determine the amounts Application and allotment of Rs 40 comprises Rs 30 capital and Rs 10 premium. The first call of Rs 45 comprises Rs 40 capital and Rs 5 premium. Thus, before the second call, called-up capital is $30 + 40 = \text{Rs } 70$ per share. The uncalled balance is Rs 65, consisting of Rs 30 capital and Rs 35 premium. No second-call entry is

passed because that call has not been made.

$$\begin{aligned}\text{Application receipts} &= 39,000 \times 40 = \text{Rs } 15,60,000,\\ \text{Capital on application} &= 39,000 \times 30 = \text{Rs } 11,70,000,\\ \text{Premium on application} &= 39,000 \times 10 = \text{Rs } 3,90,000,\\ \text{First call due} &= 39,000 \times 45 = \text{Rs } 17,55,000,\\ \text{First call received} &= 38,900 \times 45 = \text{Rs } 17,50,500.\end{aligned}$$

Step 2: Record application, allotment and first call

Journal of Radhika Ltd.

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		15,60,000	
	To Share Application and Allotment A/c			15,60,000
	(Being application and allotment money received)			
	Share Application and Allotment A/c Dr.		15,60,000	
	To Equity Share Capital A/c			11,70,000
	To Securities Premium Reserve A/c			3,90,000
	(Being 39,000 shares allotted in full)			
	Equity Share First Call A/c Dr.		17,55,000	
	To Equity Share Capital A/c			15,60,000
	To Securities Premium Reserve A/c			1,95,000
	(Being first call due on 39,000 shares)			
	Bank A/c Dr.		17,50,500	
	To Equity Share First Call A/c			17,50,500
	(Being first call received except on 100 shares)			

Step 3: Calculate forfeiture and fully paid reissue Dinu has paid only Rs 30 capital per share, so forfeiture retains $100 \times 30 = \text{Rs } 3,000$. Debit share capital with $100 \times 70 = \text{Rs } 7,000$. The unpaid first-call premium of $100 \times 5 = \text{Rs } 500$ must be reversed, while the received application premium remains in Securities Premium Reserve. The unpaid first call is Rs 4,500. On reissue, fully paid capital is $100 \times 100 = \text{Rs } 10,000$, cash received is Rs 7,000, and discount is Rs 3,000. This exhausts the forfeiture balance; no capital profit remains.

Step 4: Record forfeiture and reissue

Journal of Radhika Ltd. (continued)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Equity Share Capital A/c Dr.		7,000	
	Securities Premium Reserve A/c Dr.		500	
	To Equity Share First Call A/c			4,500
	To Share Forfeiture A/c			3,000
	(Being 100 shares forfeited for unpaid first call)			
	Bank A/c Dr.		7,000	
	Share Forfeiture A/c Dr.		3,000	
	To Equity Share Capital A/c			10,000
	(Being 100 shares reissued fully paid at Rs 70)			

Step 5: Conclusion Dinu's 100 shares are forfeited with Rs 7,000 called-up capital and Rs 3,000 credited to Share Forfeiture. Their reissue as fully paid uses the entire Rs 3,000 forfeiture amount as discount, so no amount is transferred to Capital Reserve.

Quick Tip to Solve: At forfeiture use Rs 70 called-up capital per share; at fully-paid reissue credit Rs 100 per share.

OR

23(b). Sona Ltd. invited applications for issuing 60,000 equity shares of Rs. 50 each. The amount was payable as follows:

On Application - Rs. 20 per share

On Allotment - Rs. 25 per share

On First and final call - Balance

Applications for 90,000 shares were received. Applications for 10,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Rahul, to whom 600 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately. Afterwards, the first and final call was made. Mona, to whom 1,000 shares were allotted, failed to pay the first and final call. Her shares were also forfeited.

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

Solution:

Concept:

- Pro-rata allotment adjusts excess application money against allotment; only the net balance is payable in cash.
- On forfeiture, debit Share Capital with called-up capital, credit the unpaid instalment and credit Share Forfeiture with capital already received.

Step 1: Determine the pro-rata adjustment and Rahul's default The remaining applicants applied for $90,000 - 10,000 = 80,000$ shares and received $60,000$ shares. Hence applied : allotted $= 4 : 3$. Application receipts are $90,000 \times 20 =$ Rs $18,00,000$; refund is Rs 2,00,000. Of the accepted application money, Rs 12,00,000 is transferred to capital and Rs 4,00,000 is adjusted against allotment.

Rahul applied for $600 \times 4/3 = 800$ shares. His excess application money is $(800 - 600) \times 20 =$ Rs $4,000$. His allotment due is Rs 15,000, so his unpaid allotment is Rs 11,000. At forfeiture only Rs 45 per share has been called; capital debited is $600 \times 45 =$ Rs $27,000$. The entire Rs 16,000 received from him is capital money and is credited to Share Forfeiture.

Step 2: Record application and allotment Journal of Sona Ltd. (application and allotment)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Bank A/c Dr.		18,00,000	
	To Share Application A/c			18,00,000
	(Being application money received on 90,000 shares)			
	Share Application A/c Dr.		18,00,000	
	To Share Capital A/c			12,00,000
	To Share Allotment A/c			4,00,000
	To Bank A/c			2,00,000
	(Being application adjusted and rejected applications refunded)			
	Share Allotment A/c Dr.		15,00,000	
	To Share Capital A/c			15,00,000
	(Being allotment due on 60,000 shares at Rs 25 each)			
	Bank A/c Dr.		10,89,000	
	To Share Allotment A/c			10,89,000
	(Being allotment received after adjustment and Rahul's default)			

Step 3: Forfeit Rahul's shares and calculate the call Allotment cash is $15,00,000 - 4,00,000 - 11,000 =$ Rs $10,89,000$. Rahul's 600 shares are forfeited before the call, so the first and final call is made on $60,000 - 600 = 59,400$ shares only. The balance payable per share is $50 - 20 - 25 =$ Rs 5. Thus call due is Rs 2,97,000. Mona defaults on $1,000 \times 5 =$ Rs $5,000$, leaving call receipts of Rs 2,92,000.
Journal of Sona Ltd. (Rahul's forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share Capital A/c Dr.		27,000	
	To Share Allotment A/c			11,000
	To Share Forfeiture A/c			16,000
	(Being Rahul's 600 shares forfeited for unpaid allotment)			

Step 4: Record the final call and Mona's forfeiture Journal of Sona Ltd. (call and forfeiture)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Share First and Final Call A/c Dr.		2,97,000	
	To Share Capital A/c			2,97,000
	(Being final call due on 59,400 shares at Rs 5 each)			
	Bank A/c Dr.		2,92,000	
	To Share First and Final Call A/c			2,92,000
	(Being call received except on Mona's 1,000 shares)			
	Share Capital A/c Dr.		50,000	
	To Share First and Final Call A/c			5,000
	To Share Forfeiture A/c			45,000
	(Being Mona's 1,000 fully called shares forfeited)			

Step 5: Conclusion The journal entries record both forfeitures. Share Forfeiture is credited with Rs 16,000 for Rahul and Rs 45,000 for Mona, totalling Rs 61,000. No reissue is stated.

Quick Tip to Solve: For Rahul, calculate shares applied for before finding his excess application money; exclude his forfeited shares from the later call.

24(a). **Kishore and Ranjan were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2024, their Balance Sheet was as follows:**

Balance Sheet of Kishore and Ranjan as at 1st April, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	1,80,000	Cash in hand	30,000
General Reserve	20,000	Debtors	1,20,000
Capitals:		Stock	1,50,000
Kishore 6,00,000		Furniture	1,00,000
Ranjan 4,00,000	10,00,000	Land and Building	8,00,000
	12,00,000		12,00,000

On the above date, Singh was admitted as a new partner on the following terms:

(i) Singh will bring Rs. 1,50,000 as his capital and Rs. 50,000 as his share of goodwill premium.

(ii) The value of stock will be reduced by 10% and Land and Building will be appreciated by 10%.

(iii) Furniture will be revalued at Rs. 90,000.

(iv) A provision for doubtful debts will be created on sundry debtors at 5%.

(v) Investments worth Rs. 10,000 not mentioned in the Balance Sheet will be taken into account.

(vi) A creditor of Rs. 1,000 is not likely to claim his money and is to be written off.

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

[6 marks]

Solution:

Concept:

- Accumulated reserves and revaluation profit belong to the old partners and are distributed in the old profit-sharing ratio.
- Goodwill premium compensates sacrificing partners; when no different sacrifice is stated, distribute it in the old ratio.
- Asset decreases and new liabilities are revaluation losses; asset increases and liability reductions are revaluation gains.

Step 1: Distribute the accumulated reserve and record Singh's contribution The old profit-sharing ratio is $3:2$. As no different sacrifice is specified, the premium is credited to Kishore and Ranjan in that ratio: $50,000 \times 3/5 =$ Rs $30,000$ and $50,000 \times 2/5 =$ Rs $20,000$. General Reserve belongs entirely to the old partners: Rs 12,000 and Rs 8,000 respectively. Singh brings total cash of $1,50,000 + 50,000 =$ Rs $2,00,000$. No goodwill asset is raised.

Journal of the firm (1st April, 2024)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	General Reserve A/c Dr.		20,000	
	To Kishore's Capital A/c			12,000
	To Ranjan's Capital A/c			8,000
	(Being reserve distributed to old partners in ratio 3:2)			
	Cash A/c Dr.		2,00,000	
	To Singh's Capital A/c			1,50,000
	To Premium for Goodwill A/c			50,000
	(Being capital and goodwill premium brought by Singh)			
	Premium for Goodwill A/c Dr.		50,000	
	To Kishore's Capital A/c			30,000
	To Ranjan's Capital A/c			20,000
	(Being goodwill premium credited in sacrificing ratio 3:2)			

Step 2: Record reductions in assets and the provision Stock decreases by $1,50,000 \times 10\% =$ Rs $15,000$. Furniture falls from Rs 1,00,000 to Rs 90,000, a loss of Rs 10,000. Provision for doubtful debts is $1,20,000 \times 5\% =$ Rs $6,000$. These losses are debited to Revaluation Account; the debtor balance remains gross, with a separate provision account credited.

Journal of the firm (revaluation losses)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr.		15,000	
	To Stock A/c			15,000
	(Being stock reduced by 10 percent)			
	Revaluation A/c Dr.		10,000	
	To Furniture A/c			10,000
	(Being furniture reduced to its revised value)			
	Revaluation A/c Dr.		6,000	
	To Provision for Doubtful Debts A/c			6,000
	(Being provision created at 5 percent of debtors)			

Step 3: Recognise gains and unrecorded investments Land and Building appreciates by $8,00,000 \times 10\% =$ Rs $80,000$. Investments omitted from the books are recognised at Rs 10,000. The creditor written off reduces liabilities by Rs 1,000. Each gives a revaluation gain and is credited to Revaluation Account.

Journal of the firm (revaluation gains)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Land and Building A/c Dr.		80,000	
	To Revaluation A/c			80,000
	(Being land and building appreciated by 10 percent)			
	Investments A/c Dr.		10,000	
	To Revaluation A/c			10,000
	(Being unrecorded investments recognised)			
	Sundry Creditors A/c Dr.		1,000	
	To Revaluation A/c			1,000
	(Being unclaimed creditor written off)			

Step 4: Transfer revaluation profit to the old partners Total gains are $80,000 + 10,000 + 1,000 =$ Rs $91,000$. Total losses are $15,000 + 10,000 + 6,000 =$ Rs $31,000$. Therefore revaluation profit is $91,000 - 31,000 =$ Rs $60,000$. It arose before admission and belongs only to Kishore and Ranjan, in

their old ratio. Their credits are Rs 36,000 and Rs 24,000 respectively.
Journal of the firm (transfer of profit)

Date	Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
	Revaluation A/c Dr.		60,000	
	To Kishore's Capital A/c			36,000
	To Ranjan's Capital A/c			24,000
	(Being revaluation profit transferred in old ratio 3:2)			

Step 5: Conclusion Revaluation profit is Rs 60,000. After the entries, capital balances are Kishore Rs 6,78,000, Ranjan Rs 4,52,000 and Singh Rs 1,50,000. The goodwill premium remains in the business as no withdrawal is stated.

Quick Tip to Solve: Keep the Rs 20,000 reserve separate from the Rs 60,000 revaluation profit; both go to the old partners in the ratio 3:2.

OR

24(b). Arti, Bharti and Gayatri were partners in a firm sharing profits and losses in ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2024 was a follows:

Balance Sheet of Arti, Bharti and Gayatri as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	1,50,000	Cash at Bank	1,30,000
General Reserve	1,30,000	Debtors	70,000
Employees' Provident Fund	25,000	Stock	1,05,000
Workmen Compensation Fund	75,000	Machinery	1,40,000
Capitals:		Building	2,00,000
Arti 2,00,000		Patents	5,000
Bharti 1,00,000		Profit and Loss A/c	80,000
Gayatri 50,000	3,50,000		
	7,30,000		7,30,000

On the above date, Arti retired from the firm on the following terms:

(i) Goodwill of the firm was valued at Rs. 3,00,000.

(ii) A provision of 5% for doubtful debts was to be created on debtors.

(iii) Machinery was to be depreciated by 10% and building was to be appreciated by Rs. 22,500.

(iv) Patents were considered as valueless and hence had to be written off.

(v) A claim of Rs. 15,000 was admitted for workmen compensation.

Prepare Revaluation Account and Partners' Capital Accounts on Arti's retirement. [6 marks]

Solution:

Concept:

- Revaluation records changes in asset and liability values. Its net profit or loss is shared in the old ratio, here $5 : 3 : 2$.

- Accumulated reserves and losses belong to the old partners. Only the excess of workmen compensation fund over the admitted claim is distributed.
- The retiring partner receives her goodwill share from the continuing partners in their gaining ratio; goodwill need not be raised in the books.

Step 1: Calculate revaluation adjustments Provision on debtors $= 70,000 \times 5\% =$ Rs $3,500$. Depreciation on machinery $= 1,40,000 \times 10\% =$ Rs $14,000$. Patents of Rs 5,000 are written off. These decreases total Rs 22,500, exactly equal to the appreciation of building. Hence revaluation yields neither profit nor loss. The compensation claim is met out of the existing fund, so it does not create a revaluation loss.

Step 2: Prepare Revaluation Account Revaluation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Provision for doubtful debts	3,500	By Building	22,500
To Machinery	14,000		
To Patents	5,000		
Total	22,500	Total	22,500

Step 3: Distribute reserves and adjust goodwill General reserve of Rs 1,30,000 is credited in the old ratio: Arti Rs 65,000, Bharti Rs 39,000, Gayatri Rs 26,000. The compensation fund surplus is $75,000 - 15,000 =$ Rs $60,000$, distributed as Rs 30,000, Rs 18,000 and Rs 12,000 respectively; Rs 15,000 remains for the claim. The debit Profit and Loss balance of Rs 80,000 is charged as Rs 40,000, Rs 24,000 and Rs 16,000. Employees' Provident Fund remains a liability and is not distributed. In the absence of a changed ratio, Bharti and Gayatri continue in $3:2$; their gains are $3/10$ and $2/10$. Arti's goodwill share is $3,00,000 \times 5/10 =$ Rs $1,50,000$. Debit Bharti Rs 90,000 and Gayatri Rs 60,000 and credit Arti Rs 1,50,000.

Step 4: Prepare the capital accounts Arti's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	40,000	By Balance b/d	2,00,000
To Arti's Loan A/c	4,05,000	By General Reserve	65,000
		By Workmen Compensation Fund	30,000
		By Bharti's Capital A/c	90,000
		By Gayatri's Capital A/c	60,000
Total	4,45,000	Total	4,45,000

Bharti's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	24,000	By Balance b/d	1,00,000
To Arti's Capital A/c	90,000	By General Reserve	39,000
To Balance c/d	43,000	By Workmen Compensation Fund	18,000
Total	1,57,000	Total	1,57,000

Gayatri's Capital Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Profit and Loss A/c	16,000	By Balance b/d	50,000
To Arti's Capital A/c	60,000	By General Reserve	26,000
To Balance c/d	12,000	By Workmen Compensation Fund	12,000
Total	88,000	Total	88,000

Since no immediate payment is specified, the amount due to Arti is transferred to her Loan Account. Bharti and Gayatri carry their remaining balances forward.

Step 5: Conclusion Revaluation result is nil. Arti is due Rs 4,05,000; the continuing capital balances are Bharti Rs 43,000 and Gayatri Rs 12,000.

Quick Tip to Solve: Use only the Rs 60,000 surplus compensation fund for distribution; retain the Rs 15,000 admitted claim.

25. Madhavan, Chatterjee and Pillai were partners in a firm sharing profits and losses in ratio of 2 : 1 : 2. On 31st March, 2024, their Balance Sheet was as follows:

Balance Sheet of Madhavan, Chatterjee and Pillai as at 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	1,10,000	Cash at Bank	4,05,000
Outstanding Expenses	17,000	Stock	2,20,000
Mrs. Madhavan's Loan	2,00,000	Debtors 95,000 Less: Provision for Doubtful Debts 5,000	90,000
Chatterjee's Loan	1,70,000	Land and Building	1,82,000
Capitals:		Plant and Machinery	1,00,000
Madhavan 2,00,000 Chatterjee 1,00,000 Pillai 2,00,000	5,00,000		
	9,97,000		9,97,000

On the above date, the firm was dissolved and the following transactions took place:

(i) Debtors were taken over by the creditors in full settlement of their account.

(ii) Madhavan agreed to pay Mrs. Madhavan's loan.

(iii) 50% of the stock was taken over by Chatterjee at 10% less than the book value. The remaining stock was sold at a profit of 20%.

(iv) Land and Building was taken over by Pillai for Rs. 10,00,000 and Plant and Machinery was sold as scrap for Rs. 20,000.

(v) Realisation expenses Rs. 17,000 were paid by cheque.

Prepare Realisation Account. [6 marks]

Solution:

Concept:

- Realisation Account receives non-cash assets at gross book values on the debit side, and external liabilities and related asset provisions on the credit side.
- Assets taken over by partners credit Realisation and debit their capitals; liabilities taken over by partners debit Realisation and credit their capitals.
- Realisation profit or loss is transferred to partners in their profit-sharing ratio, here $2:1:2$.

Step 1: Determine asset proceeds Half the stock has book value $2,20,000 \times 50\% =$ Rs $1,10,000$. Chatterjee takes it for $1,10,000 \times 90\% =$ Rs $99,000$. The remaining half sells for $1,10,000 \times 120\% =$ Rs $1,32,000$. Pillai takes Land and Building for Rs 10,00,000, and sale of Plant and Machinery brings Rs 20,000. Debtors are transferred at gross Rs 95,000 and the provision of Rs 5,000 is credited separately.

Step 2: Treat liabilities and expenses Transfer creditors Rs 1,10,000, outstanding expenses Rs 17,000 and Mrs. Madhavan's external loan Rs 2,00,000 to Realisation. As creditors accept debtors in full settlement, no further entry is required: both balances have already been transferred to Realisation. Madhavan takes responsibility for his wife's loan, so debit Realisation and credit his Capital Account with Rs 2,00,000. Outstanding expenses, with no other settlement specified, are paid at book value. Realisation expenses of Rs 17,000 are paid through Bank. The bank balance is not transferred to Realisation. Chatterjee's own loan is a partner's loan and is settled separately; it is excluded from this account.

Step 3: Prepare Realisation Account Realisation Account

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Stock	2,20,000	By Creditors	1,10,000
To Debtors	95,000	By Outstanding Expenses	17,000
To Land and Building	1,82,000	By Mrs. Madhavan's Loan	2,00,000
To Plant and Machinery	1,00,000	By Provision for doubtful debts	5,000
To Madhavan's Capital A/c	2,00,000	By Chatterjee's Capital A/c	99,000
To Bank (outstanding expenses)	17,000	By Pillai's Capital A/c	10,00,000
To Bank (realisation expenses)	17,000	By Bank (stock)	1,32,000
To Partners' Capital A/cs:		By Bank (plant and machinery)	20,000
Madhavan	3,00,800		
Chatterjee	1,50,400		
Pillai	3,00,800		
Total	15,83,000	Total	15,83,000

Step 4: Calculate and distribute the profit Total credit is Rs 15,83,000. Debit before profit is $2,20,000 + 95,000 + 1,82,000 + 1,00,000 + 2,00,000 + 17,000 + 17,000 =$ Rs $8,31,000$. Therefore realisation profit is $15,83,000 - 8,31,000 =$ Rs $7,52,000$. The shares transferred to capital are Madhavan $7,52,000 \times 2/5 =$ Rs $3,00,800$, Chatterjee $7,52,000 \times 1/5 =$ Rs $1,50,400$, and Pillai Rs

3,00,800. These transfers balance Realisation Account.

Step 5: Conclusion Realisation profit is Rs 7,52,000, shared by Madhavan, Chatterjee and Pillai as Rs 3,00,800, Rs 1,50,400 and Rs 3,00,800 respectively.

Quick Tip to Solve: When creditors accept debtors in full settlement, make no second settlement entry after transferring both balances.

26. ABC Ltd. was registered with authorised capital of Rs. 1,00,00,000 divided into 10,00,000 equity shares of Rs. 10 each. On 1st April, 2024, the company offered to the public for subscription, 1,00,000 shares. Applications for 99,000 shares were received and allotment was made in full to all the applicants. A shareholder holding 9,000 shares failed to pay the final call of Rs. 3 per share.

Answer the following questions: [6 marks]

26(i). The authorised capital of the company is: [1 mark]

(A) Rs. 10,00,000

(B) Rs. 9,90,000

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

(D) Rs. 99,45,000

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

Solution:

Concept:

- Capital categories use the nominal value of the relevant shares; calls-in-arrears measure only the called amount left unpaid.
- Use the quantity specified for the category and distinguish a number of shares from its value in rupees.

Step 1: Identify the capital ceiling Authorised capital is the maximum nominal share capital specified at registration. ABC Ltd. is registered with $10,00,000$ equity shares of face value Rs 10 each. Thus

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

Step 2: Check the alternatives Rs 10,00,000 in (A) is the capital offered to the public, while Rs 9,90,000 in (B) is the face value of shares subscribed. Rs 99,45,000 in (D) does not equal the registered nominal capital. Neither fewer applications nor unpaid calls alters the authorised ceiling.

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

Quick Tip to Solve: For authorised capital, multiply registered shares by face value; ignore subscription and unpaid calls.

26(ii). The issued capital of ABC Ltd. is: [1 mark]

(A) Rs. 1,00,000

(B) Rs. 99,000

(C) Rs. 94,500

(D) Rs. 10,00,000

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

Solution:

Concept:

- Capital categories use the nominal value of the relevant shares; calls-in-arrears measure only the called amount left unpaid.
- Use the quantity specified for the category and distinguish a number of shares from its value in rupees.

Step 1: Use shares offered for subscription Issued capital is the nominal value of the shares offered to the public. Here the company offered $1,00,000$ equity shares of face value Rs 10 each. Hence

$$\text{Issued capital} = 1,00,000 \times 10 = \text{Rs } 10,00,000.$$

Step 2: Check the alternatives Option (A), Rs 1,00,000, confuses the number of shares offered with their rupee value. Rs 99,000 in (B) is the number of shares subscribed, not issued capital. Rs 94,500 in (C) is also not the nominal value of the offered shares. Receiving fewer applications and a shareholder failing to pay a call do not change the number of shares issued.

Step 3: Conclusion Issued capital is Rs 10,00,000. Hence, the correct option is (D).

Quick Tip to Solve: For issued capital, use the 1,00,000 shares offered, not the 99,000 shares applied for.

26(iii). The amount of calls-in-arrears will be: [1 mark]

(A) Rs. 27,000

(B) Rs. 90,000

(C) Rs. 2,97,000

(D) Nil

Correct Answer: (A) Rs. 27,000

Solution:

Concept:

- Capital categories use the nominal value of the relevant shares; calls-in-arrears measure only the called amount left unpaid.
- Use the quantity specified for the category and distinguish a number of shares from its value in rupees.

Step 1: Calculate the unpaid call Calls-in-arrears are called amounts which shareholders have not

paid by the due date. The holder of $9,000$ shares did not pay the final call of Rs 3 per share. Therefore

$$\text{Calls-in-arrears} = 9,000 \times 3 = \text{Rs } 27,000.$$

Step 2: Check the alternatives Rs 90,000 in (B) uses the Rs 10 face value of the defaulting shares, although only Rs 3 per share is unpaid. Rs 2,97,000 in (C) equals the final call on all 99,000 allotted shares; it wrongly treats every shareholder as a defaulter. Nil in (D) is ruled out by the explicit failure to pay the final call.

Step 3: Conclusion Calls-in-arrears are Rs 27,000. Hence, the correct option is (A).

Quick Tip to Solve: Multiply defaulting shares by only the unpaid call per share, not the face value.

26(iv). The 'subscribed and fully paid up capital' of ABC Ltd. will be: [1 mark]

(A) Rs. 10,00,000

(B) Rs. 9,00,000

(C) Rs. 99,00,000

(D) Rs. 98,73,000

Correct Answer: (B) Rs. 9,00,000

Solution:

Concept:

- Fully paid shares are those on which the entire called face value has been received.
- Subscribed capital includes all allotted shares; the fully paid category excludes shares carrying calls in arrears.

Step 1: Identify the fully paid shares All $99,000$ applications were allotted. The holder of $9,000$ shares did not pay the final call, so fully paid shares number $99,000 - 9,000 = 90,000$.

Step 2: Value the fully paid category Each fully paid share carries its full face value of Rs 10. Thus fully paid subscribed capital is $90,000 \times 10 = \text{Rs } 9,00,000$. Option (A) is issued capital, while (C) and (D) exceed even the subscribed capital of Rs $9,90,000$.

Step 3: Conclusion Subscribed and fully paid up capital is Rs $9,00,000$. Hence, the correct option is (B).

Quick Tip to Solve: First remove the 9,000 defaulting shares, then multiply the remaining shares by Rs 10.

26(v). 'Subscribed but not fully paid up capital' of ABC Ltd. will be: [1 mark]

(A) Rs. 98,73,000

(B) Rs. 8,73,000

(C) Rs. 90,000

(D) Rs. 63,000

Correct Answer: (D) Rs. 63,000

Solution:

Concept:

- Shares with unpaid calls belong to the subscribed but not fully paid category.
- The amount paid on these shares equals their called face value less their calls in arrears.

Step 1: Find the amount paid per defaulting share The entire face value of Rs 10 has been called. Since the final call of Rs 3 remains unpaid, the amount received per defaulting share is $10 - 3 =$ Rs 7.

Step 2: Compute capital paid on this category The $9,000$ partly paid shares therefore represent $9,000 \times 7 =$ Rs $63,000$ paid up capital. Option (C), Rs $90,000$, is their gross called value before arrears; options (A) and (B) do not represent the amount paid on these shares.

Step 3: Conclusion Subscribed but not fully paid up capital is Rs $63,000$. Hence, the correct option is (D).

Quick Tip to Solve: For the partly paid category, use only 9,000 shares and the Rs 7 actually received per share.

26(vi). The amount of 'Share Capital' presented is the Balance Sheet of ABC Ltd. will be: [1 mark]

(A) Rs. 9,63,000

(B) Rs. 98,73,000

(C) Rs. 9,90,000

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

Correct Answer: (A) Rs. 9,63,000

Solution:

Concept:

- Share capital shown in the Balance Sheet is subscribed called up capital less calls in arrears.
- Authorised and issued capital are disclosed in the capital note; they do not replace the paid up total.

Step 1: Calculate subscribed capital and unpaid calls Subscribed called up capital is $99,000 \times 10 =$ Rs $9,90,000$. Calls in arrears are $9,000 \times 3 =$ Rs $27,000$.

Step 2: Determine the net share capital The Balance Sheet amount is $9,90,000 - 27,000 =$ Rs $9,63,000$. It also equals Rs $9,00,000$ fully paid capital plus Rs $63,000$ paid on partly paid shares. Option (C) ignores arrears, (D) is authorised capital, and (B) exceeds the allotted capital.

Step 3: Conclusion Share Capital presented in the Balance Sheet is Rs $9,63,000$. Hence, the correct

option is (A).

Quick Tip to Solve: Cross-check Rs 9,63,000 by adding the fully paid and partly paid capital categories.

Part B (20 marks)

Option I (Analysis of Financial Statements)

27(a). Operating ratio of a company is 63%. Its gross profit ratio is 20%. What will be its operating profit ratio? [1 mark]

(A) 27%

(B) 23%

(C) 43%

(D) 83%

Correct Answer: No correct printed option: the operating ratio of 63% implies an operating profit ratio of 37%.

Solution:

Concept:

- Operating ratio measures operating cost as a percentage of revenue from operations.
- Operating profit ratio and operating ratio have the same revenue base and sum to 100%.

Step 1: Apply the complementary ratio relation

$$\text{Operating profit ratio} = 100\% - \text{Operating ratio} = 100\% - 63\% = 37\%.$$

The given gross profit ratio is not required for this calculation.

Step 2: Check every printed option Options (A), (B), (C) and (D) give 27%, 23%, 43% and 83%, respectively. None equals 37%. Subtracting gross profit ratio from operating ratio would give 43%, but that is not the formula for operating profit ratio. The supplied figures are also inconsistent under the usual assumption of non-negative operating expenses, since operating profit would exceed gross profit.

Step 3: Conclusion The operating profit ratio implied by the printed operating ratio is 37%. No printed option is correct.

Quick Tip to Solve: Subtract operating ratio directly from 100%; do not subtract the gross profit ratio.

OR

27(b). Which of the following is not a purpose of analysis of financial statements? [1 mark]

(A) To assess the current profitability and the operational efficiency of the firm.

(B) To ascertain the relative importance of different components of financial position of the firm.

(C) To just study the reports of the company.

(D) To judge the ability of the firm to repay its debt.

Correct Answer: (C) To just study the reports of the company.

Solution:

Concept:

- Financial statement analysis interprets accounting information for useful economic decisions.
- Its objectives include evaluating profitability, efficiency, financial position and debt repayment capacity.

Step 1: Check the substantive objectives Option (A) evaluates profitability and operating efficiency. Option (B) examines the relative importance of components of financial position, as in common-size analysis. Option (D) assesses debt repayment ability. All three are recognised purposes of analysis.

Step 2: Identify the statement without an analytical purpose Option (C) merely describes studying company reports. Reading a report without evaluating relationships, performance or financial strength is not itself the purpose of financial statement analysis. Analysis must turn the reported figures into useful conclusions.

Step 3: Conclusion To just study the reports of the company is not a purpose of analysis. Hence, the correct option is (C).

Quick Tip to Solve: For a negative objective question, distinguish merely reading reports from evaluating performance or financial strength.

28. Ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources are called: [1 mark]

(A) Activity Ratios

(B) Profitability Ratios

(C) Solvency Ratios

(D) Liquidity Ratios

Correct Answer: (A) Activity Ratios

Solution:

Concept:

- Activity or turnover ratios measure the efficiency with which an enterprise uses its resources.
- Examples include inventory turnover, trade receivables turnover and working capital turnover.

Step 1: Match the defining words The question stresses efficiency of operations through effective utilisation of resources. This describes activity ratios: they relate business activity, such as sales or

cost of revenue, to the resources used to generate it.

Step 2: Eliminate the other ratio classes Profitability ratios in (B) measure earning capacity. Solvency ratios in (C) assess long-term financial soundness and debt servicing. Liquidity ratios in (D) assess the ability to meet short-term obligations. These do not match the stated resource-utilisation definition.

Step 3: Conclusion The ratios are Activity Ratios. Hence, the correct option is (A).

Quick Tip to Solve: Link the words effective utilisation of resources to activity or turnover ratios.

29(a). The activities that result in changes in the size and composition of the owners' capital and borrowings of the enterprise are called ____. [1 mark]

(A) Operating Activities

(B) Investing Activities

(C) Managerial Activities

(D) Financing Activities

Correct Answer: (D) Financing Activities

Solution:

Concept:

- Financing activities change the size or composition of owners' capital and enterprise borrowings.
- Examples are proceeds from issue of shares or debentures and repayment of borrowings.

Step 1: Identify the source of funds affected The question expressly refers to owners' capital and borrowings. Both are sources of finance, so changes in these sources fall within financing activities under the cash flow classification.

Step 2: Distinguish the remaining options Operating activities in (A) are principal revenue-producing activities. Investing activities in (B) concern acquisition or disposal of long-term assets and investments. Managerial activities in (C) are not a separate prescribed cash flow category. Therefore only financing activities match the definition.

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

Quick Tip to Solve: When the definition mentions owners' capital or borrowings, choose financing activities.

OR

29(b). Which of the following transactions will not result in the inflow of cash? [1 mark]

(A) Cash deposited in the bank Rs. 80,000

(B) Payment of salaries Rs. 50,000

(C) Issue of 9% debentures Rs. 10,00,000

(D) Purchase of machinery Rs. 2,00,000

Correct Answer: Multiple printed options are valid: (A), (B) and (D) do not result in cash inflow.

Solution:

Concept:

- A cash inflow increases cash and cash equivalents from an external transaction.
- Transfers between cash and bank do not change total cash and cash equivalents, whereas payments reduce them.

Step 1: Assess options (A) and (B) In (A), depositing Rs $80,000$ cash in the bank decreases cash in hand and increases bank balance equally; it is an internal transfer, not an inflow. In (B), payment of salaries Rs $50,000$ is an operating cash outflow, so it too does not create an inflow.

Step 2: Assess options (C) and (D) Issue of debentures for cash in (C) brings Rs $10,00,000$ into the enterprise as a financing inflow. Purchase of machinery for cash in (D) uses Rs $2,00,000$ and is an investing outflow. Thus (A), (B) and (D) all satisfy the printed wording; there is no unique correct alternative.

Step 3: Conclusion Options (A), (B) and (D) do not result in a cash inflow. The printed question has multiple valid options.

Quick Tip to Solve: Classify all four transactions before choosing: internal transfers and cash payments both fail the inflow test.

30. Statement I: In case of non-financial enterprises, payment of interest and dividends are classified as financing activities, whereas receipt of interest and dividends are classified as investing activities.

Statement II: Investing and financing transactions that require the use of cash or cash equivalents, should be excluded from cash flow statement.

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

(A) Both the statements are false.

(B) Both the statements are true.

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

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

Correct Answer: (D) Statement I is true and Statement II is false.

Solution:

Concept:

- For a non-financial enterprise, interest and dividend payments are financing cash flows; their receipts are investing cash flows.
- Only investing and financing transactions without the use of cash or cash equivalents are excluded from the cash flow statement.

Step 1: Judge Statement I Statement I correctly classifies interest and dividends for a non-financial enterprise. Payments are financing activities and receipts are investing activities. Therefore Statement I is true.

Step 2: Judge Statement II and compare the choices Statement II says that transactions requiring cash or cash equivalents should be excluded. This reverses the rule: cash transactions belong in the statement; non-cash transactions, such as acquiring an asset by issuing shares, are excluded. Statement II is false. Options (A) and (C) wrongly reject Statement I, and (B) wrongly accepts Statement II.

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

Quick Tip to Solve: Watch the word require: exclusion applies when the transaction does not use cash or cash equivalents.

31. Under which major headings and sub-headings (if any) will the following items be presented in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

(a) Livestock

(b) Loose Tools

(c) Design [3 marks]

Solution:

Concept:

- Classification depends on the nature and use of an asset. Assets held for continuing use belong to non-current assets; items forming part of operating inventories belong to current assets.

- Property, Plant and Equipment comprises tangible assets, whereas intangible assets represent identifiable rights or resources without physical substance. Inventories include stores, spares and loose tools.

Step 1: Classify livestock Livestock has physical existence and, in the classification asked here, represents a tangible asset used in the business. It is presented under the major heading Non-Current Assets, under Property, Plant and Equipment and Intangible Assets, and then Property, Plant and Equipment (Tangible Assets).

Step 2: Classify loose tools Loose tools are included in inventories, like stores and small tools used in operations. Therefore, the major heading is Current Assets and the sub-heading is Inventories. They should not be grouped with intangible assets merely because their individual values may be small.

Step 3: Classify design A design represents an identifiable right without physical substance. Accordingly, its major heading is Non-Current Assets, with Property, Plant and Equipment and Intangible Assets as the intermediate heading and Intangible Assets as the sub-heading.

Step 4: Conclusion Livestock: Non-Current Assets – Property, Plant and Equipment (Tangible Assets). Loose tools: Current Assets – Inventories. Design: Non-Current Assets – Intangible Assets.

Quick Tip to Solve: First ask whether an item has physical substance; then distinguish a lasting business asset from operating inventories.

32. From the following Balance Sheet of Nayak Ltd. prepare a Comparative Balance Sheet:

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

Particulars	31.3.2024 (Rs.)	31.3.2023 (Rs.)
I - Equity and Liabilities:		
1. Shareholders' Funds		
Share Capital	6,00,000	4,00,000
2. Non-Current Liabilities		
Long-term borrowings	2,25,000	1,50,000
3. Current Liabilities		
Trade Payables	75,000	50,000
Total	9,00,000	6,00,000
II - Assets:		
1. Non-Current Assets		
Property, Plant and Equipment and Intangible Assets	6,75,000	4,50,000
2. Current Assets		
(a) Inventories	1,50,000	1,00,000
(b) Cash and Cash Equivalents	75,000	50,000
Total	9,00,000	6,00,000

[3 marks]

Solution:

Concept:

- A comparative balance sheet places the previous and current year amounts side by side and shows the absolute and percentage change for each item.
- Absolute change = Current year amount minus Previous year amount. Percentage change = Absolute change divided by Previous year amount, multiplied by 100. Here 31 March 2023 is the base date.

Step 1: Compute the changes For share capital, the increase is Rs 6,00,000 minus Rs 4,00,000 = Rs 2,00,000; hence the percentage increase is $2,00,000/4,00,000 \times 100 = 50\%$. The other items also increase by one-half of their previous year amounts. For example, inventories rise by Rs 50,000 on a base of Rs 1,00,000, while long-term borrowings rise by Rs 75,000 on a base of Rs 1,50,000.

Step 2: Prepare the comparative statement Comparative Balance Sheet of Nayak Ltd. as at 31 March 2023 and 31 March 2024

Particulars	2023 (Rs)	2024 (Rs)	Increase (Rs)	%
I. Equity and Liabilities				
Shareholders' Funds:				
Share Capital	4,00,000	6,00,000	2,00,000	50
Non-Current Liabilities:				
Long-term borrowings	1,50,000	2,25,000	75,000	50
Current Liabilities:				
Trade Payables	50,000	75,000	25,000	50
Total	6,00,000	9,00,000	3,00,000	50
II. Assets				
Non-Current Assets:				
Property, Plant and Equipment and Intangible Assets	4,50,000	6,75,000	2,25,000	50
Current Assets:				
Inventories	1,00,000	1,50,000	50,000	50
Cash and Cash Equivalents	50,000	75,000	25,000	50
Total	6,00,000	9,00,000	3,00,000	50

Both sides increase by Rs 3,00,000, confirming that the comparative balance sheet remains balanced.

Step 3: Conclusion Total assets and total equity and liabilities each increase from Rs 6,00,000 to Rs 9,00,000, an increase of Rs 3,00,000 or 50%. Every listed item increases by 50%.

Quick Tip to Solve: Use the older year as the percentage base; a uniform 50 percent rise lets you cross-check every row quickly.

33(a). The current ratio of Jack Ltd. is 3.2 : 1 and the quick ratio is 1.5 : 1. The excess of current assets over quick assets was represented by inventories which were Rs. 68,000. Calculate:

(i) Current Assets

(ii) Quick Assets

(iii) Current Liabilities [4 marks]

Solution:

Concept:

- Let CA denote current assets, QA denote quick assets and CL denote current liabilities. The current ratio is CA/CL, and the quick ratio is QA/CL. Both ratios have the same denominator.
- Quick assets exclude inventories and prepaid expenses from current assets. In this question, the entire excess of current assets over quick assets is expressly represented by inventories of Rs 68,000.

Step 1: Express the assets in terms of current liabilities Let current liabilities be Rs x, where $x > 0$. Since the current ratio is $3.2 : 1$, current assets are Rs $3.2x$. Since the quick ratio is $1.5 : 1$, quick assets are Rs $1.5x$. The ratios must be applied to the same liabilities figure; the two asset amounts cannot be determined by treating either ratio independently.

Step 2: Calculate current liabilities The difference between these two asset amounts equals inventories. Thus,

$$\begin{aligned} 3.2x - 1.5x &= 68,000 \\ 1.7x &= 68,000 \\ x &= \frac{68,000}{1.7} = 40,000. \end{aligned}$$

Therefore, current liabilities are Rs 40,000. Subtracting the ratios is valid here because both ratios divide their respective assets by the identical current liabilities.

Step 3: Calculate the requested asset amounts Using the liabilities just calculated,

$$\begin{aligned} \text{Current Assets} &= 3.2 \times 40,000 = \text{Rs } 1,28,000, \\ \text{Quick Assets} &= 1.5 \times 40,000 = \text{Rs } 60,000. \end{aligned}$$

As a check, Rs 1,28,000 minus Rs 60,000 equals Rs 68,000, exactly the inventories given. Also, $1,28,000/40,000 = 3.2$ and $60,000/40,000 = 1.5$, so both original ratios are satisfied.

Step 4: Conclusion (i) Current Assets = Rs 1,28,000; (ii) Quick Assets = Rs 60,000; (iii) Current Liabilities = Rs 40,000.

Quick Tip to Solve: Divide inventories by the difference between the current and quick ratios to find their common current-liabilities base.

OR

33(b). From the following information obtained from the books of KVK Ltd., calculate 'Net Assets Turnover Ratio' and 'Debt Equity Ratio':

Information	Amount (Rs.)
Preference Share Capital	8,00,000
Equity Share Capital	12,00,000
General Reserve	2,00,000
Balance in the Statement of Profit and Loss	6,00,000
15% Debentures	4,00,000
12% Loan	4,00,000
Revenue from Operations for the year 2023-24	72,00,000

[4 marks]

Solution:

Concept:

- Shareholders' funds comprise equity share capital, preference share capital and reserves and surplus. Preference capital belongs to shareholders and is not long-term debt for this ratio.
- Net assets, or capital employed, equal shareholders' funds plus long-term borrowings. Net assets turnover ratio equals revenue from operations divided by capital employed.
- Debt-equity ratio equals long-term debt divided by shareholders' funds. Both debentures and the loan form part of long-term debt here.

Step 1: Calculate shareholders' funds Include both classes of share capital and both accumulated reserves:

$$\begin{aligned}\text{Shareholders' funds} &= 8,00,000 + 12,00,000 + 2,00,000 + 6,00,000 \\ &= \text{Rs } 28,00,000.\end{aligned}$$

The general reserve and the credit balance of the Statement of Profit and Loss represent retained earnings belonging to the shareholders.

Step 2: Calculate long-term debt and capital employed The percentages attached to the borrowings are interest rates; they do not change their principal amounts for these ratios.

$$\begin{aligned}\text{Long-term debt} &= 4,00,000 + 4,00,000 \\ &= \text{Rs } 8,00,000, \\ \text{Capital employed} &= 28,00,000 + 8,00,000 \\ &= \text{Rs } 36,00,000.\end{aligned}$$

Only one set of capital balances is supplied, so capital employed is determined from these given balances.

Step 3: Apply the two ratio formulae

$$\text{Net assets turnover ratio} = \frac{72,00,000}{36,00,000} = 2 \text{ times},$$
$$\text{Debt-equity ratio} = \frac{8,00,000}{28,00,000} = \frac{2}{7} : 1 \approx 0.286 : 1.$$

Thus each rupee of capital employed generates two rupees of revenue, while long-term debt is approximately 28.6 percent of shareholders' funds.

Step 4: Conclusion Net Assets Turnover Ratio: $\boxed{2 \text{ times}}$.
Debt Equity Ratio: $\boxed{2 : 7}$, approximately $0.286 : 1$.

Quick Tip to Solve: Include preference capital in shareholders' funds; include both loan principals in debt without multiplying them by their interest rates.

34(a). The following information has been extracted from the books of Ram Lal Ltd.:

Particulars	31.3.2024 (Rs.)	31.3.2023 (Rs.)
Surplus: Balance in Statement of Profit and Loss	17,00,000	8,00,000
Patents	-	50,000
Sundry Debtors	5,80,000	4,20,000
Sundry Creditors	1,40,000	60,000
Cash and Cash Equivalents	2,00,000	90,000

Additional Information:
Interim dividend paid during the year was Rs. 1,20,000.
Calculate Cash Flows from Operating Activities. [6 marks total]

Solution:

Concept:

- Under the indirect method, start with the profit for the year, add back non-cash charges, then adjust changes in operating current assets and operating current liabilities.
- Interim dividend reduces retained surplus but represents a financing cash outflow. Add it to the increase in surplus to reconstruct the profit earned during the year.
- An increase in debtors is deducted because the related revenue has not yet been collected. An increase in creditors is added because operating payments have been deferred.

Step 1: Reconstruct the profit for the year The increase in the Statement of Profit and Loss balance is the amount retained after payment of interim dividend. Therefore:

$$\begin{aligned}\text{Increase in surplus} &= 17,00,000 - 8,00,000 \\ &= \text{Rs } 9,00,000, \\ \text{Profit for the year} &= 9,00,000 + 1,20,000 \\ &= \text{Rs } 10,20,000.\end{aligned}$$

No tax provision or tax payment is supplied. There is therefore no separate tax adjustment in this calculation.

Step 2: Identify non-cash and working-capital adjustments Patents fall from Rs 50,000 to nil. With no sale or other transaction specified, the amount written off is Rs 50,000. Add this non-cash expense back to profit.

$$\begin{aligned} \text{Increase in debtors} &= 5,80,000 - 4,20,000 \\ &= \text{Rs } 1,60,000, \\ \text{Increase in creditors} &= 1,40,000 - 60,000 \\ &= \text{Rs } 80,000. \end{aligned}$$

Deduct the increase in debtors and add the increase in creditors. Cash and cash equivalents themselves are excluded from working-capital adjustments: their change is the outcome of the total cash flow statement.

Step 3: Prepare the operating activities section Cash Flow Statement of Ram Lal Ltd. (extract) for the year ended 31 March 2024

Particulars	Amount (Rs)
A. Cash flows from operating activities	
Net profit before tax	10,20,000
Add: Patents written off	50,000
Operating profit before working-capital changes	10,70,000
Less: Increase in sundry debtors	(1,60,000)
Add: Increase in sundry creditors	80,000
Cash generated from operations	9,90,000
Less: Income tax paid (no payment given)	–
Net cash from operating activities	**9,90,000**

The interim dividend is used only to reconstruct profit here; its actual cash payment belongs in financing activities, so it is not deducted again in this operating section.

Step 4: Conclusion Cash flow from operating activities is a net inflow of $\boxed{\text{Rs } 9,90,000}$.

Quick Tip to Solve: Reconstruct profit by adding the interim dividend to the surplus increase before adding back patents and adjusting debtors and creditors.

34(b). The following information has been extracted from the books of Lata Ltd.:

Particulars	31.3.2024 (Rs.)	31.3.2023 (Rs.)
Machinery (Cost)	70,00,000	50,00,000
Accumulated Depreciation	10,00,000	8,00,000

Additional Information:

(i) During the year a piece of machinery costing Rs. 1,40,000 on which accumulated depreciation was Rs. 90,000, was sold at a gain of Rs. 10,000.

(ii) Depreciation charged during the year amounted to Rs. 2,90,000.

Calculate Cash Flows from Investing Activities.

Solution:

Concept:

- Purchases of machinery are investing cash outflows; cash received on sale of machinery is an investing cash inflow.
- Carrying amount equals original cost less accumulated depreciation. Sale proceeds equal carrying amount plus gain on sale.
- The machinery account is maintained at cost, so depreciation does not reduce its balance.

Step 1: Calculate the sale proceeds The machinery sold cost Rs 1,40,000 and had accumulated depreciation of Rs 90,000. Therefore, its carrying amount was $1,40,000 - 90,000 = \text{Rs } 50,000$. Since the gain on sale was Rs 10,000, the cash received was

$$\text{Sale proceeds} = 50,000 + 10,000 = \text{Rs } 60,000.$$

The gain alone is not the cash received.

Step 2: Determine the purchase of machinery The closing cost comprises opening cost plus purchases less the original cost of machinery sold. Hence,

$$\begin{aligned}\text{Purchases} &= \text{Closing cost} - \text{Opening cost} + \text{Cost sold} \\ &= 70,00,000 - 50,00,000 + 1,40,000 \\ &= \text{Rs } 21,40,000.\end{aligned}$$

This is the cash outflow for acquisition of machinery. Depreciation is excluded from this cost-account calculation.

Step 3: Prepare the machinery account Machinery Account (at cost)

Dr.	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Cr.
	To Balance b/d	50,00,000	By Disposal A/c	1,40,000	
	To Bank A/c	21,40,000	By Balance c/d	70,00,000	
	Total	71,40,000	Total	71,40,000	

Step 4: Check accumulated depreciation The opening accumulated depreciation plus the annual charge, less the depreciation attached to the asset sold, gives

$$8,00,000 + 2,90,000 - 90,000 = \text{Rs } 10,00,000.$$

This agrees with the closing balance. The annual depreciation of Rs 2,90,000 is a non-cash charge and is not included as an investing cash payment.

Step 5: Present investing cash flows Lata Ltd. — Cash Flows from Investing Activities for the year ended 31 March 2024

Particulars	Amount (Rs)
Cash received from sale of machinery	60,000
Cash paid for purchase of machinery	(21,40,000)
Net cash used in investing activities	(20,80,000)

The inflow and outflow are shown separately; parentheses denote a cash outflow.

Step 6: Conclusion Net cash used in investing activities is Rs 20,80,000.

Quick Tip to Solve: Use cost balances to find purchases, then use carrying amount plus gain to find sale proceeds.

Option II (Computerised Accounting)

27(a). Name the accounting information sub-system which deals with payment of wages and salaries of employees. [1 mark]

(A) Costing sub-system

(B) Expense accounting sub-system

(C) Payroll accounting sub-system

(D) Tax accounting sub-system

Correct Answer: (C) Payroll accounting sub-system

Solution:

Concept:

- A payroll accounting sub-system maintains employee earnings, deductions and the net wages or salaries payable.
- Accounting information is organised into specialised sub-systems according to the transactions processed.

Step 1: Identify the transaction The transaction concerns remuneration of employees: wages and salaries. Payroll records calculate gross pay, deduct authorised amounts and determine the net amount paid to each employee.

Step 2: Compare the options The costing sub-system measures the cost of products or services. Expense accounting handles general expenditure, while tax accounting handles tax obligations. Payroll is the specific sub-system for employee remuneration.

Step 3: Conclusion The correct option is (C): Payroll accounting sub-system.

Quick Tip to Solve: Link employee earnings, deductions and net pay directly with payroll accounting.

OR

27(b). When the accumulated data from various sources is processed in one slot it is called: [1 mark]

(A) Batch processing

(B) Data validation

(C) Real time processing

(D) Processing and Revalidation

Correct Answer: (A) Batch processing

Solution:

Concept:

- Batch processing collects transactions over a period and processes the accumulated group in one run.
- Real time processing updates records as individual transactions occur.

Step 1: Identify the processing pattern The data from various sources is first accumulated. It is subsequently processed together in one slot, rather than being processed immediately as each transaction arises. This is the defining feature of a batch.

Step 2: Eliminate the other choices Data validation checks whether inputs satisfy prescribed rules; it is not a timing method. Real time processing deals with transactions as they occur. Processing and revalidation does not describe processing an accumulated group in a single run.

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

Quick Tip to Solve: The words accumulated data and one slot together identify batch processing.

28. A cell reference that either holds raw or column constant when the formula or function is copied to another location is known as: [1 mark]

(A) Mixed cell reference

(B) Relative cell reference

(C) Ranges

(D) Absolute cell reference

Correct Answer: (A) Mixed cell reference

Solution:

Concept:

- A mixed cell reference fixes either the column or the row, while allowing the other component to change when copied.
- In spreadsheet notation, the dollar sign fixes the component immediately following it.

Step 1: Apply the condition in the question The question describes holding either the row or the column constant. For example, $A1 fixes column A but allows the row to change; A$1 fixes row 1 but allows the column to change. Each is a mixed reference.

Step 2: Distinguish the alternatives A relative reference such as A1 permits both components to

change. An absolute reference such as A1 fixes both components, rather than just one. A range is a group of cells and does not specify this copying behaviour.

Step 3: Conclusion The correct option is (A): Mixed cell reference.

Quick Tip to Solve: One fixed component means mixed; two fixed components mean absolute.

29(a). 'MAJN' for Mangaluru Junction is an example of: [1 mark]

(A) Secret code

(B) Mnemonic code

(C) Sequential code

(D) Block code

Correct Answer: (B) Mnemonic code

Solution:

Concept:

- A mnemonic code uses recognisable letters or abbreviations associated with the name of the item represented.
- Sequential codes follow an ordered series, while block codes allocate groups of codes to categories.

Step 1: Interpret the given code MAJN uses letters associated with Mangaluru Junction. Its connection with the station name helps a user remember and recognise what the code represents. This meaningful association is the defining feature of a mnemonic code.

Step 2: Compare the alternatives A secret code conceals meaning, whereas this abbreviation helps recall it. A sequential code is assigned according to an ordered sequence. A block code identifies membership of a reserved block. Neither of those allocation patterns is illustrated by MAJN.

Step 3: Conclusion The correct option is (B): Mnemonic code.

Quick Tip to Solve: When an abbreviation helps recall the underlying name, identify it as a mnemonic code.

OR

29(b). Which of the following is not contained in Account group - Current Liabilities in the Account group of Balance Sheet? [1 mark]

(A) Bank Overdraft

(B) Duties and Taxes

(C) Provisions

(D) Sundry Creditors

Correct Answer: (A) Bank Overdraft

Solution:

Concept:

- In computerised accounting, account groups determine where ledger accounts appear in reports.
- Bank overdraft is grouped under loans or borrowings; duties and taxes, provisions and sundry creditors are sub-groups of Current Liabilities.

Step 1: Identify the exception Bank Overdraft is placed in the Bank OD account sub-group under Loans (Liability) in the standard computerised account-group hierarchy. It is therefore the item outside the specified Current Liabilities account group.

Step 2: Check the remaining choices Duties and Taxes, Provisions and Sundry Creditors are included under the Current Liabilities account group. Although a bank overdraft may be described as a current liability in financial analysis, this question asks about the software account-group hierarchy.

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

Quick Tip to Solve: For account-group questions, use the software hierarchy: Bank OD falls under Loans (Liability).

30. In a graph, the area bounded by different axes is known as: [1 mark]

(A) Data point

(B) Axis title

(C) Plot area

(D) Legend

Correct Answer: (C) Plot area

Solution:

Concept:

- The plot area is the region enclosed by a chart's axes in which the data series are displayed.
- A chart also contains descriptive elements such as axis titles and a legend.

Step 1: Locate the region described The horizontal and vertical axes bound the region where values are plotted as points, lines, columns or other data representations. This interior region is called the plot area.

Step 2: Distinguish the other chart elements A data point is one plotted observation, not the entire

enclosed region. An axis title names the quantity shown along an axis. A legend identifies the data series through their symbols or colours. None of these names the area bounded by the axes.

Step 3: Conclusion The correct option is (C): Plot area.

Quick Tip to Solve: Picture the axes as the boundary: the data drawn inside them occupies the plot area.

31. Explain the ways in which accounting software provide data security, safety and confidentiality.

[3 marks]

Solution:

Concept:

- Data security prevents unauthorised access and alteration; confidentiality restricts disclosure of financial information.
- Data safety protects accounting records against accidental loss and permits recovery after a failure.

Step 1: Password protection and user identification Accounting software protects the company data through user names and passwords. Only an authenticated user can open the protected company or accounting file. Passwords should be kept confidential and changed periodically, so that an outsider cannot use the identity of an authorised employee.

Step 2: Access rights and confidentiality The administrator assigns user-specific rights according to duties. For example, a data-entry operator may enter vouchers but may not alter the chart of accounts or view confidential payroll reports. Restricting the ability to view, create, modify, delete or print information prevents unauthorised disclosure and changes. Encryption, where provided, makes stored data unreadable without the authorised key or password.

Step 3: Backup, restoration and safety controls Regular backup copies of the accounting data are maintained on a separate secure storage device or location. If records are lost through equipment failure, accidental deletion or corruption, the restore facility recovers them from the backup. Audit trails record who entered or changed transactions and help trace improper changes; these controls support accountability and the integrity of accounting records.

Step 4: Conclusion Accounting software provides security and confidentiality through passwords and controlled user access, and safety through secure backups, restoration and records of changes.

Quick Tip to Solve: Link passwords with access, user rights with confidentiality, and backup with recovery of lost data.

32. In an accounting software how many pre-defined account groups exist? State their further division with reference to number and type.

[3 marks]

Solution:

Concept:

- An account group collects ledger accounts of similar nature under a common accounting head.

- Primary groups are the main heads; sub-groups provide a more detailed classification beneath them.

Step 1: State the total and its first division There are 28 pre-defined account groups. These are divided into 15 primary groups and 13 sub-groups. Thus, the number of groups is $15 + 13 = 28$. The primary groups organise accounts under the major heads used in preparing the financial statements.

Step 2: Explain the primary groups by number and type Of the 15 primary groups, 9 relate to Balance Sheet items and are capital in nature, while 6 relate to the Trading and Profit and Loss Account and are revenue in nature. For example, Capital Account and Fixed Assets are Balance Sheet groups; Sales Accounts and Purchase Accounts are revenue groups. Hence, $9 + 6 = 15$ primary groups.

Step 3: Explain the sub-groups The remaining 13 groups are sub-groups under the appropriate primary groups. They classify similar accounts more specifically: for example, Sundry Debtors, Bank Accounts and Cash-in-hand fall under Current Assets, while Sundry Creditors falls under Current Liabilities. A sub-group is therefore a subdivision of a main accounting head, rather than an additional primary group.

Step 4: Conclusion The 28 pre-defined groups comprise 15 primary groups (9 capital/Balance Sheet groups and 6 revenue/Profit and Loss groups) and 13 sub-groups.

Quick Tip to Solve: Remember the hierarchy as $28 = 15 + 13$, followed by $15 = 9 + 6$; the second division applies only to primary groups.

33(a). State the steps to prepare a chart. [4 marks]

Solution:

Concept:

- A chart presents worksheet data graphically so that comparisons, trends and relationships can be understood easily.
- A chart uses a source-data range, a chart type, data series, category labels and suitable descriptive elements.

Step 1: Arrange and select the source data Enter the data in a worksheet in a clear row-and-column arrangement. Put the category names and the names of the data series in headings, and check that the values are correct. Select the complete range to be charted, including the relevant row and column headings. These headings supply category labels and series names, avoiding an unexplained chart.

Step 2: Insert the chart and select its type Choose the Insert tab and select the required chart from the Charts group. Choose an appropriate type and subtype, such as a column chart for comparison, a line chart for a time trend or a pie chart for parts of a total. In versions using the Chart Wizard, choose Insert Chart and select the chart type and subtype before proceeding to the source-data stage.

Step 3: Verify the data range and series Check the source-data range and confirm whether the series are arranged in rows or columns. Use Select Data, or the corresponding Chart Wizard source-data options, to add or correct series names and category labels. Check the preview to make sure that each plotted value represents the intended worksheet entry and that the categories appear in the correct

order.

Step 4: Add chart options and choose its location Give the chart a meaningful title. Add appropriate horizontal and vertical axis titles, a legend, data labels and gridlines wherever useful; for example, an axis title should identify the quantity and its unit. Choose whether the chart will appear as an embedded object in the current worksheet or on a separate chart sheet. Complete the insertion (Finish in the Chart Wizard), then resize, position and format the chart for clear reading.

Step 5: Conclusion Prepare a chart by selecting labelled data, choosing a suitable chart type, verifying the data series, setting chart options and placing the completed chart in the required worksheet or chart sheet.

Quick Tip to Solve: Select headings along with values before inserting the chart; then check the category labels and series orientation in the preview.

OR

33(b). What is meant by internal margin while using MS Excel? State the options available. [4 marks]

Solution:

Concept:

- An internal margin is the blank space between the boundary of a text box or shape and the text placed inside it in an Excel worksheet or chart.
- Internal margins control the position and spacing of text within its container. They differ from page margins, which control the space around printed worksheet content.

Step 1: Meaning of internal margin When text is entered in a text box, it need not touch the border of the box. The distance maintained between that border and the text is the internal margin. It gives the text a clear inset from the boundary and improves its readability. Changing an internal margin changes the usable space for text inside the box; it does not change the worksheet's row or column margins or its printing margins.

Step 2: Options available The four internal-margin options are:

1. Left: the space between the left boundary of the text box and the text.
2. Right: the space between the right boundary of the text box and the text.
3. Top: the space between the upper boundary of the text box and the text.
4. Bottom: the space between the lower boundary of the text box and the text.

Each option may be adjusted separately. For example, increasing the left margin moves the beginning of the text farther away from the left border, while increasing the top margin moves the text farther below the upper border.

Step 3: Locate the settings Select the text box or shape and open its formatting dialog or pane, usually through Format Shape. Under Text Options or Text Box, locate the Internal Margin settings. Enter the required Left, Right, Top and Bottom values. The names and position of the dialog controls can vary with the Excel version, but the four margins refer to the same four sides of the text container.

Step 4: Conclusion Internal margin means the space between text and the inside boundary of its text

box or shape. Its four options are Left, Right, Top and Bottom.

Quick Tip to Solve: Link each internal margin to a side of the text box; do not confuse it with worksheet page margins.

34. = SUM (B2B3) will give an error while using a spreadsheet. Identify the error and state the steps to correct it. [6 marks]

Solution:

Concept:

- The SUM function adds numbers supplied as individual arguments or as a cell range. A colon separates the first and last cell references in a continuous range.
- The Excel error `#NAME?` indicates that a formula contains text or a name which Excel does not recognise. An omitted separator between cell references can produce this error.

Step 1: Identify the error In the formula `=SUM(B2B3)`, the references `B2` and `B3` have been joined without a separator. Excel does not interpret `B2B3` as the two cells B2 and B3. It treats this expression as a name. Since the name has not been defined, the formula produces the `#NAME?` error. Thus, the mistake is a missing colon between the two cell references when a continuous range is intended. The issue is in the function's argument, not in the spelling of SUM.

Step 2: Select the cell and edit the formula Click the worksheet cell displaying the error. Examine its formula in the Formula Bar. Click in the Formula Bar or press F2 to enter edit mode. Locate the expression `B2B3` inside the parentheses. Place the cursor between `B2` and `B3`; the separator must go between the two complete cell addresses, not between the column letter and row number of either address.

Step 3: Insert the correct range separator Insert a colon so that the formula becomes `=SUM(B2:B3)`. Here, `B2:B3` denotes the continuous range starting at B2 and ending at B3, including both endpoints. Check that the formula begins with an equals sign, that SUM is followed by an opening parenthesis, and that the closing parenthesis remains at the end. No change to the values in the source cells is required to correct this missing-separator error.

Step 4: Confirm and check the result Press Enter to accept the corrected formula. Excel will calculate the total of the numeric values in B2 and B3 and display the result in the selected cell. Compare this result with the sum of those two cells to confirm that the intended references have been used. For these two adjacent cells, `=SUM(B2,B3)` also expresses the addition as separate arguments in the usual comma-separated syntax; however, `=SUM(B2:B3)` is the direct correction using a continuous range.

Step 5: Conclusion The error is `#NAME?`, caused by the unrecognised name `B2B3`. Edit the formula, insert the missing colon, and press Enter: `=SUM(B2:B3)`.

Quick Tip to Solve: Read B2:B3 as "B2 through B3"; a colon joins the endpoints of a continuous cell range.